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## "A New Democratic Trade Policy", NDN

Max S. Baucus

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A New Democratic Trade Policy  
Remarks by Senator Max Baucus  
Before NDN  
October 2, 2007

**Thank you, Rob, for that kind introduction. I'm honored to be part of NDN's Globalization Initiative. You have taken on an important and difficult task — addressing the tides of globalization. I thank you for your efforts.**

**A thousand years ago, the political leaders in the council of the legendary King Canute shamelessly pandered to their audience, the king. They told him that he could do anything, even command the tides. So King Canute had his throne taken down to the shore. He commanded the tide not to come in. And when the waters came, his feet got as wet as anyone's.**

**Today, the economic tides are turbulent.  
Developing economies rise. Economic  
imbalances persist. Traditional economies falter.  
Today's economic seas appear largely uncharted.**

**But there is as something familiar as King  
Canute's councilors. There are still political  
leaders who play to the audience. Calling on the  
government to push back the tides of  
globalization, they have resorted to tried and true  
slogans from yesterday.**

**These critics sound like Warren Harding.**  
**Harding warned that America cannot (quote)**  
**“throw our markets open to the world, maintain**  
**American standards of living and opportunity, and**  
**hold our industrial eminence.”**

**Today’s critics sound like William McKinley.**  
**McKinley said that international trade (quote)**  
**“invites the product of cheaper labor to this**  
**market to destroy the domestic product**  
**representing our higher and better-paid labor. It**  
**destroys our factories and reduces our labor to**  
**the level of his.”**

**In the face of today's economic tides, will Democrats simply echo the past? Will we dust off old standard approaches to respond to today's economic realities? Or will we speak with a new and convincing voice?**

**Globalization is transforming the world. A new world demands a new vision for trade policy.**

#### **THE IMPERATIVE OF A NEW VISION**

**Let's look at our most basic trade policy tools. We have spent much of the past decade expending limited resources on commercially insignificant agreements. The consideration of those agreements has shattered traditional bipartisan support for trade policy.**

**Multilateral talks seem adrift. We find ourselves in another round of global trade talks. But we see little vision of how we got here or where we are going. To many Americans, the Doha Round appears to persist only to sustain itself. To many Americans, the Doha Round does not appear related to achieving the goals of American workers, farmers, ranchers, and service providers.**

**When we do successfully complete negotiations, too often we falter in our execution and follow-through. Without enhanced enforcement, our trading partners feel free to fall short on their commitments to keep their markets open.**

**The challenges facing American workers and farmers are equally frustrating. An increasingly open global economy is forever asking Americans to adjust their skills, productivity, and flexibility to adapt to market demands. And they do. Yet the current programs to assist American workers remain short on the imagination, flexibility, and resources required to keep pace with workers' needs.**



**These facts add up to a devastating domestic and international indictment of American trade policy. At home, Americans do not believe in the benefits of trade. And Americans cannot see the vision of a better America in a globalized world.**

**A forthcoming paper by the think tank Third Way found that only 12 percent of Americans think that trade creates jobs. Nearly two-thirds of Americans believe that trade restrictions are necessary to protect domestic industries. And the belief is widely-held that trade benefits big corporations over American families.**

**Absent consensus at home, we cannot assert leadership abroad. The world's most dynamic economic players have long ago left their starting blocks. They are racing toward a more prosperous future. We remain on the sidelines.**

INVOKING A DEMOCRATIC PAST

**Our challenge is great. We need a new vision. Where, then, do we begin?**

**Let us begin by learning from history and drawing inspiration from our progressive internationalist legacy. Democrats have a long and proud record of advocating an ambitious global vision.**

**It is Woodrow Wilson's vision of global competitiveness and American economic supremacy.**

**It is Franklin Roosevelt's vision of peace, stability, and democracy through prosperity and trade.**

**It is John Kennedy's vision to address trade's effect on American workers.**

**And it is Bill Clinton's vision to embrace through trade the values that define us as Americans.**

**We know that these visions were not just words or ideas. Each vision inspired action and built the very foundation of our globalized economy.**

**These accomplishments included the Reciprocal Trade Agreements Act in 1934, and the successive General Agreement on Tariff and Trade rounds beginning a decade later. These visions created the Office of the U.S. Trade Representative and the Trade Adjustment Assistance program.**

**More recently, these visions created the World Trade Organization. And these visions led to a world economy where dynamic developing economies are bound by the very rules and agreements that give it life.**

**A NEW DEMOCRATIC VISION**

**The Democratic Party has a broad and strong foundation in international engagement. Building on that foundation, our next steps must be bold and ambitious. Inspired by our past accomplishments, we can craft a new vision to address the challenges of the 21<sup>st</sup> century economy. Today, I offer a four-part framework that will to achieve a vision of trade policy worthy of our past.**

**First is responsibility. To rebuild the national consensus on trade and globalization, we must recognize the federal government's responsibility in the face of globalization.**

**We ask a great deal of our companies and small businesses operating in new and unfamiliar markets. We ask a lot of our workers. They must be more agile, flexible, and productive than ever. We ask a lot of American consumers. They trust our ability to manage the safety of growing trade flows, no matter their origins.**

**Most Americans benefit and thrive in today's economy. But some Americans do not rise with the tides of globalization. They struggle with its crosscurrents and undertow. When this happens, the government must stand ready to assist them. That's our responsibility.**

**It is our responsibility to back up our companies engaged in global markets with vigorous and innovative trade enforcement. It is our responsibility to support our workers, firms, and farmers with a Trade Adjustment Assistance program as flexible, innovative, and nimble as we have asked our workers to be. And it is our responsibility to do our utmost to protect our consumers, no matter the origin of our imports.**

**As Chairman of the Finance Committee, I have worked to infuse such responsibility into our trade policy. I introduced legislation to encourage foreign governments to adopt currency exchange rate policies that are responsible and foster stability. I will work with my good friend Chris Dodd to bring a bill to the floor this year.**

**I introduced robust trade enforcement legislation that the Finance Committee will take up this fall.**



**I have also rethought Trade Adjustment Assistance and introduced a bill that aligns this program with today's economy. I intend to mark up that bill this month as well.**

**We will also strengthen import safety in our customs reauthorization bill that we will consider in this Congress, as well.**

**Second, we must multiply our successes, no matter how small. We often forget that the 151-member WTO had a fairly tepid start. The first General Agreement on Tariffs and Trade covered just 47 products from 23 countries. But with persistence and careful negotiation, that small success grew larger.**

**We too possess the seeds to grow future successes. Take the May 10<sup>th</sup> bipartisan trade deal. The Senate, House, and administration struck that deal together. It represents an unprecedented breakthrough in trade policy.**

**For the first time ever, we have agreed to include binding environmental and labor norms in our trade agreements. We have proved ourselves capable of overcoming the most significant obstacle that has poisoned trade policy for more than 10 years.**

**Let us build on this success. Let us prove to skeptics that these provisions do indeed work. By helping our partners adhere to these labor and environmental obligations, we export not just our world-class products but also our fundamental values.**

**Likewise, we should reexamine the success of every trade policy tool. Take the tariff schedule. While we have successfully lowered most of our tariffs, the tariff schedule remains inherently regressive. It taxes necessities like baby clothes, T-shirts, and sneakers at far higher rates than luxury goods. That's not in line with our values, and it's not right. We should fix it.**

**We must also continue to build upon our successful trade relationships, including with China. Today, we often overlook the impressive accomplishments of opening the world's largest developing economy and binding it to WTO rules. Too often, we equate China with all that is wrong with globalization and trade. Rather, we need to capitalize on a Chinese export market that is growing 30 percent every year.**

**We do have real problems with China. Among those is its currency regime, intellectual property rights protection, import safety, financial services market access, export subsidies, and regulatory transparency. These are daunting challenges.**

**But the road we traveled in the 15 years leading up to China's WTO accession wasn't easy. The road since has not always been smooth either.**

**But we cannot disengage. We must move forward with a realistic approach that shifts away from today's two extreme camps. We cannot hold with the camp that denies anything is wrong in our relationship with China. Nor can we hold with the other camp that denies that anything is right.**

**Instead, we must renew the proven approach. We must use all of our means, bilateral and multilateral, within and outside the WTO, to move our relationship forward.**

**Third, let us calibrate our ambitions to our strengths and needs. We all know that we have limited resources. Time, energy, and political capital are scarce. We also know what we are as an economy, what we need, and what we do well. Let's make sure that we align our goals with our needs.**

**For example, we're a big economy. We need big initiatives to grow.**

**I have long called for negotiations with commercially significant economies. The Korean Free Trade Agreement is a good start. But we should not be afraid to think bigger. We should continue to pursue negotiations with Malaysia, Taiwan, Indonesia, India, and Japan. We should not shy away from more daunting measures like regional agreements with ASEAN or APEC.**

**Let us also align our ambitions with our economy's strengths. America is the world's largest and most competitive services economy. Let's lead while we're ahead. Let's initiate bilateral services agreements with the European Union, Japan, and other large economies. It is time that we begin engaging in exploratory talks.**

**Behind every American strength and success are American ideas. We should take ambitious measures to enhance their protection and enforcement domestically and globally. We should begin to negotiate a plurilateral intellectual property agreement in the World Trade Organization that goes beyond our existing TRIPS obligations.**



**Willing parties could sign on to give their entrepreneurial ideas enhanced protection and agree to bolster enforcement. Interested parties not ready to step up yet can join as observers. They can join as their intellectual regime improves and reaches an enhanced standard.**

**The environment is another area where being good can align with doing good. America is a world leader in innovative environmentally-friendly goods and services. High energy prices persist. The consequences of environmental degradation mount. So access to these technologies is more important than ever.**

**When countries impose tariffs and other barriers on these “green” goods and services, they are short-sighted. It makes no sense.**

**America should lead the way in negotiating in the World Trade Organization a sectoral agreement in environmental goods and services. We should work to cut all tariffs on these goods and services to zero. We should eliminate barriers to the provision of environmental services. Doing so will help our environment and our economy. Here, as with all of our initiatives, we may have to start small. But we should always think big.**

**Fourth, and perhaps most challenging, we must begin to rethink our policies to embrace and predict changing global dynamics, rather than simply react to them.**

**We may pursue the same vision and ambition as Wilson, Roosevelt, or Kennedy. But that does not mean that we need to use the same tools to achieve them. Of course, we should get the most out of tried and tested policy tools. But we should also be thinking hard about tomorrow's instruments to address the challenges around the bend.**

**We live in a world of global labor markets, global communications, global financial markets, and global trade. Environmental pollutants as well as their remedies cross borders freely.**

**Exchange rate regimes and mortgage practices have global effects. Officials in Brussels use European competition law to mediate disputes between American high-tech companies.**

**Our compartmentalized policies do not fit this new world. We must imagine seamless policies that embrace the environment, economic growth, and public health. We must craft policies that view education, innovation, and intellectual property rights protection as the many sides of the same valuable economic gem. We must craft our competition and investment policies knowing that companies, policies, and policy outcomes have global consequences, whether we like it or not.**

**Such future-ready policies will not be achieved with any single piece of legislation. No worthy policy has. But we need to start now.**

## CONCLUSION

**These four ideas can move us toward a new vision. Let us work to implement this vision as effectively as our Democratic predecessors.**

**So let us not shout in defiance at the tides of globalization. Rather, let us articulate a vision to solidify our economy at home. Let us proclaim a vision to assume our economic leadership in Latin America, Asia, and the world. And let us lay out a vision worthy of the proudest tradition of the great Democratic leaders of America.**