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CONGRESS SHOULD PROMOTE TRADE IN AFRICA AND THE CARIBBEAN

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The Trade and Development Act of 1999 passed by the Senate and the African Growth and Opportunity Act passed by the House await conference consideration to resolve their differences. Both bills seek to lower trade and investment barriers to countries in sub-Saharan Africa, and the Senate version would extend these policies to the Caribbean Basin. Significantly, they offer Congress an opportunity to reestablish America's leadership position on free trade.

Rudderless Trade Policy. Reducing barriers to trade has been a central tenet of U.S. policy since World War II. Under U.S. leadership, this policy has contributed to the growth of the global economy and an unprecedented level of prosperity. Unfortunately, the Clinton Administration has failed to promote policies that would expand free trade and further this economic growth.

Though the Administration has repeatedly asserted its commitment to free trade, it fails to implement policies that support its lofty rhetoric. Since the 1993 passage of the North American Free Trade Agreement (NAFTA), negotiated by the Bush Administration, and the completion in 1994 of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) that began in 1986, the United States has not concluded a single trade agreement of significance.

President Clinton's inability to rally support in Congress for fast-track trade negotiating authority has seriously impeded U.S. trade initiatives. Lacking this key tool, the President has been unable to negotiate a Free Trade Area of the Americas (FTAA) agreement, despite the commitment of 34 democratically elected leaders at the 1994 Summit of the Americas. Moreover, the President's disastrous announcement late last year that he would endorse environmental and labor standards for the World Trade Organization (WTO) scuttled any chance of progress at the November 1999 WTO meetings in Seattle.

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Congress's Opportunity. To seize the initiative on trade, the House and the Senate passed their bills to lower trade and investment barriers to sub-Saharan African and Caribbean Basin nations. The bills offer potentially large benefits to poor countries. They would allow duty-free imports from sub-Saharan African countries for a specified period of time, provided the countries meet certain goals. The Senate version would also grant temporary NAFTA parity to Caribbean Basin countries. For both regions, duty-free access could be revoked on specific imports deemed to threaten or cause serious damage to domestic industries.

Supporters of these bills realize that developing countries, whose industries are fettered in U.S. markets by trade barriers, are most hurt by restricting trade.

Sub-Saharan Africa is home to some of the poorest nations in the world. Per-capita GNP averages only $503, compared with $3,706 in Latin America and $837 in East Asia and the Pacific. On a per-capita basis, many sub-Saharan African countries receive some of the highest levels of aid in the world, yet they still suffer from extreme poverty. The main cause is the lack of economic freedom, often compounded by rampant corruption. According to the *2000 Index of Economic Freedom*, co-published by The Heritage Foundation and *The Wall Street Journal*, sub-Saharan Africa is the least economically free region of the world, with 83 percent of its countries having "unfree" or "repressed" economies.

Given the size of sub-Saharan Africa's economies, little near-term benefit will accrue to the United States from free trade with this region. But the benefits to the peoples of sub-Saharan Africa would be immense. Freer trade would expand their economic opportunities and increase the transfer of skills and standards that are common in the global economy, but lacking in many of these countries. Most important, the rule of law would be bolstered.

The Caribbean Basin. As noted in the *2000 Index of Economic Freedom*, Latin America experienced the greatest increase in economic freedom in the world in 1999. The Caribbean Basin countries participated in these gains. El Salvador is a notable example: It tied Chile as Latin America's freest economy and is the 11th freest in the world.

Though Caribbean Basin countries are generally less poor and have more developed institutions than their sub-Saharan African counterparts, fostering free trade would provide similar benefits. These countries, which must compete with Mexico in exports such as textiles and apparel, are at a disadvantage because NAFTA gives Mexico preferential access to U.S. markets. NAFTA also encourages multinational firms to locate in Mexico to be closer to the U.S. market. Giving Caribbean Basin countries parity with Mexico on tariffs and quotas would help their economies grow and help revive the moribund issue of an FTAA.

Although these two regions are in very different stages of economic and political development, each stands to benefit from greater access to U.S. markets. America would gain as well from seeing these regions prosper. As their economies became more stable, they would become trading partners and political ties would be strengthened.

As conferees reconcile the bills, they should look to strengthen provisions that promote free trade and eliminate those that could undermine their overall intent. For example, the temporary trade benefits should be made permanent. Provisions allowing tariffs or quotas to be reestablished on textile and apparel imports if they affect U.S. producers cripple the intent of the legislation. Likewise, labor criteria, such as minimum wages or maximum hours, are inappropriate and would undermine the competitiveness of developing countries. Changing these provisions would demonstrate America's commitment to enhancing free trade and promoting global prosperity, to the benefit of struggling economies in Africa and the Caribbean.

Conclusion. The legislation now pending conference consideration offers Congress an opportunity to reinvigorate U.S. trade policy. Congress should take the lead in reducing trade barriers and bolstering the institutions that contribute to long-term growth in some of the world's poorest nations. Sub-Saharan Africa, the Caribbean, and the United States all stand to gain from freer trade.

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