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Clinton's Last Chance on Fast-Track Trade Authority

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Ignoring the conventional political wisdom that trade bills do not fare well in election years, Republican congressional leaders announced on July 29, 1998, that a bill to renew President Bill Clinton's fast-track negotiating authority will be voted on by the House during the week of September 21. The Senate Finance Committee voted 18–2 on July 21 to renew fast track.

Fast-track authority empowers the President to negotiate trade deals with other countries that Congress subsequently must approve or reject without amendment. Without this authority, the Clinton Administration's trade policy essentially is stalled, the interests of American consumers and producers are being hurt, and U.S. leadership around the world is diminishing.

President Clinton has ruled out requesting fast track this year because he thinks there are not enough votes in Congress to assure its passage. (He has been without fast-track authority since 1994, having failed to win sufficient congressional support for renewal in 1995 and 1997.) The President wants to wait until 1999, believing that the economic and political environments will be more favorable then. Recent global developments, however, make it likely that the economic environment for trade legislation will be far less certain in 1999 than it is today.

ECONOMIC SLOWDOWN IMMINENT

Two powerful forces are driving the U.S. economy to a sharp slowdown during the second half of 1998. First, Asia's economic crisis has widened the U.S. trade deficit, and U.S. industrial activity is starting to slow as a result. Employment growth slowed during the second quarter of 1998, and prices of agricultural commodities like wheat, corn, and soybeans have dropped to historic lows due to a combination of bad weather, disease, surging competition from Latin America, and declines in worldwide demand caused by the Asian crisis.

Moreover, the Asian crisis has worsened significantly since November 1997 and now threatens to engulf the economies of Japan, China, Russia, and other countries. It also has hurt the U.S. economy: Adjusting for inflation, U.S. exports of goods and services rose from $300 billion in 1983 to nearly $1 trillion in 1997—a 233 percent increase. During the first two quarters of 1998, however, U.S. exports declined at an annualized rate of 3 percent during the first quarter and by 8 percent between April and June. During the same six-month period, annualized quarterly gross domestic product (GDP) growth plunged from 5.5 percent during the

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January–March period to only 1.4 percent from April to June.

The second force driving the U.S. economy to a sharp slowdown during the second half of 1998 is the American consumer. Consumer spending and export growth have been the two biggest factors impelling the economy's sustained seven-year expansion. Recent swings in equity prices on Wall Street, however, suggest that the equity-driven consumer spending binge may be drawing to a close. Economists such as John Lipsky, chief economist and director of research at the Chase Manhattan Bank, forecast that the growth of U.S. GDP will fall to 1.5 percent in 1998, measured on a fourth-quarter to fourth-quarter basis, down from 3.7 percent in 1997. According to Lipsky, "Clear-cut evidence of an impending economic slowdown is mounting."

NO BETTER TIME THAN SEPTEMBER

This is clearly the time to reconsider fast track. Recent polls show strong public support for free trade, while isolationist sentiments are easing rapidly. Furthermore, the slowdown in U.S. economic activity, particularly the burgeoning crisis in American agriculture, is compelling many Members of Congress to rethink their positions on fast-track authority. The only element still missing from this improved outlook for renewing fast track is a willingness by the President to exercise leadership and demonstrate that his oft-stated commitment to free trade is more than meaningless rhetoric.

The Asian crisis has created an opportunity to expand U.S. international economic leadership and provide new impetus to worldwide trade liberalization efforts that have lost direction and momentum since 1994. For example, Brazil has derailed the process of creating a Free Trade Area of the Americas (FTAA), and the Asia–Pacific Economic Cooperation (APEC) forum's trade expansion efforts have slowed to a snail's crawl. With fast-track authority in hand, the Administration could quickly revive the FTAA and APEC processes by placing the United States decisively at the forefront of a new surge in worldwide trade expansion.

Cutting or eliminating foreign taxes on U.S. exports is one of the keys to expanding U.S. international economic leadership. Moreover, considering that U.S. tariffs on foreign exports to the United States already are among the lowest in the world, the best trade policy is to expand American exports of merchandise goods and services to other countries. Without fast-track authority, however, the Administration lacks its most essential negotiating tool for turning the spreading Asian crisis into an opportunity to reassert U.S. international leadership and open up new foreign markets to American exports and investments.

Without committed and decisive presidential leadership, efforts in Congress to achieve bipartisan approval of fast track face a difficult uphill climb. Nevertheless, congressional leaders understand that the systematic dismantling of trade barriers has been one of the most powerful factors in U.S. economic growth throughout the past 50 years.

The benefits of free trade for Americans are indisputable. Thanks to U.S.-led trade expansion around the world, U.S. consumers enjoy the widest choice of goods and services of any country in history. The increased competition created by free trade also has reduced inflation and unemployment to its lowest levels in nearly three decades, creating the foundations of the seven-year expansion of the U.S. economy.

The responsibility for jump-starting the Administration's stalled trade policy so that the United States can regain its leadership role and open new foreign markets now rests squarely on President Clinton's shoulders.

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