



Building the US Trade Constituency:

An Act of Local and Global Leadership

Panel Remarks by

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Introduction

I would like to thank Bob Vastine and his CSI colleagues for the invitation to attend this impressive Services Summit and for the opportunity to participate in this panel.

It's also great to share this panel with my friend and former colleague, Charlene Barshefsky. I fondly recall our days --- except for the Seattle Ministerial, that is --- when we were leading the trade policy work for our respective governments and where more times than not, we were on the same side policy wise.

As Congressman Charles Rangel just outlined, building and maintaining a trade constituency is fundamental to all that we do. This becomes indispensable if one wants an effective and coherent domestic and international strategy for trade in services and goods. As the commercial goes, you just can't leave home without one.

To state the obvious, this is no easy task, especially in the US where the trade debate has taken on such a deeply polarized and divisive tone in recent years. Nor is there a ready-made formula that guarantees success.

As a former Trade Minister and Ambassador, and as an outsider, I have been asked to share with you some personal thoughts in regards to building that US trade constituency.

A US Trade Constituency founded on Four Key Pillars

In the some 80 year history of open trade, including the building of both the GATT and the WTO, the US has been an indispensable force, providing the leadership and the vision for a more open and prosperous economy.

Today, that leadership is in urgent need of renewal. In this regard, in terms of building and consolidating the trade constituency, I would see four key pillars that need to be re-energized.

These would consist of the public, business, Congressional and the White House pillars.

First, the Public Pillar.

Since all politics is local, it goes without saying that public opinion is hugely important in determining how political leaders choose to conduct trade policy.

➤ **The public must again be re-engaged on why trade matters to them, their country, and our globe. Let the debate begin.**

-Despite the political challenges of such a debate, trying to hide or ignore the trade issue does nothing for enhancing the public's understanding and appreciation. In fact, it allows misconceptions to fester and grow.

-The importance of trade deserves an open and full discussion; an airing of both the opportunities and the challenges.

-Failing to do so, would only create a vacuum, which then runs the risk of having that gap filled by incomplete or misleading facts. This in turn tilts the debate for the worse and intimidates political and other actors from engaging any further.

- You cannot build a constituency in a vacuum. It first requires a public context.

➤ **In this context, the American public needs to recall how the US, in good part, developed the largest, richest, most powerful economy in the world.**

-Was this achieved by an inward-looking strategy, or was it the by-product of an open, competitive, free flowing approach?

➤ **US citizens also need to be reminded of the consequences when their country chose to retreat from trade.**

-Namely, the Great Depression ---triggered by the imposition of US tariffs as a supposedly short term measure, responding to pressures from farmers, labor, and business.

-Let the debate discuss how world trade then shrank by 66%! And how US unemployment went from 9% to 25%, over a three year period!

-And that catastrophic storm happened in a world that was not nearly as globalized and integrated, as is ours today.

➤ **Can the US public stop, or step off that world?**

-In a globe that is becoming increasingly smaller, flatter, and faster moving, in which all countries are trying to move their goods, services, capital, and people across all national borders, is there really an alternative to open trade?

- If we desire to create economic wealth and prosperity, can we really go back?

-Does the public actually long for the days of the “ wild west”, where the only rule was the survival of the fittest and the biggest? Especially in today’s multi-polar economic world, in which a number of emerging countries are looking pretty fit and big.

➤ **If the public debate on trade in the US --- the only superpower for now --- is so poisonous and divided, then what should other peoples, in struggling lands, be thinking and doing?**

-How should other citizens, living in developing countries, struggling with the most basic of political, social, security, and economic challenges and needs, react?

-If, the US public displays indifference or hostility to open trade, how do we then ensure that emerging societies will play by the rules of our international institutions, which the US was so instrumental in creating?

➤ **And if we lose the American public, what would this mean for the future of the multilateral trading system?**

- In a word --- tragic.

-However, I believe that when the US public is presented with *all* of the pros and cons of the trade imperative, they will choose to build bridges instead of walls.

- In part because the principal of open trade is so intertwined with the concept of free enterprise --- a pillar of the American way of life --- that a rejection of open trade would be tantamount to rejecting a part of the American dream.

Second, the Business Pillar.

➤ **In talking about free enterprise, it is no accident that the US private sector has historically played an active and central role in making the case for open trade. It is absolutely essential, that they once again find their voice on trade matters.**

- Business leadership has helped to define and complete past global trade rounds. And they have been pivotal in helping to build the required resolve of their political class.

- Many would argue that business in general and globally, has not been very engaged in the affairs of the DDA; certainly not like in the Uruguay Round.

- Nor is it felt that they are pushing governments hard enough, to make the necessary compromises, in the key sticking areas of the DDA.

- Despite the precarious position that some sectors find themselves in economically, as a result of the financial/economic crisis, the US private sector needs to jump back into the trade arena, and confront those who would want the country to retreat.

- It's not an easy task, but if they don't take the initiative, it again creates a dangerous vacuum.

-Moreover, without their strong, public commitment, the political class may choose to assume a more hands-off approach.

➤ **US Business must also engage with private sectors from other world capitals, and be present in the international fora where trade policy decisions are being discussed and made.**

-The business campaign for open trade cannot be waged only in America. It must of course start there. However, given the leadership position of US industry in our world, their strategic engagement must also be global in nature.

➤ **At the end of the day, without the active engagement of business, the trade constituency in the US will be weak and ineffective.**

- The traditional public-private winning partnership on trade policy requires the dynamism of business.

-After all, trade liberalization is pursued so that those producing and exporting the goods and services, can move their merchandise easier and faster across all national

borders, and in the process, create the economic opportunities and sustainable growth that the citizens at home and abroad need.

Third, the Congressional Pillar.

➤ **Yes, all politics is local. But if you happen to be a US politician and you are helping to run the only superpower around, then what you say and do has significant global consequences.**

-As the saying goes, “...to whom much is given, much is expected”.

-Getting trade policy right really does matter. It matters for American prosperity, as well as for the health of the global market place.

-Whether your politicians like it or not, US local politics cannot afford the luxury of having it undermine your global leadership; a leadership that much of the world has come to rely upon.

-Being Number One has its privileges, but it also comes with certain obligations.

-And if that leadership is not forthcoming, your domestic political scene will become nastier, as a result of forfeiting US leadership on the international stage and losing the political leverage that this offers you.

- **If indeed politics is local, then Congressional leaders must be aware of and speak to their country's trade reliance in sustaining their economy --- nationally, and State by State.**

-Trade is an integral part of the life-blood of communities across the America. While leaders must explain its global imperative, they also need to situate it locally.

-For example, Thomas Donahue, President and CEO of the US Chamber of Commerce speaking last month in Michigan, elaborated on how that one state is establishing globally competitive positions in technology, agriculture, health care, and alternative energy.

-That 10,000 companies in Michigan export some \$45 Billion in goods and services around the world; and that the State's export sector sustains more than 500,000 local jobs.

-Surely, the other 49 States also have some real trade stories to tell.

- **Politics in America, like most places, is a tough sport. It is not always fair and forgiving, but if there was a short list of issues that should rally bipartisanship, I would have thought that trade would be on that list.**

-Multilateral, regional, and bilateral trade agreements have been concluded by both Republican and Democratic Presidents. No one has had a monopoly.

-Closer to home (Canada), this was epitomized by Ronald Reagan's leadership on the Canada-US FTA, and Bill Clinton's determination on NAFTA.

-The two Parties must once again rally the country around a strong trade mandate.

- **You've heard it before, but it still holds true today ---more congressional leaders should get outside the infamous Washington beltway.**

-Granted, it's tough for them to travel and that's why the world comes to Washington. But I believe you lose something in the process; you lose the full picture of that world reality.

-Kicking the global tires in other national and multilateral capitals would help to better showcase the larger trade perspective for the US political class. It would permit them to better understand the role that trade plays around the world and what US engagement --- or lack thereof --- means to its future viability.

-The American political constituency, at least for the moment, is a global one and so US politicians must reach beyond their own political districts and national borders.

➤ **The US Congress cannot afford to be one of the few places that do not accept the Washington Consensus.**

-Most countries have made economic reforms and restructuring that was painful, economically and politically. And Governments are still engaged in the process of winning this debate, and completing the heavy lifting.

-Your actions must also consider the commitments of these other countries, as well as their dreams for the future.

➤ **Finally, Congress must consider a special class of US exports.**

-America exports a great volume of services and goods.

-However, because you still lead the world, you are also in the business of exporting: American technology, know-how, creativity, competitiveness, confidence, freedom, democracy, and other such society-building values.

-You also export hope; hope for those who are struggling to build better lives; and hope for reducing the festering tensions that harvest civil unrest, war, and terror..

-It is in your vested interests of course, and that of the world's as well, that you don't run a deficit on the export of these public goods

Fourth, the White House pillar.

- **We are all aware that President Obama's election created huge excitement and expectations around the world. That was a special moment, like several others in your great history, when your American dream was exported to and happily welcomed in every single corner of our globe.**

-As we say, "that was then, this is now".

-Naturally, we all appreciate that the Obama Administration faces an overloaded and challenging agenda, both domestically and internationally.

-But relatively speaking, as intimidating as this work agenda is, other nations also face their own challenges and battles.

-As a result, the US Administration cannot temporarily step off the world. Nor, go back to a previous era. Nor, can it let the world wait indefinitely.

-For the trade imperatives we discussed, and for its own credibility on the issue, the Obama White House must articulate its trade vision and strategy --- and do so soon.

-Every day that now goes by without a clear US trade agenda, means another stalled day on the global trade agenda at the WTO.

-And rightly or wrongly, as each day passes, more and more people suspect the worst; that an Obama administration is perhaps a captive of protectionist forces, whether they be in the Democratic Party, or their core constituencies. Or, that the trade issue is perhaps a tradable commodity, in the pursuit of other, more important domestic issues.

➤ **In coming forward with that vision, the White House needs to broaden its approach to trade.**

-Obama cannot view trade through a domestic lens only. It is very much intertwined with his foreign policy.

-How he chooses to deal with global trade will, in part, define Obama's leadership on the world stage. And whether he will be successful in re-engaging America with the international community.

-It's about deciding whether multilateralism will trump unilateralism.

-Last month, I attended an international meeting in Geneva on the subject of trade and climate change, and I was particularly struck by the prevailing and frightening level of pessimism and north-south mistrust, despite the Obama glow.

-After his winning campaign for “change and hope”, for both America and the world, Obama cannot afford to sideline the powerful role that international trade plays in our global economy, and how it is an effective tool in building a more sustainable future for all countries and people.

➤ **The White House must also reframe the trade discourse at home.**

-The President should attempt to link and position trade in a broader package of other policy debates that touch the issues of health care reform, pension reform, unemployment insurance benefits, stagnating wages, and education, for example.

-He needs to convince Americans that such a package of public goods is essential if the country is to sustainably equip itself to successfully face the new global reality. A package that will help renew its leadership abroad, and ably compete with those fast and fit emerging newcomers, as well as other developed countries.

-A more holistic approach would serve to move trade from being dealt as an individual-win-or-lose-vertical-silo, where political movement is more limited, to a horizontal silo, where the issues hold together coherently and where some additional political space and leverage can be found.

- **As part of that reframing, Obama could also adopt a “reform” agenda for the global governance of trade.**

-One that would be more open, transparent, coherent, and in keeping with the times we live in.

-Not only do we need political leadership today, in order to strengthen the multilateral trading system for our tomorrows but in the process, a commitment by President Obama on this front could potentially appeal to some of his core, domestic constituencies, and thus grant him additional policy room.

- **Finally, now that the country club of the G-7 has formally given way to the more inclusive G-20 club, and without overloading this new vehicle too quickly, how can Obama attempt to leverage a trade consensus within this group?**

- I believe that the President should ask his G-20 colleagues leaders and their officials to spend some of their political capital, and dedicate the better part of a subsequent meeting, on the issue of global trade.

-Their efforts should naturally focus on the broader picture, but they must provide the necessary leadership.

-In other words, how can the G-20 leaders develop the common ground to overcome the present obstacles in the DDA? How can they each specifically contribute to that

movement? What should come after the encore of a DDA? How should “new” issues be tackled? And how do they work to keep protectionism in check?

-The G-20 is neither a formal or universal body, of course. Thus, it cannot and should not supplant the workings of a multilateral institution. Nor can it dictate to others.

-But it seems to me that the G-20, as one key grouping of important developing and developed countries, can potentially help to develop the collective political will --- a must-have ingredient ---that often plagues an institution like the WTO, from moving forward with greater speed, energy, equity, and success.

In Closing

-I do hope these thoughts, as an outsider, are helpful. We all share the challenges of moving trade policy forward, and having it address the realities and inequities of our world.

-Hopefully, we can also all share in their solutions, including the building of more sustainable, long term constituency for trade policy.

Thank you.

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