

The Democrats Dither on Trade

By David Ignatius
Sunday, August 5

Democratic presidential candidates like to talk about "turning a page" in America's relations with the rest of the world. But what does that mean, in practical terms, on bread-and-butter issues such as trade? Are today's Democrats a party of open markets and economic development, or of market restrictions and job protection?

The answer is that leading Democrats seem to want both -- they favor economic development overseas but not at the cost of U.S. jobs. That sounds like a coherent position until you begin to look carefully at the political choices in Latin America, a part of the world where U.S. trade policies are tightly interwoven with national security interests. Tougher trade policies could embolden the anti-Americanism embodied by Venezuela's rabble-rousing president, Hugo Chávez.

Once upon a time, it was an article of faith for most Democrats that free trade would produce a virtuous cycle of rising living standards abroad, greater political stability and increased demand for American exports. You can find a symbol of that old Democratic consensus in the front lobby of the Inter-American Development Bank, where there is a bust of President John F. Kennedy. His "Alliance for Progress" embodied the idea that trade liberalization would help contain radicalism in Latin America.

For many Democrats, that faith in free trade has been undermined by job losses associated with economic globalization. As David Brooks of the New York Times has noted, the public increasingly sees open markets and open borders as part of an unfair economic system that benefits the elites but harms working people. Within the Republican base, that anger surfaces in opposition to immigration legislation. Among Democrats, it takes the form of opposition to trade legislation.

The leading Democratic candidates understand that the issue is a minefield, and they are walking on tiptoes. Sens. Hillary Clinton and Barack Obama both voted against the Central American Free Trade Agreement in 2005. Clinton has said she wants a "time out" on trade deals to study their impact on American workers. It's the economic issue on which she differs most sharply from the record of her husband, who as president championed the North American Free Trade Agreement.

But Democrats aren't isolationist in their souls. They instinctively want to be the party of openness and development. "The Democrats are groping for a constructive trade policy," says Nancy Birdsall, the president of the Center for Global Development. "They want to keep the unions on their side, but they recognize we have to make adjustments to a global market."

For a lesson in how to combine progressive social policies with free trade, the Democrats might take a careful look at political developments in Latin America. The 1990s idolatry of conservative economics has largely collapsed -- discredited by the failure of extreme free-market policies in Argentina and other countries. The new center-left consensus is symbolized by President Luiz Inácio Lula da Silva in Brazil, a former union leader who has embraced trade liberalization and centrist economics. Joining Lula in this center-left political space is Mexico's President Felipe Calderón, who surmounted firebrand leftist candidate Andrés Manuel López Obrador last year.

The tilt left has been accompanied by an economic boom. Latin economies have registered five consecutive years of 5 percent average economic growth, with low inflation and high exports, according to Luis Alberto Moreno, the president of the Inter-American Development Bank. This growth relies on increasing trade. That's why Moreno and others are hoping that the Democratic Congress will act soon to approve pending trade agreements with Colombia, Panama and Peru.

The danger for the United States is that if it abandons these Latin advocates of open markets, the beneficiaries will be radical supporters of Venezuela's Chávez. Already Chávez is pumping an estimated \$2 billion in discounted oil to poor Latin American countries. The United States, by contrast, is providing just \$1.3 billion in development assistance. Chávez isn't about to conquer Latin America. But if Mexico, in particular, believes the United States is abandoning open markets and joint development, the resulting radicalism could create a serious security problem on America's border.

So what are the Democrats doing about trade? Well, they dither. Democratic leaders in Congress say they may bring trade agreements with Panama and Peru up for a vote this fall, after gaining concessions on workers' rights and the environment. As for the Colombia agreement, it appears dead for this year. The Democratic presidential candidates, meanwhile, are scurrying to follow the party's base, rather than trying to lead it, on trade. The Democrats want to turn a page, but in the case of Latin America, they may be turning it backward.

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