



Reassessing Priorities in the Global Economy

by Jane Skanderup

The economic impacts of the terrorist attacks on Sept. 11 have reverberated across the global economy. The strongest consensus is that the resilience of the U.S. economy will reassert itself, with growth rates returning sometime in mid-2002. IMF forecasts released last week predict average global growth of 2.6 percent for 2001, hovering just above the 2.5 percent rate that defines a global recession. But economies everywhere are struggling.

U.S. officials have been quick to shift domestic policy to try to stem the impact of shaken consumer confidence. Congress has allocated some \$45 billion for recovery and anti-terrorism efforts; Fed Chairman Alan Greenspan argues that a total of \$100 billion - or 1 percent of GDP - may eventually be necessary to pull the economy from recession. The U.S. consumers' zest for spending began to stall even before the attacks, and now a distraught and security-minded public has a hard time heeding appeals to resume normal spending patterns.

Attention needs to focus on the U.S. role in the global economy as the country undertakes a global battle against terrorism. In a surprising move, the U.S. House of Representatives voted last week to release \$582 million on back dues owed to the United Nations, a vote that has stagnated for a decade over squabbles about UN reforms. New foreign policy priorities also cleared the way for the Senate's approval of a U.S.-Jordan free trade area last week, which had been hung up for a year over environmental and labor provisions.

But the U.S. Congress should not stop there. The U.S. role in global economic organizations needs to be reassessed, with the same spur to action to solve problems in the domestic security apparatus or to build an international coalition.

The most pressing task is for the Congress to pass trade promotion authority (TPA, formerly known as fast track authority) in advance of the World Trade Organization (WTO) talks scheduled to be held in Doha, Qatar on Nov. 9-13. Although security concerns may alter the timing and location of the meeting, officials are progressing on a draft agenda of trade issues to be negotiated during the new round. A successful meeting in Qatar is critical to international perceptions of the U.S. and the elite group of developed nations. This meeting will be the first to include China and Taiwan, and other strategic players are waiting in the wings to join including Russia and Saudi Arabia. The stakes are high for the U.S. - along with the EU and Japan - to restore faith that negotiations will be conducted in an equitable give and take manner for the common good.

The tough political choices to resolve contentious issues are well known. The U.S., Europe, and Japan need to open up their markets for textiles, agriculture, and steel. The U.S. insistence that renegotiation of anti-dumping policies be excluded from any agenda is especially troublesome to developing and least-developing countries because it is used to block cheap imports. These countries, led by India, are also concerned that the industrialized countries have failed to implement commitments reached during the previous Uruguay Round.

Yet Congress is sorely out of sync with these concerns. Playing to domestic constituencies - and fairly narrow constituencies at that - the Congress has instead argued about including labor and environmental provisions in TPA. Labor rights and environmental health are important to any society and well-functioning economy, but even the U.S. had a long and arduous struggle to fashion a social consensus on these issues. Labor unions and NGOs have achieved mainstream status only after a half-century in the trenches of grass-roots public opinion, and it is disingenuous for these groups to insist that the U.S. government now enforce standards through trade sanctions or penalties. The WTO is simply not the appropriate body to monitor, cajole, and punish 142 different members to adhere to a common code or formula; in some countries, indigenous institutions have evolved that are in fact more effective than solutions imported from abroad. As U.S. Trade Representative Robert Zoellick argued last week, "It would be a mistake of historic magnitude - and hugely self-defeating - to block progress on TPA and the benefits of trade until we can compel some unilateral vision of global social policy." Congress should wake up to international realities and realize that it is more effective to strengthen the International Labor Organization and the UN's capacity to act on the environment. The developed countries should appropriate more resources and authority to these organizations if their concern is genuine.

But it is not only the U.S., Japan, and Europe that face tough choices. All of Asia faced declining exports, rising unemployment and bankruptcies, and growing fiscal outlays prior to Sept. 11, and the main policy approach, with some important exceptions, relied on U.S. recovery. Asian countries will now be best served by refocusing on internal restructuring and reviving trade liberalization goals. An early opportunity to galvanize regional political will toward these ends will come at the meeting of the Asia Pacific Economic Cooperation (APEC) forum, to convene in Shanghai on Oct. 20-21. The 21 APEC economies need to renew a commitment to region-wide trade liberalization, particularly following last year's meeting where nearly all countries embraced the idea of bilateral agreements in hallways while paying lip service to "regionalism" inside. Most of these bilaterals have gone nowhere, as countries learn that tough choices face them no matter what country is involved. In addition to trade, APEC needs to re-energize the working groups to truly serve members' needs. For example, the Energy Working Group is exploring a strategic oil reserve at the regional level, which could make a great contribution to improving regional energy

security. APEC missed its chance to provide relevant answers to the Asian financial crisis at its November 1997 meeting, so let's hope that senior officials and leaders have the courage to make this meeting count. "Vision statements" aren't enough. President Bush is making a point of being there, even while canceling important trips to Tokyo, Seoul, and Beijing. It is important to use the time wisely.

As the U.S. engages a political coalition in the battle against terrorism, it must also re-engage in the global economic arena in a way that tries to reconcile domestic priorities with those of other countries. Japan and Europe have an equal responsibility to tend the global economy in a way that assists the core mission of the WTO as well as other international financial institutions - to foster comprehensive and sustainable economic development. Only then can countries hope to achieve goals in education, health, the environment, workers' rights, and greater regional security.

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