

The trade-phobic 105th Congress

BY STEVE CHARNOVITZ

The recently adjourned 105th Congress stands out as the most trade-phobic in recent memory. It did almost nothing to reduce import taxes on the American public. Equally pathetic was its failure to act on numerous laws and treaties needed to shape the world trading system.

Although House Speaker Newt Gingrich and Senate Leader Trent Lott are responsible for these policy failures, a deeper cause is "divided government" in which the president and congressional leadership come from different political parties.

The biggest debacle occurred Sept. 25 when the House defeated a bill authorizing new trade negotiations using "fast-track" procedures.

The first misstep was the unwillingness of Bill Archer, the chairman of the House Ways and Means Committee, to craft a bill with strong, bipartisan support.

Next, the House Rules Committee refused to give anyone an opportunity to propose amendments to Mr. Archer's flawed bill.

Finally, in forcing a vote on a bill certain to fail, Mr. Gingrich gave the appearance of someone who was using trade as a political symbol and didn't really care whether a bill passed.

Without fast-track authority, U.S. trade officials remain handicapped in sponsoring initiatives to open the U.S. market to imported goods and services. There will be no free-trade agreement with Chile, no Free Trade Area of the Americas, and no Asia-Pacific regional agreement without fast track.

Moreover, in voting against the trade bill, the House shot a protectionist signal around the world.

Besides inaction on fast track, Congress left numerous trade issues on the table, including trade liberalization with Africa, trade liberalization with the Caribbean, reform of U.S.

unilateral economic sanctions, and consideration of the Helms-Burton amendments (regarding Cuba) worked out by the State Department and the European Commission.

Congress also allowed the Generalized System of Preferences to expire in June, which raised tariffs on imports from developing countries. (Congress renewed GSP just before adjourning.)

This Congress failed to take action to accelerate refunds to thousands of exporters who paid the harbor maintenance tax that the Supreme Court ruled unconstitutional in March.

Mr. Archer says he wants to leave more money in the pockets of those who earn it, but he has been deaf to exporters who were unlawfully taxed and are trying to get their money back. Without legislative action, full rebates may be denied on grounds of sovereign immunity and statute of limitations.

One of the greatest disappointments with this Gingrich-Lott Congress was its inaction on several treaties related to trade. The pending shipbuilding agreement would have kept industrial countries from wasteful subsidy wars. The Law of the Sea treaty and the Basel Convention on transport of hazardous wastes are already in operation, but because the U.S. government is not a member party, it has little influence.

The yearning for insularity from the rest of the world can also be seen in one new piece of trade legislation the Congress did enact in 1998. That was replacing the term "most-favored-nation," MFN, in U.S. trade law with the term "normal trade relations." Clearly this was an attempt at Orwellian Newspeak since the World Trade Organization still uses the term MFN.

What is the cause of this congressional dysfunction on trade? In part, it is the Republican takeover of the Congress in 1995. Republicans traditionally have been squeamish when it

comes to open trade.

It was a Republican Congress that passed the notorious Hawley-Smoot Tariff Act of 1930. In 1934, a Democratic Congress reversed course by giving the President multi-year trade negotiating authority. But when the Republicans took over the Congress in 1947-48 and again in 1952-53, they were unwilling to dish out negotiating authority more than one year at a time.

During the last four years, two successive Republican Congresses have done almost nothing on trade.

But weak Republican trade leadership is only part of the explanation. The deeper trade fault-line is divided government.

If Senator Bob Dole had been elected President in 1996, who doubts that the current Congress would have given him trade authority? Similarly, a Democratic Congress would probably have granted President Clinton the trade authority he has so long requested.

The present situation of divided government undermines the mutual accountability between the president and Congress. Rather than cooperate to find middle ground, House Republicans, House Democrats, and the White House can just stand pat and blame each other.

In the leading study of divided government, "Divided We Govern," written in 1991, Yale political scientist David Mayhew concludes that the Congressional outputs under periods of divided government are no less substantial than during unified-party government.

Yet since 1991, the evidence shows the opposite regarding trade. The Congress passed important trade laws in 1993 and 1994, but has been unable to do so since then.

We need to recognize why U.S. trade policy is broken before it can be fixed.

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