

Understanding Our Economy

Making Sense Of Free Trade

by Seth Bodner

(NAPSA)—According to experts, President Bush may soon find out that free trade is not so free after all.

President Bush cites “free trade agreements” as job promoters and national economic winners. They are, he would have us believe, essential for agriculture, and crucial to opening foreign industrial markets for fair competition.

But some believe these claims ignore massive domestic subsidies for American agriculture, the constant resort to farm bailout legislation in every election cycle, and billions of annual federal payments for corporate welfare. The package is an economic oxymoron.

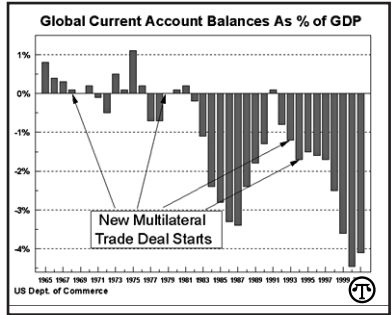
He tells us that “American workers can compete with anyone, anywhere” yet ignores the massive merchandise trade deficits of the past 20 years. These losses have spread across virtually all manufacturing and persist despite 40 years of free trade negotiations.

Has the low cost of labor in developing nations fatally undercut the competitiveness of American workers? Since the 1960s to NAFTA and the WTO of the 1990s, our Presidents have told the same story: “Just open the markets fairly and we will do wonderfully in agriculture and industry.”

Well? If American companies are so competitive, why are the U.S. trade deficits so large and so persistent? Either those foreign competitors are unfair, or they have kept their markets closed despite their agreements, or cheap foreign labor and lax regulatory regimes rule when corporations decide where to site their manufacturing.

Some think it's time to question whether U.S. trade goals and negotiating tactics are valid.

Basing policy on rhetoric about the extraordinary productivity of American workers is dangerous.



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Such rhetoric ignores the 40 plus times differential between the costs of labor in the United States and developing nations, such as China.

It also ignores the worldwide spread of production technology that allows advanced manufacturing, and its attendant high productivity, to be placed anywhere.

If America continues to cling to its current standards, we will face the surrender of production, and the jobs and lifestyles it affords. If we give up the standards, then we have all lost.

Congress, however, continues to authorize open-ended trade agreements. And it does this even as members assure their constituents that the President is somehow committed to protecting their favorite industry. “Steel is important, textiles vital, agriculture crucial...”

In this welter of inconsistent “commitments,” massive trade deficits and a huge decline in manufacturing, the real question is how can so many smart people be so fooled, for so long.

Seth Bodner is a consultant with more than 35 years of experience in international trade negotiations in government and industry. Most recently he served as Executive Director of the National Knitwear & Sportswear Association.