

Advocates Need To Make The Important Case For Free Trade

SIMON LESTER - SEPTEMBER 19, 2012

Reading the Republican and Democratic Party platforms on trade policy, there appears to be something of a bipartisan consensus on trade. But don't get too excited. This agreement was only achieved by sweeping the difficult issues under the rug, and masking the real debate with misleading rhetoric.

There are three main trade policy themes that can be seen in both party platforms. Unfortunately, each of them is a fundamentally flawed way of looking at trade policy, and distracts from the real issues.

First, both parties focus on the jobs created by exports as a benefit of trade, without mentioning the role of imports. The Republicans note that "every \$1 billion in additional U.S. exports means another 5,000 jobs here at home."

Along the same lines, the Democrats refer to the goal of doubling exports by 2015.

There is no doubt that exports are good for domestic producers, but imports are just as beneficial, if not more so, to domestic consumers. Import competition leads to lower prices, higher quality and a greater variety of goods and services to choose from. But the parties seem to want to pretend that imports are not a part of international trade.

Obama's 'Surrender'

Second, both parties point to China as "cheating" in the world trading system. The Republicans contend that "some governments" (China is mentioned as the "chief offender") "have used a variety of unfair means to limit American access to their markets while stealing our designs, patents, brands, know-how, and technology — the 'intellectual property' that drives innovation."

According to the Republicans, President Obama's approach to this issue has been a "virtual surrender." The Democrats respond that they have, in fact, been quite tough, having brought more trade complaints than the Bush administration, and having set up a new government office to deal with the unfair practices of China and other countries.

There is no doubt China is protectionist in many ways. And China's size and heavy state involvement in the economy make it an easy target of trade criticism.

But the reality of China's trade policy does not match the rhetoric.

Most countries, including the United States, use a wide range of policy tools to protect domestic producers. Nobody is pure in this regard, and many of the proposed responses to China are largely an excuse to use protectionism of our own.

There are legitimate complaints about Chinese protectionism, but it is important to tone down the rhetoric and make sure any actions are both productive and within the rules of the trading system.

Finally, both parties emphasize the importance of trade being both "free" and "fair." The Republicans talk about a multilateral agreement "among nations committed to the principles of open markets," in which "free trade will truly be fair trade for all concerned."

Similarly, the Democrats refer to competition that is on "an even footing"; and they also use the term "free and fair" trade.

Watered-Down Deals

Being for "free and fair" trade is kind of like being for both war and peace. While the terms are used flexibly, under most definitions "free trade" is not really compatible with "fair trade." For those who advocate fair trade (there are a number of versions, but all are similar), free trade is not fair. And for those who support free trade (at its core, this means not using protectionism), fair trade is not free.

So that's what the parties are talking about. Now for the real trade issues they should be talking about. Lost in all of this political rhetoric is the most important trade policy question: Should we, as a matter of domestic policy, practice free trade?

In the 19th century, this issue was put forward in a clear way, and the parties debated it vigorously. Now, they appear to have come to a truce, under which both sides will act like free traders when it suits them, but still support plenty of protectionism.

Instead of practicing obfuscation, the best way forward on trade may be to address the issues head-on. It has been many years since any major free trade agreement was signed, and the smaller agreements that have been completed are watered

down with non-trade obligations on issues such as labor rights and environmental protection.

Avoiding the hard issues is not helping. Free trade advocates, in government and elsewhere, need to make the case for why free trade, including both imports and exports, makes us better off, and why protectionism hurts us. Only then will we be able to achieve real progress towards free trade.

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