Don't Put Foreign Trade on the Back Burner

By JEFFREY E. GARTEN

Whatever happened to the pro-trade agenda of the "New Democrats"—the aggressive approach to opening foreign markets, the refusal to pander to protectionist interests, the elevation of economics to the forefront of America's foreign policy, the bedrock conviction that America needs to accelerate its interaction with global markets in the interest of better jobs and more choices in our everyday lives?

Somewhere between the Bermuda Triangle of the budget and Bosnia it all seems to be fading. As the presidential election nears, the agenda may be lost altogether. Already Sen. Bob Dole is saying that America has gone too far with free-trade agreements. Pat Buchanan is screaming about raising tariffs to pay for our budget deficits. Loud countervailing voices from the Clinton administration and its allies might have been expected, but where are they?

On a Roll?

Granted, America seems to be on a roll in world markets. For the first nine months of this year, exports have grown 12.5% faster than the comparable period in 1994, nearly double the annual growth rate for the 1990-94 period. Imports are increasing, but for the first time in years, they are not outpacing exports. The deficit with Japan has declined for six straight months. Our overall deficit with the world may be peaking.

While the Clinton administration did its part to push exports early on, the big trade negotiations are over. The administration cannot get congressional approval to negotiate the entry of tiny Chile into Nafta. The economics-first approach to Japan seems to be taking a back seat to more traditional foreign policy concerns such as the renewal of the U.S.-Japan security treaty. Gone are the big trade missions. In fact, as the election approaches, trade issues are being swept under the rug in deference to unions and other traditional Democratic constituencies.

Some of the fundamentals for competitive companies and workers look weak.

Under massive budgetary pressures, the federal government is cutting back on basic R&D, and private companies, preoccupied with downsizing and quarterly reports, are not picking up the slack. Our national savings rate—which must support a good deal of our domestic investment needs—is among the lowest in the industrialized world. Our secondary education system, as everyone knows, needs a lot of improvement.

In the end, moreover, our fetishes with trade balances are a misleading indication of what our trade policy should be because they are driven not so much by other nations' trade actions but by broad trends in economic growth, changing investment patterns, new technologies and shifting consumer demands. We need an aggressive trade policy less for the balances than for the jobs and profits they bring. That means releasing the full power of our internationally competitive industries by providing them with the incentives they need to grow further.

Economically, America needs the jobs that will come with increasing penetration of the world economy. We could see more than 16 million people employed in the export sector by the end of the decade—double the number of 1990—if current trends continue. But the quality of the employment is as important as the numbers: Export-related jobs typically pay 17% more than the average manufacturing wage; they carry much higher fringe benefits; they require cutting-edge skills; and they are more resistant to elimination from corporate restructuring than other jobs.

From a competitive standpoint, foreign markets represent an untapped bonanza. According to World Bank projections, in the next several years more than a trillion dollars of infrastructure projects are slated to be mounted in Asia alone. Latin America could account for another $500 billion linked to exports and imports. Today the percentage is 23%. Within a decade it could exceed 30%. Not to visibly try to "make change work for us," as the president used to say, is to leave a vacuum to a demagoguing Mr. Buchanan and others to fan popular insecurities.

What would constitute an aggressive trade strategy, one proportional to the economic and political stakes?

Focus on building up the World Trade Organization. This is a new outfit, and now is the time for us to shake it from any temptation toward U.N.-type lethargy. We need to get new rules to open up opportunities for foreign investment and to enforce antitrust. There is a great urgency to an aggressive push now, while the U.S. has disproportionate clout, and before the EU and the East Asia grouping become powerful enough to veto our requirements.

Keep pressing free trade arrangements with Latin America, East Asia, and the EU, but focus most on big emerging markets. The regional efforts are good building blocks toward a more open global system. However, it's the Chinas, the Indias and the Brazils—the megamarkets with megaprojects and meganeeds—that will count most to us in the future. Already we export more to the 10 big emerging markets than to Japan and Western Europe combined, and that's where the future is.

Don't let up on Japan. We don't need more head-to-head battles, but we do need to enlist more allies in the effort to keep the spotlight on such nontariff barriers as strangling regulations, blocked distribution systems, and interlocking corporate webs that keep out foreign products. We also need a relentless effort to enforce the numerous trade pacts that Japan has already signed.

Help Exporters

Deepen government efforts that really help exporters. Washington should merge the Export-Import Bank and the Overseas Private Investment Corporation into a powerful, one-stop investment bank that streamlines financing procedures and consolidates expertise of foreign countries and projects. It should expand the administration's Advocacy Center—sometimes dubbed the "Economic War Room"—which helps U.S. firms win projects abroad when other governments are involved. It should vastly reduce the number of political and military analysts in our embassies and triple the commercial staffs.

Keep an eye on America's competitiveness while balancing the budget. This means being careful not to eliminate such programs as the R&D tax credit, or inducements to train the work force or strengthen our schools.

It's probably too much to hope that in the midst of good news, as well as an already crowded agenda in Washington, U.S. firms and the government could look over the horizon to more difficult challenges in the global economy. But this is exactly what is needed at a time when trade has never been more important to our lives at home and abroad. Where are the New Democrats?

Mr. Garten, formerly undersecretary of Commerce in the Clinton administration, is dean of the Yale School of Management.