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Dead or Alive:
An Update on Fast Track's Prospects

By Representative David T. Dreier



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I first want to recognize that The Heritage Foundation has been very strong in its commitment to the issue of free trade. It has not been an easy endeavor for conservatives, who, for so long, have stood firmly for policies like cutting taxes (and we all know that a tariff is a tax) and who sought to implement a goal outlined back in 1947 with the establishment of the General Agreement on Tariffs and Trade—to break down trade barriers. It seems to me that clearly this has been the right position, one that my political party (and I happen to be a Republican) has embraced since the failure of the Smoot–Hawley Tariff Act in the 1930s.

As a party, Republicans traditionally have pursued the free trade route. Now, unfortunately, our party has more than a couple of conservatives who virulently oppose the idea of cutting taxes, meaning they pursue protectionist policies. The Heritage Foundation, however, has continued to be in the forefront of pursuing the conservative goal, and several things I can say today should make you feel good about this.

RONALD REAGAN'S VISION AND LEGACY

I can remember back to November 7, 1979, when Ronald Reagan announced his candidacy for the Presidency of the United States. If you recall, in his outline of proposals about foreign policy, he clearly wanted to pursue market reforms, and democracy was very key as well. But one of the most important parts of his announcement was his idea of implementing free trade among the Americas. Now we are at a very interesting juncture; one in which we see President Bill Clinton finally calling on the U.S. Congress (and we've been waiting three years for this) to give him the authority to implement the vision Ronald Reagan had back in 1979.

The United States had a great responsibility during the 1980s to establish this economic model of free trade and encourage democracy. If you look back to 1979 again, you'll remember that Daniel Ortega and his communist Sandinista guerrillas in Nicaragua overthrew Anastasio Somoza. We witnessed tremendous problems on the isthmus of Central America; and, obviously, debt problems as well as a wide range of other very, very unfortunate circumstances existed throughout the rest of the South American continent. It seems to me that if we look at where we are now, we'll see that we have had tremendous success. We all know that we have seen some form of democracy develop in virtually every country in this hemisphere, with the exception, of course, of Cuba.

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Now I believe we have come to a point at which we must encourage greater free-market reforms. That's one of the priorities I have in going with the President on this upcoming trip to South America. Another is to encourage greater democratization and political pluralism. But I think that, as we pursue those goals, we will recognize what Ronald Reagan understood very well—that free-market reforms and democracy are not independent. They are, in fact, interdependent, along with the issue of free trade. So I believe that, if we continue and encourage market reforms and democracy, free trade will follow.

THE IMPORTANCE OF PUBLICIZING OUR FREE-TRADE SUCCESSES

The United States has been the strongest, most dynamic trader in the world. But we have gone through this past three-year period without fast-track negotiating authority, and it has been tough for many of us who want to pursue the free-trade agenda. I have tried to be rather even-handed in my criticism of both the Clinton Administration and the business community. Why? Because I believe the real test of the success of free trade will be based on the level of public support for it. And the level of public support obviously is not terribly strong right now. If we look at public opinion polls and the advertising campaign out there, we see there is a fear factor. People are *afraid* to mention those “horrid” acronyms like NAFTA [North American Free Trade Agreement] or WTO [World Trade Organization], and I think this is wrong. My state, California, has a half-million jobs hinging on trade with Mexico. We have had great success with NAFTA, like the tremendous increase in the level of exports to Mexico, so we can see that NAFTA is working. But one should look at NAFTA's successes not simply in the area of trade; NAFTA has also been a significant foreign policy tool.

If we go back to the early 1980s and look at the devaluation of the peso in Mexico under President López Portillo in 1982, we can ask, what happened afterward? We saw nationalization of the banks follow in Mexico, and we saw the erection of tariff barriers that cut by 50 percent the flow of U.S. exports into Mexico. But in December 1994, we also saw a similar devaluation of the peso; however, because of the existence of the North American Free Trade Agreement, we were able within seven months to get back to where we had been before the destabilization. In the 1980s, it took us seven years to get to that point. Why was it so different in 1995? Because NAFTA had locked in decentralization and privatization, and it prevented Mexico from erecting the tariff barriers that they had erected in the early 1980s. So it seems to me that we need to spend time pointing to successes of NAFTA like this.

And if we look at the World Trade Organization, the United States has done pretty dog-gone well. I've been a little uncomfortable during my last two appearances on CNN's *Crossfire* because they had me sitting first with Geraldine Ferraro opposite Pat Buchanan, and second with Bill Press opposite Pat Buchanan. And that's just within the past few weeks. But both appearances related to the issue of international trade, and the one question I posed was: “Name a single U.S. law or law of another country that has been changed because of the World Trade Organization.” Pat Buchanan had no response to that question because, frankly, there is not a single law that has been changed. So the big sovereignty question out there is one really red herring.

So, again, when one asks where we are going from here on this issue of fast track, I think we need to point to the successes of NAFTA. The Clinton Administration has failed to do this, and I would like to see the business community do more in stepping up to the plate and talking about the benefits of free trade—not only for the exports that are important to many parts of

the U.S. economy, but also for the other half of the equation that, unfortunately, is so often forgotten. In fact, this, too, is one of my criticisms of the Administration. President Clinton constantly falls into the trap of subscribing simply to the 18th century mercantilist view of trade that says the only benefit from trade is exports. We in the United States have the highest standard of living on the face of the earth for one simple basic reason: the entire world has access to our consumer market. And that so often is forgotten. I have talked with the President personally about this, and I've talked with [U.S. Trade Representative] Charlene Barshefsky and Secretary [of Commerce William] Daley and others. I'm sure that I'll have a chance to bring this topic up next week on our trip, because it's one half of the equation on trade.

I think we can be proud of the things we have accomplished. But we need to recognize the successes. Again, in California, we have suffered from horrendous cuts from the defense and aerospace industries. How is it that our economy has improved despite these cuts? It has improved through international trade—both exports and imports. There are several real benefits to international trade. One of them, of course, is comparative advantage. People should do what they do best. In an example that I frequently cite (again, a slightly parochial one), many people were very, very distraught when they saw the last television manufacturer in southeastern Missouri go out of business. And I said, so what? I would rather see the United States providing 95 percent of the world's programming than worrying about manufacturing a few television sets, which may be made less expensively and more efficiently in other parts of the world. Comparative advantage is key, and if you couple it with competition and what competition does for the market, the benefits become obvious.

Clearly, one need look at only the automobile industry in the 1980s. It's no secret that my intern Hans and I lumbered over here in my 1984 Chrysler Fifth Avenue, which is not the finest automobile. But I juxtapose that experience on driving my Chrysler LHS in southern California, and the difference is night and day, not just in the age of the cars, but in the technology and the quality. And that difference came about because of competition—competition from producers of automobiles in the Pacific Rim. Competition is very key in ensuring that we as a country stay strong and sharp.

We also have to realize that international trade is key to this flow of technology and information. I'm very proud tonight—in fact, thanks to one of the many Heritage alumni who have flowed through my office, a guy who does a spectacular job with all of the computer work and who used to be with Town Hall here—that I'm hosting another Democracy.net. I am also proud of our Web page (<http://www.house.gov/dreier/>). I encourage people to get on it. The flow of technology and information is very, very key to this area of international trade.

And we have to look at the impact on prices—not just the impact of the final products that come in at lower prices, but the raw materials that come in to our country, allowing us as a country to produce the best-quality products for exports. It is a win-win situation, and there are great benefits; but we need to continue to talk about those benefits.

THE POLITICAL CLIMATE FOR FAST TRACK

In exactly 27 minutes, Chairman Bill Archer will be bringing down the gavel in the Ways Means Committee to proceed with markup on fast-track negotiating authority. There is a lot of controversy around this issue, and we have spent the past few weeks working on it—after the Clinton Administration gave us a whole month of delay in August when our staff sat ready,

willing, and able to take on a request from the White House. We finally got it just a few weeks ago, and we've been going through long and drawn-out negotiations. At 2 o'clock yesterday morning, an agreement was finally struck that I think sees a little give-and-take, but that does not get away from that very, very important goal that fast-track negotiating authority does not get into areas not related to trade.

We all are concerned about environmental quality; and we are all concerned about the rights of workers. But at the same time, as I was saying earlier about the WTO and NAFTA, we don't want to see our domestic labor and environmental laws changed. And so we continue to work, and the agreement that we struck ensures that we will not see those kinds of changes. The only very minor caveat is—and this exists under the WTO and NAFTA—if we see that a country with a goal of trying to gain new markets were to change or diminish its environmental standards, for example, then there would be a dispute process to deal with that.

Let me just throw out one example. If Chile's government were to make a decision to allow a compromise that violated an environmental law, and they began dumping their sludge into the streets of Santiago so that they could deal more cost effectively with the copper industry in our state of Colorado, then that could be viewed clearly as a trade-related area and go to some sort of dispute-resolution operation like what we have with NAFTA. But there is nothing under this fast-track authority that conceivably would force a country to raise its environmental standards or labor standards based on the agreement. That has been a very key priority item for us. The main reason is that we believe trade is clearly the best way to improve standards of living and to see domestic demands for environmental quality improved.

I've argued consistently that trade must be addressed independently of those issues, especially as we look at the issue of the People's Republic of China. President Clinton very wisely decoupled the trade issue from concerns about human rights, saber rattling in the Taiwan Strait, Tibet, weapons transfers, and a wide range of areas. Trade must be addressed independently of those issues because the benefits of trade address many of those concerns. We should address those issues on a different track.

For example, yesterday morning, Congressman Joe Pitts and I spent an hour with Ambassador Lee at the Chinese Embassy talking about religious persecution, and we made a specific request before Jiang Zemin's visit [to Washington, D.C., in October]. We hope to see Pastor Xu and several other religious leaders who have faced persecution released. But we are dealing with those issues on an independent track, and that's why we said, as we look at gaining fast-track negotiating authority, let's simply use the model that we have established for our relationship with Beijing through most favored nation trading status for China. Let's deal with the issues of worker rights and environmental concerns on a separate track. I think we have ended up having a degree of success in doing that.

But it's no secret that many protectionists—people who want to kill any kind of international trade agreement—have expended a great deal of time and energy putting politically popular questions of worker rights and environmental concerns at the forefront really as a cover to kill any kind of trade agreement. So I will tell you that it's going to be an uphill battle because there are protectionists within both political parties. I'm happy to say that only the leadership of the Democratic Party with Dick Gephardt and David Bonior are strong opponents of this. Speaker Newt Gingrich has been a strong supporter of this issue; he understands full well the importance of international trade. There are some Republicans, I admit, who are strong free-traders

and who are concerned about the prospect of giving in to this President—something for them that may be politically unpopular with their constituents at home—when the President's own team is not providing the support that is necessary.

In light of this, we are hoping that we'll be able to have 90 votes among the Democratic members of the House of Representatives on this issue. The President, just within the past 24 hours, has really begun his full-court press on it, but it's going to take a lot of work. The indications are that there are somewhere between 40 and 60 Democrats who are supportive. We really do need 90 votes. In the Ways and Means Committee that will be meeting in just a few minutes, we're counting on at least five—I hope we get six or seven—Democrats on the Ways and Means Committee to support fast track because, traditionally, while the Republican party has led the charge for free trade since Smoot-Hawley in the 1930s, this has been a bipartisan issue. We've been able to gain the support, not necessarily of the Democratic leadership, but of many rank-and-file members and other leaders on international trade in the Democratic caucus. We want to do what we can to insure that fast track happens this time, and we will know within the next few hours whether we have that bipartisan support coming out of the Ways and Means Committee. But when that happens, the real work begins in convincing many of our colleagues to join on board. I would guess right now that, at best, we have about a 50-50 chance of success in passing this.

I can't overemphasize the critical importance of fast track. South America is very important, but the 28 countries of the Asia-Pacific Economic Cooperation forum comprise a very, very key area, too, and we need to look at the prospects of negotiations there. In South America, we have a decision that was reportedly just made today among the members of Mercosur—Brazil, Argentina, Paraguay, and Uruguay—that, if the United States approves fast-track negotiating authority, they will become part of the Free Trade Agreement of the Americas, but only if these four countries can go in as a bloc. That to me is very troubling, because there are tremendous disparities that exist between Brazil and Argentina, for example. So I think that we need to address that. It is going to be one of the questions that I'll be raising down there on my trip to South America with the President. Part of the reason this is so important, too, is that when it comes to national security, Brazil has been tilting toward Western Europe. It seems to me that we have a real responsibility to maintain our preeminence as the leader worldwide, but specifically in this hemisphere. So, when I deal with my conservative friends, I simply harken back to November 7, 1979, and remember how Ronald Reagan envisaged this accord. We now have President Clinton asking for fast-track negotiating authority. I think that we as conservatives have a clear responsibility to do everything we can to make it happen.