

# Getting to Yes on Trade

*The first step is to establish an effective adjustment policy.*

BY JAMES D. ROBINSON III

**W**e are in a ridiculous state of partisan bickering. Finalizing three bilateral trade agreements ought to be an easy, no-brain way to generate jobs and growth in the U.S. economy. Yet here we are in another stalemate between the political parties, with time running out.

Since the Trade Expansion Act of 1962, which authorized the Kennedy Round, trade negotiations have greatly increased domestic prosperity while also providing assistance for displaced workers. That can happen again if we have the wisdom and common sense to say yes to the bilateral agreements with South Korea, Panama, and Colombia currently before Congress.

As a businessman advocating the merits of trade, it is easy to see the advantages for American companies. That is why I have worked actively for freer trade for over three decades. In the current environment, with Doha Trade Round negotiations stalled and other countries signing bilateral trade pacts, U.S. companies will be at a disadvantage in global markets

unless we too can sign such agreements. With all the talk in Washington about competitiveness and job creation, one would think this would be an easy call.

The broad economic benefits of freer trade have never been in doubt. The “problem” with trade has always been its uneven effects—as with any economic change, there are some who gain and others who lose. And the political solution to that problem has always been to set aside a portion of the gains to fund programs to help workers (and companies) in need to adjust to new economic realities. Even after funding these programs, the overall gains to Americans—in the form of more jobs, higher income, and more consumer choice—are substantial.

In the early 2000s, I chaired a couple of studies by the Committee for Economic Development which examined U.S. trade policy and developed a comprehensive agenda for achieving open trade and addressing the hardship of those who might lose their livelihoods as a result of economic change. Our preferred solution as a country was (and is) to grab the leadership on trade. Drop the pretense that we need to give up something by lowering our trade barriers in order to gain reciprocal concessions from others. The truth is that we all gain when we stop restricting trade. Despite the support of five former U.S. Trade Representatives, two Secretaries of the Treasury, and three former Presidents at that time, Washington was not ready for such

a bold step. So we took another look at the problem of how to get to “yes” on trade. Our conclusion then, as now, is that an effective adjustment policy must be part of the policy package.

The 2005 CED report, *Making Trade Work: Straight Talk on Jobs, Trade, and Adjustment*, analyzed the full range of federal government expenditures on training and unemployment, with the recognition that there could be different solutions to match the different circumstances of affected workers. Every possible effort should be made to encourage and facilitate workers’ reemployment. Trade Adjustment Assistance is just one of many federal programs designed to help workers adjust

to changed circumstances. It is one of the more effective initiatives. Certainly, there are inefficiencies embedded in the multiple federal jobs, education, and training programs. Some work, some do not. By consolidating and streamlining these programs, we can improve their overall operating effectiveness while lowering their total annual costs. The trade adjustment assistance program is estimated to cost less than \$1 billion out of over \$60 billion

per year spent on all training and unemployment programs, many of which have been around for years and with modest benefit. Surely, there are opportunities to make these programs more efficient while continuing to help adjust and allow the economy to move to a higher level of output and consumer benefits. A serious review of these programs by the U.S. Congress should enable the entire cost of TAA to be absorbed by savings generated from the current mix of programs. In fact, such restructuring should allow meaningful budget reductions of the total dollars spent but with higher overall impact.

The conclusion seems obvious. We need the benefits that freer trade can provide to an economy struggling to grow and create jobs. A freer trade policy helps many but hurts a few. Helping those who are hurt must be a central part of our trade policy. The benefits of trade are ample enough to cover the costs of such assistance. And if we act wisely, we can improve the efficiency of assistance programs and lower their overall costs. Let’s rise above political gamesmanship and pass those bilateral trade agreements. ♦

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