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MYTHS AND REALITIES OF THE FAST-TRACK DEBATE

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INTRODUCTION

Few issues in recent years have been as contentious—or as widely misunderstood—as the issue of renewing presidential fast-track negotiating authority. Before the current session of Congress ends, Members must vote either to grant or deny President Bill Clinton the fast-track trade authority he has requested. President Clinton has sought this authority to negotiate agreements that would expand the U.S. economy further and maintain U.S. leadership around the world.

Despite ample evidence that free trade has contributed to the growth of the U.S. economy, however, as well as to the creation of millions of new jobs and an increase in the living standards of American families, protectionists hope to kill fast-track authority. Many opponents of fast track—including the Democratic leadership on Capitol Hill, organized labor, and isolationists—are trying to turn the congressional debate on fast track into a referendum on the North American Free Trade Agreement (NAFTA). They have gone so far as to revive previously discredited claims about trade deficits and job losses while cloaking their objectives in rhetoric over concern for labor standards and the environment.

Before Congress casts the deciding vote on this issue, it should examine fast track fairly and objectively. Members should study the facts to see how free trade has contributed to the U.S. economy and then debunk the common myths surrounding this important issue for their constituents. Without fast-track authority to expand free trade, Americans will suffer while other countries prosper.

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

DEBUNKING TEN COMMON MYTHS ABOUT FAST TRACK

MYTH #1: A vote against fast track is a vote against NAFTA. Opponents of fast track argue that voting against fast track would show congressional displeasure with NAFTA.

REALITY: Not true. A vote against fast track will be a vote against the millions of American families for whom free trade has meant more consumer choice, better job opportunities, and higher standards of living. Moreover, a vote against fast track will be a vote for tax hikes, higher inflation and interest rates, slower productivity and wage growth, less investment, and less job creation, as well as for labor unions that favor more government regulation of the economy at the expense of private investment. Worse yet, denying the President renewed fast-track authority will be the greatest economic and foreign policy setback since enactment of the Smoot–Hawley Tariff Act of 1930, which triggered the Great Depression and worldwide economic meltdown that helped lead to the outbreak of World War II. If Congress renounces the historic U.S. role as the world's leading advocate and practitioner of free trade by rejecting the President's request, U.S. economic and political preeminence will be weakened and the global trading system undermined.

The fast-track bills approved on October 1 and 8, 1997, respectively, by the Senate Finance Committee (S. 1269) and House Ways and Means Committee (H.R. 2621) are entirely consistent with conservative (indeed, classically liberal) economic principles regarding free trade, open markets, and deregulation. By renewing fast-track trade authority, Congress can give the President the single most powerful tool he needs to negotiate trade agreements that will benefit small and medium-size U.S. firms and investors. Moreover, because 75 percent of all U.S. exporters employ fewer than 50 workers each, Congress's vote on fast-track authority will affect the pocketbooks of all Americans. If the United States is not present during all future international trade negotiations to shape the rules so that they advance U.S. economic interests and national values, the ultimate losers will be the American people.

MYTH #2: Fast-track authority reduces the role of Congress in trade negotiations. Critics of fast track claim that Congress will give up too much oversight authority.

REALITY: Fast-track authority does not give the President a blank check to negotiate trade agreements, nor does it deprive Congress of its constitutional power to regulate commerce with foreign nations. Fast-track negotiating authority was created under the U.S. Trade Act of 1974 to speed legislation implementing trade agreements through Congress by barring amendments and requiring a prompt up-or-down vote. The three essential features of any fast-track authority are that (1) there must be extensive consultation and coordination with Congress throughout the process; (2) there must be a vote on implementing legislation within a fixed period of time; and (3) this vote must be up or down, with no amendments. Congress establishes the objectives and limits of the President's negotiating authority. Throughout any trade negotiations, the Administration must consult frequently with the House Ways and Means Committee, the Senate Finance Committee, and special advisers designated by Congress.

Fast-track authority has been used for every international trade negotiation undertaken by the United States since 1974. A Republican President and Democratic Congress produced the U.S. Trade Act of 1974 to negotiate and implement the Tokyo Round of the General Agreement on Tariffs and Trade (GATT), and the United States has reviewed

AMERICANS BENEFIT FROM FREE TRADE

- U.S. employment has averaged 356,800 new jobs per month so far in 1997, compared with 272,000 per month in 1996 and 45,400 per month in 1995.[†]
- U.S. industrial production increased 18 percent from 1992 to 1996.
- During the same period, U.S. manufactured exports increased 42 percent, high-technology exports rose 45 percent, services exports were up 26 percent, and agricultural exports grew by 40 percent.
- U.S. manufacturing employment grew from 16.9 million jobs in 1992 to 18.3 million in 1996, an increase of 1.4 million net new jobs—the first such increase in more than 15 years.
- Currently, over 12 million U.S. jobs—including one in five manufacturing jobs and one in three agricultural jobs—depend directly on exports.
- The U.S. economy has created over 2.5 million new jobs each year since NAFTA and the Uruguay Round Agreements creating the WTO went into effect on January 1, 1994, and January 1, 1995, respectively.
- The U.S. economy has created nearly 13 million new jobs overall since 1992 and currently is at full employment.

† "Open Trade: The 'Fast Track' to Higher Living Standards," *fact & fallacy*, Employment Policy Foundation, Washington, D.C., Vol. III, No. 10 (October 1997).

and renewed fast-track authority to implement all other comprehensive trade agreements it has negotiated since that time, including the U.S.–Israel Free Trade Agreement of 1985, the U.S.–Canada Free Trade Agreement of 1988, the NAFTA of 1993, and the Uruguay Round Agreements of 1994 creating the World Trade Organization (WTO). It is inconceivable that 12 Congresses over the past two decades would have allowed the executive branch to usurp, contort, or disregard the input of Congress in the trade negotiation process even once, let alone several times.

MYTH #3: Fast-track authority will replicate failed trade policies of the past. Opponents of fast track argue that free trade weakens the U.S. economy.

REALITY: The U.S. economy is in its sixth consecutive year of expansion, and both inflation and unemployment have fallen to their lowest levels in more than two decades. Today, the United States is the world's largest exporter of goods and services. It also is the world's largest producer of semiconductors, automobiles, software, and other sophisticated technologies. The U.S. economy reports the highest productivity and competitiveness of any economy in the world, creates more jobs than any other industrialized economy, and accounts for 25 percent of all global foreign investment each year. As a result, Americans enjoy the world's highest standard of living. Moreover, U.S. free-trade policies since the end of World War II have been responsible for the spread of

capitalism and democracy throughout the world.

Over eight successive rounds of GATT negotiations between 1947 and 1994, U.S. trade negotiators wrote about 85 percent of the global trading rules to advance U.S. interests and values. The creation of the WTO was a vitally important achievement of U.S. foreign policy because it established the foundations of the global trading system for the 21st century—a system that has been shaped primarily by the economic achievements of Americans over the past 50 years. Clearly, these international agreements are the fruits of successful U.S. trade policies.

MYTH #4: New trade agreements under fast track will destroy U.S. jobs, depress U.S. wages, and weaken the U.S. manufacturing base. Opponents of fast track argue that trade agreements like NAFTA and the WTO have destroyed hundreds of thousands of U.S. jobs, depressed U.S. wages, and weakened the U.S. industrial base by encouraging American companies to relocate to Mexico, where wages and labor standards are lower.

REALITY: The evidence that free trade creates more job opportunities and higher living standards for Americans is irrefutable: U.S. employment, wages, and manufacturing output have grown significantly since 1992. Moreover, the growth in employment is accelerating—an average of 356,800 new jobs per month thus far in 1997, compared with 272,000 per month in 1996 and 45,400 per month in 1995.[1] Hundreds of thousands of U.S. jobs have *not* been destroyed, U.S. living standards have *not* declined, and the U.S. industrial base has *not* been weakened since NAFTA took effect in 1994.

In fact, the U.S. economy has been creating over 2.5 million new jobs each year since NAFTA and the Uruguay Round Agreements went into effect on January 1, 1994, and January 1, 1995, respectively. Moreover, the U.S. economy has created nearly 13 million new jobs overall since 1992 and currently is at full employment (meaning that the unemployment rate has dropped below the 6 percent level, which economists view as full employment). The unemployment rate thus far in 1997 is 4.9 percent, the lowest in 24 years. If the United States is at full employment, it should be clear that hundreds of thousands of jobs are *not* being destroyed as a result of expanding free trade. The U.S. Department of Labor determined that only 125,000 U.S. jobs actually were lost as a result of NAFTA during the agreement's first three years, and only 10,000 of those workers who were displaced actually took advantage of NAFTA's retraining benefits. To place these numbers in perspective, the number of U.S. jobs lost to NAFTA during its first 36 months is roughly equivalent to the total of net new U.S. jobs created in less than two weeks.

U.S. industrial production increased 18 percent from 1992 to 1996. Moreover, during this same four-year period, U.S. manufactured exports increased 42 percent, high-technology exports rose 45 percent, services exports were up 26 percent, and agricultural exports grew by 40 percent. Similarly, manufacturing employment grew from 16.9 million jobs in 1992 to 18.3 million in 1996—an increase of 1.4 million net new jobs and the first such increase in more than 15 years. Currently, over 12 million U.S. jobs, including one in five manufacturing jobs and one in three agricultural jobs, depend directly on exports.

1 "Open Trade: The 'Fast Track' to Higher Living Standards," *fact & fallacy,* Employment Policy Foundation, Washington, D.C., Vol. III, No. 10 (October 1997).

Critics of fast track are wrong to argue that imports of manufactured goods from low-wage countries like Mexico depress U.S. wages by causing the loss of high-paying manufacturing jobs. To test this myth, the Washington-based Employment Policy Foundation calculated the effect on U.S. wages if the $6.5 billion 1995 manufacturing trade deficit with Mexico had been eliminated. It found that average U.S. wages would have risen by only $0.0007 per hour.

The most important source of real wage growth is productivity growth. Recent research shows that exports spur productivity growth, and therefore real wage growth. For example, Richard Nadler, a journalist who has covered NAFTA's progress, compared pre- and post-NAFTA growth rates in U.S. living standards and found a "clear... correlation between the increasing prosperity of American workers and international tax-cut treaties such as NAFTA."[2] His review measured the improvement in three ways:

- Gross domestic product (GDP) per capita, adjusted for inflation, grew by 1.79 percent annually in 1994 and 1995, compared with only 0.23 percent a year from 1990 to 1993.
- Disposable personal income growth, adjusted for inflation, averaged 1.89 percent annually in 1994 and 1995, compared with 0.25 percent annually from 1990 to 1993.
- Personal consumption expenditures, adjusted for inflation, grew by 1.76 percent annually in 1994 and 1995, compared with 0.56 percent a year from 1990 to 1993.

There is no question that economic and technological globalization and the rapid advance of free trade and investment policies around the world are replacing low-skill, low-wage jobs in the industrialized countries with better-paying, high-skill jobs. The alternative to this process is to erect trade barriers that preserve low-skill, low-wage jobs at the expense of higher-skill, better-paying jobs. Abdicating U.S. global leadership and imposing tax hikes on American consumers in the form of high protectionist tariffs on imports from other countries will not stop this transformation from low-wage jobs based on lower skills and lower technologies to high-wage jobs requiring advanced skills and technologies. The solution lies not in barriers to foreign trade, but in domestic market-driven policies to "trade up" the knowledge and skills of the U.S. labor force through better education and lower taxes.

MYTH #5: Fast-track authority will lead to trade agreements that expand the U.S. trade deficit. Opponents of fast track argue that more trade agreements will increase the U.S. trade deficit and destroy U.S. jobs.

REALITY: The weight of historical evidence clearly shows that unemployment *drops* as trade deficits rise. For example, while the trade deficit soared in 1983 and 1984 and peaked in 1987, the U.S. unemployment rate fell from 9.6 percent in 1983 to 5.5 percent in 1988; when it started to decline between 1989 and 1991, unemployment grew from 5.3 percent to 6.7 percent; and when it started to rise again from 1992 to 1994, unemployment fell from 7.4 percent to 6.1 percent. In 1997, the U.S. trade deficit (particularly with Asian trading partners) will grow even more, yet the unemployment rate is at its lowest level in more than 24 years.

2 See Richard Nadler, "Afta NAFTA," *National Review*, July 28, 1997, pp. 46–48.

Trade deficits and surpluses say nothing about the strength or weakness of an economy because exports are driven by foreign demand, while imports are driven by domestic demand. If anything, trade deficits historically have been a sign of a strong and growing economy. The United States has a trade deficit because it has the world's wealthiest and most dynamic economy, and because important trading partners like Canada, Mexico, Japan, and China have smaller or weaker economies. Americans buy more from other countries than other countries buy from United States because American consumers have more wealth per capita than consumers in other countries. The United States also is the world's largest exporter of goods and services because American-made products are in great demand overseas. As a way to measure the benefits of trade, subtracting imports from exports simply makes no sense.

MYTH #6: The United States could maintain its position as the world's leading economy without fast-track authority. Opponents of fast track argue that the U.S. economy would be stronger if the United States entered into fewer—and tougher—trade agreements with other countries.

REALITY: Without fast-track authority, U.S. exports will lose competitiveness in global markets and the U.S. economy will weaken. Exports are one of the main engines of U.S. economic growth.[3] From 1986 to 1992, according to the Department of Commerce, exports as a share of GDP grew by 39 percent, accounting for nearly 50 percent of total U.S. economic growth.[4] Total two-way U.S. trade in 1997 (trade in goods and services plus earnings on foreign investment) will be equivalent to 30 percent of GDP, or $2.3 trillion, compared with only 13 percent in 1970.[5] During the past 26 years, the rate of growth in the volume of U.S. trade has been twice the rate of growth for the U.S. economy.

From 1993 through 1996, U.S. exports of goods and services increased by 27 percent, from $602.5 billion in 1993 to $825.9 billion in 1996. NAFTA and the Uruguay Round Agreements were important factors in this growth. For example, total North American trade increased from $293 billion in 1993 to $420 billion in 1996, for a gain of $127 billion or 43 percent. In 1996, U.S. exports to Canada and Mexico, at $190 billion, surpassed U.S. exports to any other region, including the entire Pacific Rim or all of Europe.

The growing interaction between U.S. cities and the world economy is underscored by a recent Department of Commerce survey showing that 90 percent of the 253 metropolitan areas in the United States reported export sales growth from 1993 to 1996. Clearly, exports have become increasingly important to the economic well-being of U.S. cities. Moreover, trade between U.S. metropolitan areas and the global economy is growing phenomenally. The data show that merchandise exports from these 253 metropolitan areas totaled $494.5 billion in 1996, up nearly $27 billion from 1995 and accounting for 79 percent of U.S. merchandise exports in 1996.

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3 John Sweeney, Bryan T. Johnson, and Robert P. O'Quinn, "Building Support for Free Trade and Investment," in Stuart M. Butler and Kim R. Holmes, eds., *Mandate for Leadership IV: Turning Ideas Into Actions* (Washington, D.C.: The Heritage Foundation, 1997), pp. 629–668.

4 Lester Davis, "U.S. Jobs Supported by Goods and Services Exports," Office of International Macroeconomic Analysis, U.S. Department of Commerce, Research Series OIMA-7-95, May 1995.

5 Testimony of U.S. Trade Representative Charlene Barshefsky before Committee on International Relations, U.S. House of Representatives, 105th Cong., 1st Sess., June 10, 1997.

FREE TRADE HAS EXPANDED THE U.S. ECONOMY

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The GATT Secretariat estimated that the Uruguay Round Agreements would bring up to $510 billion a year to the world's GDP when implemented by 2005.[6] The consulting firm of DRI/McGraw-Hill has estimated that the Uruguay Round Agreements would increase the real GDP growth rate in the United States by 0.3 percent annually, causing real GDP to rise by 4.5 percent by 2005.[7] DRI/McGraw-Hill also examined the economic impact of the Uruguay Round Agreements on the U.S. economy and found that, by 2005, the U.S. economy should grow by 4.2 percent and labor productivity should rise by 2.7 percent annually, pushing up real hourly wages in the manufacturing sector by 2.6 percent and creating over 2,043,000 net new American jobs.[8]

If the President's fast-track negotiating authority is not renewed before Congress concludes its 1997 session, the issue is not likely to reemerge as part of the Administration or congressional agenda until after the presidential election in 2000. During this four-year period, however, the rest of the world will have moved ahead with new trading arrangements. The United States will be left behind as other countries reduce their tariff and nontariff barriers to trade. In fact, this has happened already: Canada and Mexico have signed free-trade agreements with Chile that will give their exporters an 11 percent tariff advantage over U.S. firms. Since 1994, U.S. firms have lost potential exports to Chile of nearly $500 million annually.[9]

Since 1992, U.S. competitors in Europe, Asia, and Latin America have negotiated 20 regional trade pacts in the Western Hemisphere and Asia without U.S. participation. Of

6 Undated memorandum from Office of the U.S. Trade Representative; Jeffrey J. Schott, "The Uruguay Round: An Assessment," Institute for International Economics, Washington, D.C., November 1994, pp. 16–19.

7 *Impact of Trade Liberalization Under the Uruguay Round: A Study Prepared for the Office of the United States Trade Representative*, DRI/McGraw-Hill, January 11, 1993.

8 *Ibid.*

9 Duncan H. Cameron, testimony of Chilean–American Chamber of Commerce and Industry, Washington, D.C., in support of fast-track negotiating authority before Subcommittee on International Economic Policy and Trade, Committee on International Relations, U.S. House of Representatives, 105th Cong., 1st Sess., September 16, 1997.

the more than 30 bilateral and regional trade agreements in effect today throughout Latin America and the Caribbean, the United States participates in only one—NAFTA. Mercosur is a regional customs union with ambitions to expand to all of South America; the European Union (EU) has made it a priority to negotiate a free-trade agreement with Mercosur by 1999, long before Mercosur negotiates a deal with the United States to establish a Free Trade Area of the Americas. Although the United States is still the largest foreign investor in Latin America and the region's largest trading partner overall, total Mercosur–EU trade in 1996 was greater than total U.S. trade with Mercosur. Chile and Bolivia already are associate members of Mercosur, and Venezuela and Colombia are negotiating their admission. China's "strategic priorities" include Mexico, Argentina, Brazil, Chile, Venezuela, Panama, and Central America. Japan and South Korea have undertaken high-level efforts in Asia and Latin America, and Australia and New Zealand are forging closer ties with South America's fast-growing economies as well.

Fast-track authority would give the United States clear authority to be present at every trade negotiating table and the President the ability to exert U.S. leadership in a decisive way. Without fast-track authority, and without a presence at those negotiating tables, the prospects for continued economic progress and success are questionable. Ultimately, fast track revolves around the issue of maintaining U.S. international leadership: Will the United States take the lead in expanding the world economy by participating in the series of regional and multilateral trade negotiations starting in April 1998 at the second Summit of the Americas in Santiago, Chile? Or will it remain on the sidelines as other countries write the new rules for the 21st century's global trading system, to the potential detriment of U.S. economic interests and American national values? How Congress votes will determine how those questions are answered.

MYTH #7: The United States does not need fast-track authority to negotiate free-trade agreements with other countries. Opponents of fast track claim that it is not a necessary tool for negotiating new trade agreements because other countries are eager to gain access to the U.S. market and therefore willing to deal at any cost.

REALITY: Although the U.S. market is undeniably attractive to foreign exporters and investors, no other country will undertake serious trade negotiations with the United States unless the President has fast-track authority in hand. Foreign governments will not negotiate substantive trade and investment agreements with the United States if they have to turn around and renegotiate implementing legislation with Congress after the original agreements have been signed. Special interests could tempt Congress to amend the agreements, accepting concessions that foreign governments make to the United States while rejecting U.S. concessions made to conclude successful trade agreements. Fast-track authority is a necessary pledge of good faith that assures trading partners that agreements negotiated over many months or years will not be changed restrictively by Congress.

MYTH #8: Fast-track authority is needed only to expand NAFTA to Chile. Some opponents of fast track argue that, because only Chile is in line for a free-trade agreement with the United States, fast-track authority should be limited exclusively to signing a trade deal with Chile.

REALITY: A free-trade agreement with Chile is only one item on a very broad and ambitious U.S. global trade agenda covering the next decade. The President needs fast-track authority to complete negotiations within both the WTO and the

Organization for Economic Cooperation and Development (OECD) to open international markets for agriculture, financial services, information technology, and government procurement, as well as to liberalize investment flows. The "built-in WTO agenda" created by the Uruguay Round Agreements also includes government procurement rules, technical barriers to trade, sanitary and phytosanitary measures, customs valuation, and preshipment inspection and import licensing procedures.[10] Fast track is necessary to complete negotiations within the OECD to liberalize investment flows and to launch formal negotiations in April 1998 to create a hemispheric Free Trade Area of the Americas; after Chile, it also is needed to negotiate trade agreements with other countries in Latin America and Asia. Fast-track authority will be essential to the success of all these negotiations.

Fast-track authority is absolutely essential if the United States is to lead the renegotiation of the GATT Uruguay Round Agreement for agriculture, scheduled to begin in 1999. Among the important issues in future negotiations will be increased market access, resolution of state trading issues, greater transparency between trading partners, greater adherence to sound science in resolving sanitary and phytosanitary measures, rules of origin, export subsidies, internal support schemes disguised as environmental payments, clearly defined trade in genetically modified organisms, and overall trade in products of biotechnology based on sound science. Negotiations to cut trade barriers in the $526 billion global agriculture market will define the structure of agriculture in the United States for the next decade.

The accession of Chile to NAFTA is the first step in fulfilling present and intended commitments to and from U.S. trading partners in Latin America and the Caribbean—commitments to open their markets to goods produced by American workers in American factories—while improving the prospects for managing such important non-trade issues as illegal immigration, drug trafficking, and policy toward Cuba.

No country in the hemisphere is more qualified or deserving of NAFTA membership than Chile, the standard for market reform in Latin America. Since 1987, Chile's economy has expanded at an average rate of 7.2 percent annually. Inflation currently is less than 8 percent, and unemployment is 5 percent. Chile has a savings and domestic investment rate equivalent to 27 percent of gross national product (GNP), a trade surplus of $2 billion on a $47 billion GNP, the highest rating of any Latin American country in Standard & Poor's risk classification, and an excellent record on labor and environmental issues. It also depends on the United States for only 21 percent of its trade (the EU captures a 24 percent share) and is a member of the Asia-Pacific Economic Cooperation forum. Denying Chile entry into NAFTA could well result in its developing much closer trade and investment ties with Europe and Asia at the expense of the United States.

MYTH #9: Fast-track authority should include provisions linking trade agreements with non-trade issues like labor standards and protection of the environment. Protectionists maintain that fast track must include strong provisions linking trade agreements to progress on non-trade issues, such as labor standards and the environment, in order to safeguard American jobs and industry while helping to raise standards of living in low-wage countries.

10 Testimony of U.S. Trade Representative Charlene Barshefsky before Committee on Finance, U.S. Senate, June 3, 1997.

REALITY: Grafting such extraneous issues as labor standards and the environment onto trade agreements liberalizing global markets for goods and services will prove counterproductive, particularly when the proponents of such linkages actually are promoting protectionist policies. As Jagdish Bhagwati, professor of economics at Columbia University, has stated, "Linking human rights and the environment to trade is the lazy man's solution to extremely difficult problems, and a recipe for failure all around."[11] Free trade is the key to rapid income growth in developing countries, and high income leads to adoption of tough social and environmental rules. The historical record—including the history of the United States—demonstrates conclusively that pollution rises in the early stages of development and declines when countries become wealthy enough to afford clean air and water standards.

Trade agreements are not cure-alls for social concerns in U.S. foreign and international economic policies. The fast-track negotiating objective on labor and environmental issues should seek only to prevent a social agenda from providing cover for protectionist policies, higher taxes, and big government. Free trade and investment should be promoted as mechanisms for enhancing and improving environmental protection. Free trade magnifies a country's environmental responsibilities. The goal of U.S. trade negotiators should be to promote national treatment, transparency, and nondiscrimination so that environmental regulations do not distort trade. Moreover, they should encourage market-oriented solutions that promote environmental goals. Trade restrictions should not be imposed to achieve environmental objectives or government-imposed changes in labor markets. Trade sanctions do not work against environmental pollution, abuses of labor and human rights, or health and safety concerns. Any attempt to negotiate trade agreements that sanction a whole range of non-trade matters and standards is doomed to failure.

MYTH #10: Fast-track authority will lead to additional international agreements like the WTO and NAFTA that violate U.S. sovereignty. Protectionists who oppose fast track argue that global organizations like the WTO and regional trade agreements like NAFTA undermine U.S. sovereignty and represent a move toward world government.

REALITY: Nothing in any trade agreement signed by the United States, including NAFTA and the Uruguay Round Agreements creating the WTO, can force the United States to follow any law not passed by the U.S. Congress and signed by the President. A world government indeed would be grotesque and harmful, but fast-track trade authority will not lead to any such result. All of the above agreements contain language stating that nothing contained in them can supersede U.S. law. Congress created fast-track authority in 1974 to encourage free trade, which is the very antithesis of world government. Fast-track authority will allow the President to negotiate free-trade agreements to facilitate the free flow of ideas, investments, goods, and services. This promotion of trade liberalization and economic freedom worldwide is inconsistent with the centralizing principle of world government.

11 Peter Passell, "Economic Scene: Loading the Trade Agenda with Divisive Issues Could Backfire," *The New York Times,* October 9, 1997, p. D2.

CONCLUSION

For 50 years, the United States has led the world in opening global markets to free trade and investment. This persistent and committed leadership to free trade has succeeded in reducing global tariffs from an average of 40 percent at the end of World War II to about 5 percent today, fueling a 90-fold increase in world trade. Along the way, U.S. trade negotiators have been directly responsible for writing at least 85 percent of the rules that guide today's global trading system. In 1996, the developing world imported over $1 trillion in manufactured goods from the industrialized countries. The U.S. accounts for only 4 percent of the world's consumers; the remaining 96 percent live elsewhere. During the next decade, the global economy is expected to grow at twice the rate of the U.S. economy, while economic growth in Asia and Latin America is expected to be at least three times as great as economic growth in the United States.

In light of this global expansion of trade, there is no substitute for the ability of the United States to negotiate and implement comprehensive free-trade agreements. The lack of presidential fast-track negotiating authority is the single most important factor limiting the capacity of the United States to access global markets, expand exports and investments overseas, and sustain the dynamic performance of its economy at home. It also will undermine U.S. global leadership and influence in the 21st century.

With fast-track negotiating authority, however, the United States can set the pace and timing of its most important trade negotiations, establish negotiating credibility, and ensure its success in the major multilateral and hemispheric trade negotiations that are scheduled to begin early in 1998. Promptly renewing the President's fast-track authority will send other countries the message that Congress and the Administration stand united in pursuit of free-trade agreements that advance U.S. economic interests and values around the world. The economic security of the United States is at stake in this debate. Neither ignorance of the facts about free trade nor retreat in the face of isolationist rhetoric is an option.

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