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Trade Policy: The Normative Dimension

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INTRODUCTION

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Does trade policy *have* a normative dimension? We don't usually think of the issue in those terms. Other foreign policy issues do; human rights, development assistance, the conduct of war, and many other areas of foreign affairs are clearly perceived and discussed in moral terms. Should the United States intervene in Bosnia? Does it have a moral obligation to work toward nuclear disarmament? What sort of economic assistance does it owe to struggling nations of the Third World? What are its obligations to persons fleeing political persecution in other countries? The moral dimension in these and many other areas of international concern is evident.

Trade policy, though, has largely escaped the attention of moral critics. It is perceived largely in technical terms, as though the only issues were economic ones to be worked out by economists and political scientists. It is certainly true that there are important and interesting technical issues to be addressed. But the interest of trade policy for positive economists is not a reason to declare trade policy off limits to those with a normative bent. Tax policy, welfare policy, and health care raise technical economic issues, but are nonetheless of interest (indeed, of great interest) to a broader community. Policy, after all, is too important to be left to technicians, no matter how valuable the contributions of technicians may be. Normative analysis helps to set the goals that technical analysis sets out to help us reach.

Argument over trade policy involves more unexamined normative assumptions than one might at first think. The single most important question is, what is the goal (or goals) of trade policy? The reason that this question is not openly debated is probably that people are so strongly committed to their notions of what trade policy is for that they do not focus explicitly on the possibility that someone else might have

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a different idea of trade policy's goals. It seems to be assumed that there is consensus on this issue, although in fact there is not. This fact probably accounts for the way that the debate seems oddly disconnected, for the way that the debaters don't seem to join issue. With different sides having different objectives in mind, it should not be surprising that they often seem to be talking past one another; and until the normative issues are brought out into the open, and explicit attention focused upon them as the true cause of disagreement, little progress will be made.

The contributions to this symposium help to state and clarify the normative issues that account for a substantial part of the disagreement over trade policy in contemporary American politics. Each of the authors has contributed a distinctive normative point of view. The importance of these perspectives to the current debate over matters such as the North American Free Trade Agreement or our trade deficit with Japan will emerge in the articles that follow. Here, I want merely to outline some of the key issues that the articles address.

First, even if one limits attention to economic interests, as narrowly defined, there is room for disagreement over whose economic interests to take into account. James Bovard sets out the argument that it is the economic interests of *individuals*, as those individuals themselves define their interests, that ought to matter. His argument builds on essentially libertarian premises about the government's very limited right to intervene in the lives of its citizens. When a government bars certain sorts of imports, or places a tariff on them (so that some citizens cannot afford to buy those imports), it is interfering with the citizen's freedom to contract with the sellers of his or her own choice. It does so to protect politically favored interest groups that have lobbied for the right to pick consumers' pockets.

Thomas Howell sets out the opposing normative view with equal force. It is a mistake, he says, to think of trade policy in terms of competition amongst domestic interest groups. The Japanese do not think of trade policy in terms of whether it hurts domestic consumers in order to benefit domestic manufacturers; they think, instead, of promoting the national interest as a whole. Having strong domestic industry is good for the country, and this is the perspective that we ought to adopt. In sharp contrast to Bovard's arguments, which are radically individualistic, Howell thinks of the good of the group and resists even *posing* the question of how some members of the group might benefit from particular policy choices more than others.

What Bovard and Howell have in common, however, is that they focus on the interests of American citizens. Howell does so explicitly, with his emphasis on the national interest. Bovard is less explicit; he merely phrases his argument primarily in terms of American buyers wishing to trade with foreign manufacturers (although he could easily expand his argument to include explicitly the claim that foreign buyers ought to be able to trade with the sellers of their choice, as well). But two of the other authors look to the interests of citizens of other nations directly. David Trubek and Martin Wolf raise the issue of the impact of U.S. trade policy on developing nations. The problem is that developing nations are now being shut out of U.S. markets.

There is, of course, a sharp irony here. The United States has for many years considered itself a supporter of international development, contributing technical as well as financial assistance to Third World nations. Of course, foreign aid comes at a price, especially a political price, during difficult economic times; some Americans tend to think that it is better to spend money on local problems and to let the world's poorer nations take care of their own, even though in absolute terms their need is much greater. The impression that this attitude creates is not attractive. It feeds the claims of those who would argue that the United States prefers Third World subservience. It is fine for poorer nations to come to Washington with a begging bowl, looking for handouts. The handouts come with strings attached, and the price that poorer nations pay can be substantial, both in tangible and symbolic terms.

But just let the Third World threaten (even slightly threaten) American economic dominance, and all hell breaks loose. Yet American economic dominance, as Edward Wolff argues, is an unnatural state of affairs; it is only to be expected that once the immediate post World War II period was over, other nations would start to catch up. It is futile to try to maintain the American advantage indefinitely. At any rate, Third World nations don't want welfare; they want jobs.

They want to be allowed to compete with pride, as equals, and it is exactly that opportunity that U.S. trade policy seems to deny them.

The traditional economic analysis that Jagdish Bhagwati describes attempts to show how the competition of interests just described is more apparent than real. According to the usual argument, everyone benefits from the absence of trade barriers. Individuals benefit, the nation as a whole benefits, and citizens of other nations benefit when all devote themselves to their areas of comparative advantage. As Bhagwati makes clear, there are some respects in which economics predicts that advantages can be had from closing markets. But these are exceptions to the general principle of comparative advantage; and in fact, if not always in theory, it is counterproductive to chase these minor and elusive efficiency gains because the distortions that trade barriers produce are so substantial.

While most economists therefore continue to argue for free trade, politicians are all too aware that there may be better ways to get elected, or, in some cases, reelected. Even if free trade is efficient, it can mean disruption of settled industrial patterns and displacement of American workers when other nations gain the comparative advantage in certain sectors. If you are an elected representative from Michigan, it's tempting to look after the interests of the American automobile industry. This is especially true when the workers who would benefit from free trade are not American voters and when the American consumers who would benefit from lower auto prices are not politically organized around this particular issue. And so we find ourselves back at precisely the question that Thomas Howell hoped we could leave behind: the division of gains and losses among domestic interest groups. Until we face directly the question of whose economic interests our trade policy ought to serve — the national interest? consumer interests? the interests of organized labor? the interests of one's political constituents? the interests of developing nations? — we're not going to have a particularly illuminating discussion.

These remarks have been directed to the question of economic interests. But as a number of our authors have pointed out, economic interests, narrowly defined, are not the whole picture. At one time it might have been possible to address the question in solely economic terms, but in the last few years it has become increasingly apparent that trade policy is not an isolated issue area. The second set of issues that must be addressed, then, is what values other than strict economic advantage ought to be figured into the calculus. Here, as with the question of whose economic interests should matter, there is tremendous difference of opinion.

Perhaps the clearest clash of values concerns our commitment to the democratic process. Free trade, obviously, is a substantive value; it specifies what is the proper result, rather than how decisions ought to be made. There is no guarantee that American democratic institutions will reach the conclusion that American interests are best pursued by lowering barriers to trade. Indeed, as Robert Hudec argues, there are some reasons to doubt that democracy will lead to free trade; Hudec offers the example of the Smoot Hawley tariffs, which had impeccable democratic credentials but which turned out to be an economic nightmare. In more modern times, the GATT and the "fast track" system seem more predisposed to produce free trade results than usual legislative processes. Noneconomic interests are not well accomodated by existing institutions for resolution of trade policy questions; this should not be too surprising, for these institutions were not *designed* to accomodate such interests. Noneconomic interests are therefore screened out to some degree, when they might be far better represented in the halls of Congress. The question, then, is whether and why we should change our usual democratic processes for making decisions simply because the issue involved is trade policy.

To some degree, the other noneconomic value issues arise from this question of democratic process. For, there are some values that we have decided (democratically) to protect as a domestic matter but that are threatened by free trade. The reason is that pursuing certain values can impose costs on local manufacturers that make them less competitive in a world that is not equally committed. Worker safety standards provide an excellent example. U.S. democratic processes have concluded that getting goods at the cheapest possible price matters less than ensuring a minimal level of physical safety for the workers that produce those goods. If this means that the United States is less well-positioned to sell its goods abroad (because our competitors' political decision processes have come to a different conclusion), then that is bad enough. But when U.S. made goods cannot compete even within the U.S., this seems to be a much greater threat to our safety standards, for it creates political pressure to adjust those standards downward. It is also a threat to local decision processes, in the sense that the United States loses effective control over the local economy and local working conditions.

One of the best current examples of this dynamic concerns the costs of environmental protection. If we have high environmental standards, this threatens to make American goods uncompetitive in both local and domestic markets. Konrad von Moltke's article discusses this problem. The pressure to exclude goods manufactured in violation of American environmental regulation (the ban on tuna caught without adequate protection for dolphins, for instance) is understandable. Not only does exclusion protect local manufacturers who are required to comply with local environmental regulations; it also expresses our disapproval of environmentally damaging policies in other nations. But it is precisely this last point that is the major defect, as well as a major attraction, of using trade policy as a tool of environmental protection. For other nations do not take kindly to our "foisting" our environmental ethic upon them. Here, the "democratic process" argument returns with a vengeance. For other nations feel just as strongly about the sanctity of the results of their own political process as we do about the results of our own; they feel, as we do, that trade policy intrudes on the sovereign right to make one's own decisions without outside interference.

There are other values that free trade threatens. Some countries are committed to maintaining a particular way of life that, they feel, would be undermined by allowing unlimited export of certain sorts of goods. Craig Merrilees mentions the opposition of some family farmers to the import of products that can be produced more cheaply in other nations. The opposition of Japanese rice farmers to rice imports is a well known example; similarly, European farmers resist oilseed imports. At stake is more than the strictly economic protection local farmers would receive. Local farming can be an important symbol of commitment to a traditional way of life, a way of preserving some part of the country's traditional agrarian heritage. The argument recalls Thomas Howell's claim that trade should be evaluated in terms of the impact on a nation as a whole, not in terms of the effect on narrow interest groups. For it suggests that there is a general interest in preserving local culture which extends beyond the narrow economic benefit to certain sectors.

Jiro Tamura gives another example of the impact of American trade policy on local sovereignty. Much has been written, of course, about the causes of the large American trade deficit with Japan, and some claim that a chief reason is the structure of Japanese markets, which makes it difficult for American exporters to penetrate them. Tamura describes the system of keiretsu, a corporate structure unique to Japan which presents potential antitrust problems. If the United States applies its law extraterritorially to commercial activities centered largely in Japan, it is intruding upon Japanese business custom and violating Japanese sovereignty. On the other hand, American manufacturers find it extremely unfair that (in their view) the Japanese have broad access to American markets while the Japanese do not return the favor.

Perhaps this point, of "trade fairness," is a good place to conclude this introduction. Anyone who feels that the words "morality" and "protectionism" don't belong in the same sentence must deal with our irrepressible tendencies to phrase the question of open markets in terms of basic fairness. There is an intuitive reaction on the part of many people that if the United States opens its markets, other countries should do the same. (The flip side—that the United States has an obligation to open its markets when its trading partners do—is not always as clearly stated.) Here the metaphor of "the level playing field" comes in. The economists' assurances that the best strategy is to keep your markets open even if your trading partners close theirs is no match for this simple (simplistic?) sense of equity.

This introduction has only aimed to identify sketchily some of the many normative issues that plague trade policy. If the outline has been a mile wide, it has been just an inch deep. It remains for the rest of this Symposium Issue to plumb the depths of these questions, if not, in fact, to resolve them.