

# FREEDOM TO TRADE

## WEIGHING ALTERNATIVE APPROACHES TO TRADE

by Brink Lindsey

**Brink Lindsey** is director of the Cato Institute's Center for Trade Policy Studies.

The odd coalition of the Clinton administration and congressional Republicans failed to muster the votes needed to extend “fast track” negotiating authority. Whether or not fast track eventually passes, its difficulties reveal a serious deterioration in the support of free trade.

In light of the turn of events, it is time for proponents of free trade to rethink our approach. Specifically, we should reconsider the exclusive reliance on a strategy of negotiated liberalization. Currently, the United States reduces its trade barriers only if other countries reduce theirs. That is why fast track authority is considered an essential precondition for U.S. leadership on trade issues. But while trade negotiations have accomplished much in the past, there are other, neglected paths to free trade. Unless we begin pursuing those alternatives, free trade is likely to remain on the embattled defensive.

The biggest problem with traditional negotiations is that even while they dismantle trade barriers, they perpetuate a political culture that is hostile to open markets. The whole premise of negotiations rests on the mercantilist notion that exports are good but imports are bad; in trade talks, freer markets at home are treated as a price to be paid for freer markets abroad. Accordingly, trade negotiations help to foster the very misconceived notions that give rise to protectionism in the first place.

Making matters even worse is the unfortunate tendency of free trade supporters to focus on export growth—and the growth of export-related jobs—as the *raison d’être* of liberalization. When that happens, the free trade position degenerates into a kind of optimistic mercantilism, in which the gains from exports are presumed to outweigh the supposed costs of increased imports.

Furthermore, the strategy of negotiated liberalization puts free traders in the position of defending imperfect and compromise agreements, rather than attacking misguided protectionist policies. We are forced to play down or explain away obnoxious practices in the countries with which we sign deals. We have to answer charges about the loss of sovereignty to faceless international bureaucrats. And in defending agreements against claims that we “gave away the store,” we minimize their impact on domestic policy—as if we should apologize for junking bad laws.

To reinvigorate the free trade cause, we need to find a way to get off the defensive, and to stop fighting all our battles on mercantilist turf. We can accomplish those goals by urging the reform of U.S. protectionist policies, regardless of what other countries are doing.

There are many inviting targets, such as the antidumping law, agricultural quotas and subsidies, Section 301, Buy American laws, the Jones Act, and foreign policy

sanctions. To change those laws we do not need fast track authority, and we do not need to cede sovereignty to any international organization. We only need to summon the courage of our convictions and attack. Let the protectionists have a turn at playing defense.

Conventional wisdom says that unilateral liberalization is politically impossible. Tell that to Australia, New Zealand, Chile, Mexico, and other countries that have eliminated trade barriers unilaterally in recent years. In the U.S., plenty of politically muscular interests exist that are injured by import barriers—they only need to mobilize.

The other knock against unilateral liberalization is that it eliminates our ability to persuade other countries to open their markets—the well known “unilateral disarmament” argument. For proof that it doesn't wash, look at the recent agreement to zero out tariffs on semiconductors and other information technology products. The U.S. was able to negotiate that deal despite the fact we had already made semiconductors a duty-free item; we convinced the rest of the world to follow our lead.

Far from undermining trade negotiations, a well-planned campaign for unilateral liberalization could give negotiations a much needed boost. After all, leading by example usually works best.