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HEADLINE: U.S. Role in Global Economy

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HIGHLIGHT: NPR's Kathleen Schalch reports on the likely U.S. role in th new global economy. Trade representatives are calling for the U.S. to lead the way. They say President Clinton needs fast track authority to win the best offers from our trading partners. But some critics say the economic crisis in Asia will lead to an immense trade deficit with the U.S. -- possibly reaching a record $300 billion. Anxiety over trade issues has united an unlikely coalition of environmentalists, Christian conservatives, labor activists and some lawmakers on Capitol Hill. They advocate a more protectionist stance.

BODY:

BOB EDWARDS, HOST: This is MORNING EDITION. I'm Bob Edwards.

When it returns to work this month, Congress will confront new questions about the costs and benefits of the emerging global economy. The huge volume of goods and money moving throughout the world has created unprecedented wealth, but it's also blurred national boundaries, formed new classes of winners and losers, and threatened to bankrupt entire countries.

The Clinton administration wants the U.S. to forge ahead by toppling trade barriers and seizing new opportunities. But Congress may not cooperate. Instead, many analysts foresee a growing wave of protectionism.

NPR's Kathleen Schalch reports.

KATHLEEN SCHALCH, NPR REPORTER: U.S. Trade Representative Charlene Barshefsky is adamant. She says the United States cannot afford to retreat from its leadership role in the global economy.

CHARLENE BARSHEFSKY, U.S. TRADE REPRESENTATIVE: It is critical that we maintain our leadership in defining the rules of trade, in defining the rules of commerce, and in helping to write the rules by which economies become more market-oriented, more commercially in tune with the way in which we like to do business.

SCHALCH: Barshefsky says the U.S. is facing crucial trade negotiations in the coming months on issues ranging from intellectual property to agriculture, and needs fast track authority to get the best deals possible. Without it, she says, our trading partners won't put their best offers on the table since they won't know what they'll get in return.

Most economists, including Jeffrey Garten (ph), dean of the Yale School of Management, argue that new trade agreements will benefit the U.S.

JEFFREY GARTEN, DEAN, YALE SCHOOL OF MANAGEMENT: Generally speaking, our economy is much more open than other economies. So, we're in the process of really leveling the playing field.

SCHALCH: Historically, such arguments have won over lawmakers as well. But during last year's fast track debate, skeptics in Congress outnumbered believers.

And since then, there have been more setbacks. In December, for the first time, the World Trade Organization ruled against the U.S. It was a landmark case which pitted Kodak against its Japanese rival

Fuji. Even Ambassador Barshefsky expressed dismay. She says the WTO ignored the way Japan's distribution system discriminates against imports.

BARSHEFSKY: This is widely recognized, widely acknowledged, and indeed, even Japan admits as much.

SCHALCH: The WTO decision could heighten trade tensions between the U.S. and Japan, and undercut the administration's argument that the international trading system is essentially free and fair.

Another looming problem is the financial crisis in Asia. Ironically, the reforms the IMF is demanding will wrench some of that region's economies open in ways U.S. trade negotiators could only dream of.

At the same time, the U.S. trade deficit with Asia is likely to explode. Exports from the region were already competitive. Now, plummeting currencies could make them up to 70 percent cheaper. And with demand shrinking at home, these nations will have to export.

Marcus Nolan (ph) of the Institute for International Economics predicts that the U.S. global trade deficit could reach a record $300 billion and that Congress isn't going to like it.

MARCUS NOLAN, INSTITUTE FOR INTERNATIONAL ECONOMICS: When the U.S. trade deficit goes up, the U.S. gets into trade disputes with foreign countries, regardless of whether these disputes have anything to do with the trade deficit or not. It's just a political lightening rod.

And I am afraid, as the trade deficit reaches new historical heights, that there will be a temptation in the Congress and in the administration to resort to protectionism in the United States. This, if it spread to other countries, could be very, very bad for the world's economy, given the fragility of world financial markets at this time.

SCHALCH: According to Eric Peterson (ph) of the Center for Strategic and International Studies, arguments against protectionism could fall on deaf ears in Congress. Peterson says Democrats are increasingly beholden to organized labor, which opposes free trade, and Republicans have splintered over the issue.

ERIC PETERSON, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES: American trade is now in a squeeze play. There have been a number of centrist Democrats and Republicans over the years who have been the core of a cohesive trade agenda that the United States has championed. But unfortunately, that core is now diminishing. There are fewer and fewer Democrats and Republicans in the center now who seem willing to champion freeing of international trade.

SCHALCH: Edward Graham (ph) of the Institute for International Economics offers a harsher assessment.

EDWARD GRAHAM, INSTITUTE FOR INTERNATIONAL ECONOMICS: A substantial percentage of the Congress -- and I would say that this

includes the vast majority of those who were elected in 1994 -- are simply very ignorant on this issue and they're somewhat inclined to react under the pressures of the moment. I would say, in fact, even further that not only are a lot of these members quite ignorant of international trade issues, but some of them seem to be downright proud of it.

SCHALCH: But many members of Congress say the problem is not ignorance, it's that they've looked into the matter and don't like what they see.

Massachusetts Democrat Barney Frank says liberals like himself are tired of the government acting like its sole purpose is to make sure goods and capital flow freely across international boundaries.

U.S. REPRESENTATIVE BARNEY FRANK (D-MA): The ability of capital to move undercuts the ability of unions and government to provide fairness. We are told, "cut back on your unemployment compensation rules, reduce your taxes, take a wage cut, take a cut in your health care benefits, or else we will move."

SCHALCH: Frank says open markets and the free movement of capital have triggered a race to the bottom. House Minority Leader Dick Gephardt has warned that as globalization has knit the world's economies together, it has pulled Americans apart. Tennessee Republican Zach Wamp voices the same concerns.

U.S. REPRESENTATIVES ZACH WAMP (R-TN): I think we've gotta be very careful as a country that we do not lose our own soul because of our desire to make money.

SCHALCH: Wamp says U.S. commercial interests should not undermine American values.

WAMP: Other countries do not have our values, they do not have our culture. We should be careful in working out agreements with them. If they have no regard for human rights, or very little regard for human rights, as our friends in China do today -- and it's proven. Out in the countryside, they have sweatshops for teenage girls that would make any decent human being sick.

SCHALCH: Wamp and other lawmakers say their qualms are shared by the American people. Indeed, anxieties over trade have brought together an unlikely coalition of environmentalists, Christian fundamentalists, human rights and labor activists.

Steve Frank (ph) heads a national organization of conservative Republicans.

STEVE FRANK, HEAD OF A NATIONAL ORGANIZATION OF CONSERVATIVE REPUBLICANS: The policies that are being made on trade are being made by faceless bureaucrats in other countries, and we don't have the right to question 'em. As citizens and voters, we don't have the right to elect and unelect them.

And the grassroots, as I travel throughout the country, recognize that trade policy is an area that we have not taken a great interest

in over the years. Now we must. And we recognize the impact on families and jobs and communities in the United States. And it's time that we speak out.

SCHALCH: Eric Peterson of CSIS says the trade debate has moved inexorably from Wall Street to Main Street. Closed plants make headlines, he says, while the benefits of trade, such as cheap imports and good export jobs, don't. Peterson worries that the old internationalist consensus will crumble just as it's begun to pay off.

PETERSON: Over the last 10 years, one-half of humanity has projected itself into the global market economy. And this is exactly what we have wanted for over half this century, what the U.S. has championed. And now, precisely at the time when all these societies are working to liberalize their economies, to instill free market practices, the champion of free trade, the United States, runs the risk of retreating from its historical commitment. That, I believe, is serious business.

SCHALCH: But Peterson says heading off protectionism won't be easy, and he expects trade to be the hot button issue in the next elections.

Kathleen Schalch, NPR News, Washington.

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