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In 2000, CFED embarked on a two-year project to strengthen the capacity of local officials to govern in a global economy and to better balance the goals of sustainable development and trade. A joint venture with the Harrison Institute for Public Law at the Georgetown Law Center, this project was led by Bill Schweke.

The Harrison Institute, one of eleven institutes or clinical programs at the Georgetown University Law Center, provides legal services that strengthen political and economic democracy. Since 1972, the Institute has represented citizen coalitions, housing cooperatives, community development corporations, government agencies, state and local legislatures and nonprofit organizations.

The project promoted better international rules that affect state and local public officials and economic development professionals. The project pushed for rules designed to:

1. Aid and not hinder "best practices" in domestic economic development;
2. Support the emerging global field of sustainable development;
3. Better balance the respective goals of promoting global commerce, while still maintaining cost-effective and publicly accountable development policies
4. Strengthen local "laboratories of democracy" within nations that have federal systems, particularly for delivering economic development; and
5. Create new transnational networks, partnerships and alliances.

The project tracked changes in multilateral trade agreements and helped public officials and economic developers understand both the positive and negative aspects of globalization. The project helped officials and developers stay current on provisions that had the potential to either hinder or enhance the economic development profession.

The goals of the project were to provide research, networking and educational products create and strengthen transnational alliances, clarify and focus the trade and investor rights debate, continue and bolster the ability of local officials to practice economic and community development, advance multilateral policy to promote sustainable development, and promote American subsidy reform.

The major deliverables of the project included papers that examined such topics as curbing subsidy abuse in the United States by examining reform efforts in Europe, the future of government procurement programs in economic development, and the best practices in placed-based economic development fiven major trade and investment agreements. In addition, CFED created and maintained an electronic newsletter and clearinghouse. CFED also coordinated a working group of development organizations to track trade and investment policy and to communicate their concerns to the United States Trade Representative and Congressional committees.

 1200 G Street NW Suite 400 Washington, DC 20005 Ph: 202.408.9788

Global Trade and Investment

Frequently Asked Questions About Globalization and the Future of Economic Development

What is Globalization?

The Organization for Economic Cooperation and Development (OECD) has a good definition:

> Globalization refers to an evolving pattern of cross-border activities for firms, involving international investment, trade, and collaboration for the purpose of product development, production and sourcing, and marketing. It is driven by firm strategies to exploit competitive advantages internationally, use favorable local inputs and infrastructure, and locate in final markets. These strategies are shaped by declining communication and transit costs and rising research and development costs; macroeconomic trends and exchange fluctuations; and liberalization of trade, investment, and capital movements.

In short, there are both market "drivers," such as new technologies, and policy drivers. And often they cannot be easily separated. There is also an active and irresolvable debate about the inevitability of these changes and the degree to which policy can encourage, shape, or stop them. Yet, we can be sure that policy does matter a great deal. For example, the emergence of the Internet and electronic commerce does not have to undermine state and local revenue bases. Federal, state, and local officials can create a new tax policy regime that addresses these changes.

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What is the problem?

Multilateral trade and investment agreements (e.g., the WTO subsidy agreement, NAFTA's Chapter 11, as well as other bilateral two-party agreements) are now extending beyond tariffs, custom duties, and quotas and beginning to declare a broad range of regulatory, subsidy, and procurement programs as being "technical barriers" to foreign commerce and investment. For example, many current state and local development programs could become violations of trade requirements in the future.

Unrecognized by most state and local policymakers and managers, there are changes looming in the global legal environment that could profoundly limit the autonomy and policy discretion of sub-national governments in the United States. The most far-reaching of these changes would make it more difficult for state and local governments to serve as "laboratories for democracy," places where future national policies are explored and tested in virtually every sector of governance before they are replicated on a national scale. Areas possibly threatened include banking regulation, economic development, government purchasing, consumer protection, working conditions, health and medical insurance, and environmental law.

The agreements, in fact, empower such multilateral bodies as the World Trade Organization and a new set of international courts and dispute resolution systems to rule on the legality of state and local laws concerning expenditures, procurement, regulation, taxation, licensing, and ownership. Policies found in conflict with these agreements must then be terminated, or trade sanctions and monetary compensation will be imposed.

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Does support for local authority mean you are against "free trade?"

Not really. To begin with, the conflict between “free” trade and “fair” trade advocates is misleading in many respects. No trade system operates without a policy and legal context that shapes its rules. An utterly laissez-faire trading system does not exist. Likewise, some approaches to “fair” trade are highly protectionist and may do great harm to poorer developing countries.

Global policy liberalization involves a number of changes, ranging from eliminating tariffs on certain goods to easing restrictions on currency speculation, from allowing for more foreign ownership to restricting the rights of countries to discriminate in favor of their own industries and citizens. Thus, a policymaker could be pro-liberalization in some areas, but for increased or continued regulation in others.

This is, in fact, CFED’s position. We believe that a more thoughtful and nuanced approach to globalization is needed.

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What then is your ultimate litmus test for assessing global trade and investment policies whether they are labeled “free” or “fair” Trade?

Trade policies should be concerned with those people most often effected by these policy proposals, not just the wealthiest or the most educated. It is for this reason that we believe that the goal is achieving a more widely shared and sustainable standard of living.

This means, furthermore, that we measure their potential effects along a variety of dimensions – number of jobs, quality of jobs, income growth and distribution, regional equities, the quality of life, and so forth.

Thus, if reforms can help bring us closer to these goals, then great. If not, or if they cannot succeed without complimentary, but presently absent, policy changes and institutional development, then we should not adopt them.

Won’t being concerned with these other facets make global policymaking much more difficult?

Yes, it will. But it should.

First, in many respects pro-globalization policymakers are pushing for a global economic “constitution” – a statement of investor rights and free trade principles (with real enforcement mechanisms). The creation of a new global “constitution” is a very large change. Its implications and design must be adequately debated and thoroughly discussed before it becomes a reality. We should look before we leap.

Second, the process of policy change has been very unbalanced to date. The economic sides of these agreements, along with their dispute resolution systems and powers of sanction, are developing far in advance of those that might protect other public values, such as the environment and worker and consumer rights. It is as if we were creating a U.S. Constitution that only consisted of the Foreign Commerce Clause and this provision was used to trump all other concerns. Instead, a global policy context should include other public values than just investor rights or economic efficiency or market access.

Third, the entire policy system for setting foreign trade and investment rules and resolving disputes are insufficiently transparent, open, and accountable. The public has a right to know, and a wider range of political constituencies need better access. If the WTO and other such bodies continue moving beyond their narrower policy domains of tariffs and duties to reach into all governmental functions, then, as a consequence, “everybody has to be involved.” These policy issues are no longer just proprietary issues for big business.

Lastly, all sides of the global policy debate must be examined before solutions are reached. Those engaged in global policymaking debates must recognize the complexities and subtleties of the issues at hand in order to find solutions that reflect a balanced, nuanced understanding of the issues as well as a deep consideration of the full range of ideas, values and opinions on both sides of the debate.

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But didn’t the failure of the wto seattle meetings change all this? what should we be concerned about in the current debate?

The failure of the WTO Seattle meetings did not change much. WTO trade negotiations continue to take place in different venues and under different titles, the most recent being the Doha Round of negotiations.

Since the beginning of the Doha Round of Trade Negotiations(say when it began), not much progress has been made as the participating parties have refused any sort of compromise or middle-ground. In fact, in July 2006, the Doha Round of negotiations were officially suspended by WTO Secretary General Pascal Lamy, who cited the lack of progress and the unwillingness of certain parties to budge on their negotiation packages as the cause of the collapse.[1] Members of the WTO resumed talks in January 2007, though it is unclear whether this is a case of more political and diplomatic jockeying, and how serious the negotiating parties are in their commitment to reaching an agreement.[2]

Although the Doha Round of Talks includes three sectors of trade—trade in goods, trade in services, and agriculture-- the major sticking point has been agriculture. Rich, developed countries (primarily EU countries and the US) are refusing to cut their farm subsidies and lower tariffs on imported goods and poor developing countries are unwilling to lower their own import tariffs unless the wealthier ones agree to drastic subsidy cuts. What is being overlooked in all of these talks is the fact that WTO member countries have already agreed to phase out illegal subsidies under the Uruguay Round Agreement; the agreement required that this be done over a seven-year period, a period of time that has already passed. Yet the developed countries fighting to protect their subsidies seem to be functioning under the guise of pre-Uruguay Round conditions, which is a bit confusing (but understandable for reasons of political and economic nationalism).[3]

Through the WTO’s Dispute Settlement Understanding (DSU), select countries have begun to challenge US subsidy policies, for example Brazil’s successful challenge of US cotton subsidies in (state year).[4] Most recently, Canada has filed suit through the DSU against the United States’ Corn subsidy policy, arguing a similar claim. Analysts argue that this suit is aimed at putting pressure on the US to rethink their farm policy and their negotiating position on domestic subsidies in the next round of Doha talks.[5] In any case, these challenges prove that US agriculture subsidy policy is indeed vulnerable to change through international court rulings.

Yet even with the restart of the Doha Round, concerns have been raised that the ‘window of opportunity’ for any finalized deal for the Doha is nearing an end. As quoted in Bridges : “It is widely believed that if there is no substantial progress by early April, Congress will not renew the TPA, and the Doha Round will either be dead or put in mothballs for possibly years to come.”[6]

In addition to the ongoing Doha Round of WTO negotiations, our government is also involved in a variety of bilateral negotiations, such as those that would expand NAFTA across the entire hemisphere – the Free Trade Area of the Americas – and the discussions with the European Union about procurement issues.

Also, the WTO is not the only organization contributing to a sort of international framework of laws or constitutions. Far-reaching investor protection language can also be found in conditions imposed by International Monetary Fund loan agreements and proposed legislation, like the Africa Growth and Opportunity Act. Numerous one-on-one (bilateral) trade and investment negotiations are occurring as well.

These investment sections tend to mirror Chapter 11 of NAFTA and the defunct Multilateral Agreement on Investment, which radically expands the notion of regulatory “takings.” In the guise of protecting private property and investment against expropriation via regulation, these agreements may make it difficult to regulate in the environmental domain. “You’ve got to pay to regulate.” This could become the new slogan in an economic climate where the environment is treated like a commodity. In the case of any decrease in property values, caused by, let’s say, new zoning ordinances and land use restrictions, the private entity affected must be compensated for by local government. This is true even if there are remaining, albeit lower-yielding uses of the property (e.g., a smaller housing development with more common space and no homes located within 100 yards of the beach).

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What do these bilateral negotiations look like, and what kind of an impact do they have on global trade?

One recent example of these bilateral negotiations is between the US and Vietnam,in which an agreement in principle was reached in May. The agreement lowers Vietnamese tariffs on US industrial and farm products and removes other barriers on sectors such as telecommunications, retailing, banking, insurance, and energy.

The agreement is expected to boost US exports in Vietnam, one of the fastest growing markets in Asia.[7] The two countries are expected to sign the agreement in early June. Under the agreement, Vietnam will eliminate WTO-prohibited subsidies in its textile industry; if they fail to do so, then US obtains the right to reimpose quotas on Vietnam’s textile and clothing shipments.

In order for the agreement to be finalized, the US congress must approve the deal through a vote, after which Vietnam would submit its final request to the WTO. As of 2005, Vietnamese exports to the US totaled $6.5 billion, while US exports to Vietnam were at around $1.2 billion.

The earlier Jordan-US agreement also included some ILO-type labor protections that the AFL-CIO was happy about. (International Labor Organization is a body that monitors labor standards, such as child labor, union-busting, employment discrimination, etc.)

The United States is currently involved in bilateral trade negotiations with numerous foreign countries around the world. Many of these negotiations are currently in a state of ambiguity as to whether they will ever come to completion, for example the FTA's currently being negotiated with Malaysia and South Korea. Negotiations with South Korea have been ongoing for the past 9 months without agreement. Parties appear to be close to agreement on some issues, such as e-commerce, and at an apparent stalemate on other issues such as rice subsidies, trade remedies, and automotive products (US access to Korean markets).[8] A major sticking point for the US side is US Beef Industry access to the Korean beef market.[9] FTA negotiations with Malaysia have reached a similar state of immobility.[10]

In terms of content, they (bilateral agreements) can include anything. It all depends on the relative powers, values, and interests of the two parties. But from the perspective of the WTO and most international economists, this bilateral approach is not the preferred course. Worldwide agreements will lead to more comprehensive, coherent guidelines and less bias against those that were not party to the agreement. Many critics of bilateral agreements argue that they tend to exploit small developing countries and favor developed countries, because the weaker countries are willing to make concessions in order to gain access to the larger economy. What is more, some argue that bilateral negitiations tend to diminish the power and leverage of Multilateral negotiations (such as the Doha) by 'going behind Doha's back,' so to speak.

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Why is there such pressure to move on such an agenda? why is all this happening?

As mentioned earlier, the Doha talks are approved for President Bush's Fast Track Authority for approving trade agreements, which expires July 1, 2007. In other words, time is running out for trade negotiations to solidify a multilateral Doha agreement. But let's consider why policymakers and advocates of free trade are so eager to create a global multilateral trade agreement.

First, successes in cutting subsidies, quotas, and duties have encouraged globalizers to focus on other structural impediments to trade and investment. They include: government expenditures, tax policy, licensing rules, asset ownership laws, governmental procurement practices, and regulation; in fact everything that the public sector does.

There is real intellectual consistency in this move, since the attendant effects of a tariff or a subsidized loan, in many respects, are really the same.

Second, as the effects of other impediments, such as duties and tariffs, fall, the effects of these other policies on company bottom lines increase, relatively speaking. As a result, globally-oriented companies are increasingly concerned about the subsidizing of their competitors through procurement, on- and off-budget government expenditures, nationalized industries, regulatory policies, et cetera.

Third, multinational corporations have other motives than just a “fairer” playing field. In some countries, they do not have the same legal protections as in others. Trade and direct foreign investment can work synergistically together and laws restricting asset ownership in some countries chafe them. In addition, business may use the new international policy terrain and court systems to win what they could not in legislatures and trials at home. Two such policy areas are “takings” law (e.g. statutes that deal with the costs imposed by environmental regulation) and “tort reform.”

In summary, a large over-arching vision is motivating these efforts, based on:

· Drafting a new “constitution” for the world economy.

· Achieving deeper integration of national economies and legal frameworks.

· Creating a fairer playing field for all parties.

· Honoring a new globalization commandment: “Thou shalt not discriminate against foreign investors and businesses *for any reason*.”

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How big a change would this be?

These agreements are potentially a very big deal.

In many respects, they are like amending the U.S. Constitution. They would upset the historic balance between the federal government and the states; alter the separation of powers among legislatures, courts, and the executive branch; and change the balance between the rights of private business and the broader public interest, as represented by government.

The fast-track processes that are currently instituted to negotiate trade and investment agreements also preclude the kind of debate, analysis, and evaluation necessary for making such large reforms.

There is also the worrisome feature that many such agreements actually give foreign companies operating in the US greater rights than our own domestic firms.

Last, governments tend only to see their competitors’ unfair practices and not to recognize their own. A global constitution may turn out to be a double-edged sword, one that can be wielded against those who are proposing it. This is not to say that all these traditions are cast in stone and should not be changed. But it is to contend that a deeper analysis and more broad-based discussion of the issues is a must.

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Why are domestic economic development programs important, and how are they affected by global trade agreements?

When debating global trade and investment agreements, policymakers often forget that they are not the only policies that seek to promote income growth, productivity, and job creation. Economic development programs operating on the federal, state, and local levels also seek to do so. They are important for a number of reasons.

- Nationwide, they involve billions of dollars. Federal funds leverage state and local government spending and additional private sector investments. At the same time, America's cities and states spend many times as much as the federal government – about $49 billion annually.
- In theory, they seek to maintain the overall competitiveness of the U.S. economy and raise overall productivity; to sustain a high level of employment and job quality for all Americans; to create jobs and improve the access necessary for providing middle class opportunities for jobless and working poor; to provide the earnings needed to make further investments in education, government services, amenities, infrastructure and quality of life; and to encourage more environmentally-compatible development and businesses.
- Existing and proposed trade and investment agreements could discourage many of these programs and practices.

So, the key policy question is: how do we best balance investor protections and policies to encourage foreign trade and investment with other development objectives? Unfortunately, recent global trade agreements do not produce a satisfactory response to this question.

Although the current and proposed agreements differ in many respects, they all seek to protect private investments in three ways. First, they do not allow governments to discriminate against foreign investors in relation to domestic investors for any purpose. (This, of course, runs completely against the grain of most development strategies, which seek to aid one's own citizens and businesses and places.) In addition to protecting foreign investors from explicit discrimination, these standards also protect investors from "de facto" discrimination, which means a law that places them at a competitive disadvantage, even though the law is not facially discriminatory. This is why trade and investment agreements could come down hard, for instance, on procurement practices (e.g., helping minority firms, promoting recycling, buying from companies that pay a "living wage," etc.), which use any criteria but price and quality. Furthermore, the agreements single out certain practices as illegal, including efforts to improve export performance, use domestic content or foster import substitution, and so forth. Lastly, new rights to sue governments and alternative court and dispute systems are being created. NAFTA, for example, includes a provision that empowers foreign investors to sue national governments if federal, state, or local policies nullify the investor's expectations of future profits. This could allow private companies to pick a venue to hear their case that would be more supportive than state and federal courts.

Programs that could be affected by changes in global trade policy include:

- Federal and state community reinvestment acts (CRA);
- Export subsidy programs;
- State and local living wage ordinances;
- Targeting of public pension fund investments for in-state or local development
- The use of social and human rights criteria for investing public pension funds or governmental purchasing of goods and services;
- Minority or women-owned business procurement preferences;
- Indian preference guidelines for hiring and joint ventures;
- Residency requirements or tribal monopolies for casino licenses;
- “First source” hiring agreements that are linked to regulatory permissions;
- Recycled content buying preferences;
- “Buy local” and “buy American” procurement practices;
- The support of flexible manufacturing networks;
- The use of “screens” (e.g., wage standards, locational requirements, sectoral targeting, etc.) for investing business recruitment funds; and
- Some types of land use protections and restrictions.

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Have any domestic economic development or industry promotion been affected yet?

No sub-national government programs, such as state subsidies for the California wine industry, have been targeted. California’s subsidies are large enough to get one’s attention, but there has been no big spat about wine to date. But there is another way that a state government could get involved in a trade controversy.

We must not forget that challenging a country’s subsidy or other industry support programs is fundamentally a political act. It depends on what other issues are in play. If the nation contemplating a challenge needs leverage on another sticking point that could aid its own industry (cheese), then attacking even a US program that has nothing to do with its real concern (steel). Moreover, if the dispute process fails to produce a solution, a whole other economic sector will face business losses caused by the imposition of countervailing duties. (It’s a bit like being subject to a secondary boycott, caused by a labor dispute involving other parties.) This creates lots of pressure to settle.

So far, there has been a fair amount of bombast, rancor, and argument about European subsidies to Airbus and a section of US tax law that applies to American exporters. Probably the biggest recent squabble has been over cotton subsidies provided by the United States.

In March of 2005, The Dispute Settlement Body of the WTO accepted the arguments of a panel report brought by Brazil over US cotton subsidies. At issue was the legality of US policy that subsidized US cotton exports and the effect that it was having on the price of cotton in the global marketplace. Brazil argued that they are unfairly disadvantaged in the global marketplace because of the large subsidies received by US cotton producers. The WTO concluded that the subsidies where on the whole unfair and should be removed and prohibited. Certain US provisions, for example cottonseed payments and crop insurance, were allowed because they were not found to cause significant price distortion on the world markets. This ruling was a big blow to the US cotton industry, and is critically import as it relates to global trade for several reasons:

- It is considered the first 'post-Peace Clause' challenge to farm subsidies.
- It clarifies the application of WTO rules as they relate to agriculture subsidies.
- It supports the argument that the current round of talks, the Doha Round, is the right place for clarifying issues raised by the cotton ruling.
- Possibly of most importance, the ruling showed that it is possible for a developing country to challenge EU and US subsidy policy.

It could be further argued that, from a domestic point of view and for the foreseeable future, the most exciting area of reform linkage concerns agricultural subsidies in general. If we phase out most of our commodity-based subsidies, won't we need to shift much of these monies into programs to foster rural development and better land stewardship? So, as our agricultural subsidies fall, the next two federal Farm Bills could be exciting venues where radical changes are made in domestic development and land use policies. (And why, the reader might ask – why would this never-before-seen act – termination of most commodity supports, especially for larger farmers and corporate farms -- actually happen? Agriculture is dwarfed by services and other industries that want access to foreign markets[11]).

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What more should state and local policymakers and the economic development profession do to make their voices heard?

So, the key policy question here is: how do we best balance investor protections and policies to encourage foreign trade and investment with other development objectives?

To start, they should encourage their trade associations and relevant legislative committees to track these issues and communicate directly with the Office of the U.S. Trade Representative, the trade subcommittees of Congress and other involved actors, such as the U.S. Department of Commerce.

Second, they should seek improvements in how the Office in the U.S. Trade Representative and Congress consult with officials on state and local issues and federalism concerns.

Third, a leadership network is needed that can (1) enable state and local officials and managers to communicate with each other across state lines, levels of government (e.g., city, county, and state), and divisions of power (e.g., legislatures, governors, attorney generals); and (2) serve as a much needed state and local voice before Congress and federal agencies.

Fourth, establish a resource bank for analysis and technical support that looks at these agreements and their doctrines from the state and local points of view.

Fifth, develop a mutual education network to enable state and local actors to share critical intelligence on what is happening in global policy making on a regular and timely basis.

Lastly, state and local officials and the development profession should discuss how these agreements could be better designed to (1) aid and not hinder the "best practices" in domestic economic development, (2) better balance the respective goals of promoting global commerce, while still maintaining cost-effective and publicly accountable federal, state, and local development policies; and (3) continue America's use of state and local governments as the chief means of delivering economic development services and acting as "laboratories of democracy."

The most exciting development in this area has probably been the creation of the Forum for Democracy and Trade. This is a network of US public officials from state and local governments who work to ensure that trade agreements support local decision-making and economic innovation. Its mission is to help public officials that are engaged in global trade agreements. Forum participants work to see that US trade policies are consistent with, and deferential to, the principles of federalism as enshrined in the Constitution. So far, the Forum has also worked closely with other organizations, such as the National Association of Attorneys General, the Trade Committee of the National Conference of State Legislatures, and organizations of parliamentarians in trade partner countries. Six states have also established standing legislative committees or commissions to delve into these issues.

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What are the options for policymakers in crafting international agreements that would reform domestic development programs?

The options include:

- Increase the transparency of state and local subsidy programs;
- Curb the use of wasteful subsidies for attracting large mobile investment projects; and
- Do not deter initiatives that promote development in economically disadvantaged areas, assist small business development, promote minority and women business ownership, spur technological innovation and productivity, and promote more environmentally friendly development.[12]

Haven't we largely focused on defensive strategies to protect governmental sovereignty? is there a way to frame this debate not so much in terms of what we are defending 'agains,' (e.g. free trade) but in terms of what we are proactively in support of? are there some ways that state and local governments can improve their opportunities to win in the global marketplace and provide a "softer landing" for diaplaced workers?

Conservative laissez faire views counsel that the public sector should just get out of the way and let the market do its work. But there are two main options here -- you can sit on your hands and let the market run its course, or you can try to engage these same market forces in order to develop (or sustain) enhanced competitiveness and to promote economic recovery. As former Michigan Secretary of Commerce

Doug Ross put the matter: "Doing nothing is not an acceptable position for governors (or mayors) confronted by angry voters demanding action."

Competitiveness-based strategies should be based on fostering higher productivity, higher wages, improved morale and commitment, better labor relations, greater social responsibility. This requires, according to manufacturing expert Trent Williams, technological development, deployment, and improvement. Hence, "there are no low tech industries, only low tech companies. Technology is the value-added linchpin." So, to flourish, you must identify, develop, and sustain unique comparative advantages in your state, regions, industries, and firms. Lowering production and labor standards in this country in order to go head-to-head with developing countries and compete on the low-end of the market will not work.

Investments in primary, secondary, and higher education are key. Quality of life, modern physical infrastructure, civic leadership and entrepreneurial initiative in our communities are all essential elements to creating strong, competitive, and sustainable communities. And there are scores of decent policies and programs for building the foundations for a high-wage, high-skill, 21st century economy.

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But this makes it sound like the only business of government is making business happy. what about the people and communities whose lives are turned upside down by plant closings and mass layoffs?

This is very important. We must discover and implement more humane and efficient transitions for those losing their job. This is a vast subject and there are lots of effective and promising practices, involving: early warning, retraining, financial counseling, job development and placement services, income stipends for those returning to school, mortgage foreclosure assistance, health benefits protections, temporary wage supplements for jobs that pay less than one's former employment, and so forth.

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Aren't we ignoring a big issue here? does not globalization preclude such actions-especially those involving an activist state, higher taxes to aid those harmed by economic downsizing and job loss, an adequate safety net, and any sort of egalitarian redistribution?

Yes and no. A prestigious group of scholars, assembled by economist Samuel Bowles of the Santa Fe Institute, reached the following set of conclusions in wrestling with these large questions.

Higher taxes on mobile factors, such as capital, can discourage investment and employment in one's nation and will be fought vigorously by the corporate community. But efficiency enhancing redistribution does not generate such opposition and negative effects. This means addressing barriers, faced by the poor and the economically struggling, in credit markets, schooling, public health, and so forth, are still politically and administratively feasible.

Organized labor lacks the power to resist threats by industry to relocate. But bond markets are much more policy-constraining of developing countries than wealthy ones, due to the danger of defaults. Developed economies have more policy freedom, as long as their policies do not raise inflation or budget deficits.

Increased immigration in Europe is eroding traditionally high levels of public support for social insurance. Research also finds that full employment and a decent safety net increases the likelihood of trade union support for free trade.

Many efforts to make salaries more equal through collective bargaining, regulation, tax policy, and norms are still very appropriate, despite the pressures of the global marketplace.

Roughly speaking, developing countries will probably stand to gain more from freer commerce. So will so-called higher skilled "cosmopolitans" in richer nations, while less skilled workers ("provincials") in advanced economies will be hit the hardest.

Therefore, the platitude about how globalization will always trump egalitarian approaches is wrong. The barriers, which are real, can be overcome. It all depends on how it's done. Productivity-enhancing strategies move to the top of the list – world class public goods, education and training, asset building, employee ownership, profit-sharing, entrepreneurship education and technical assistance.

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[1] Riggs, Peter. "WTO 'Doha Round'." Forum on Democracy & Trade Website. August 2006. http://www.forumdemocracy.net/news_archive.html.

[2] Author unknown. "Political Momentum for Doha Round." Bridges, Dec 2006-January 2007. p. 1

[3] In fact, the developed economies already got their quid pro quo when they received intellectual property rights protections in exchange for cutting their agricultural subsidies. Now, they are asking the developing economies for more – open markets for their exports of services – as a new condition for progress on agricultural subsidies.

[4] Which allows Brazil to retaliate against US trade industries. Brazil is yet to act on the ruling, and one could argue that it is holding back for fear of US retaliation.

[5] This insight comes from conversations with Peter Riggs, director of the Forum on Democracy and Trade, a trade policy think tank based in Washington, DC.

[6] Author unknown. "General Council: Doha Round Window Still Exists." Bridges, Dec/Jan issue, p. 8. TPA allows the President to submit trade agreements to Congress without amendment. Given the recent takeover by Democrats in the Congress, it is unlikely that TPA

will be renewed beyond the summer expiration deadline.

[7] "US Agrees to Deal for Vietnam to Join WTO". Reuters.com. Washington: May 14, 2006.

[8] Godfrey, John: "US Aide: No Major Breakthrough in US-S Korea Free Trade Talks." Dow Jones. www.bilaterals.org, Feb 15, 2007.

[9] Ibid.

[10] For more information FTA negotiation activities worldwide, please see: www.bilaterals.org, an online resource for Global Trade and FTA news.

[11] Unfortunately it appears that such a shift in policy is not evident in President Bush's recent Farm Bill proposal, which has yet to be presented in Congress.

[12] A more detailed agenda can be found in publications at www.cfed.org, including *Could Economic Development Become Illegal in the New Global Policy Environment?*

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Plant closings and the havoc they cause to the terminated employees, local small businesses, and the community can be a nightmare. A new joint publication with the NC Rural Development Center, authored by Bill Schweke and William Lambe describe a variety of promising programs and practices that can avoid some closures and layoffs, ease the transition to new jobs for displaced workers, and promote entrepreneurial initiative.

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An Economic Base in Danger: What Should be Done?

In CFED's latest study, Business Retention and Expansion: "Synergizing" Service Delivery— A Comparative Analysis for Saving North Carolina's Existing Industries, former research assistant and intern Will Lambe investigates possible solutions for a troubled economic base.

It's no secret that North Carolina's manufacturing firms are still going through tough times, despite the national economy's rebound. For example, a Wachovia bank economist forecasted that the state would likely lose as many as 20,000 jobs in the textile and apparel industry this year.

And it only seems logical to conclude that if we keep on doing what we're presently doing, nothing much will change – mass layoffs and shutdowns will continue at a fast clip, displaced workers, if they're lucky enough to land new jobs, will make less income than in their past manufacturing job, and auto supplier firms will join apparel, textiles, and furniture as industries heading for radical downsizing.

Yet, there are also many examples of companies in these threatened sectors that have turned around their fortunes by modernizing their operations, discovering new market niches, adopting new management strategies and technologies, and upgraded their skill base. Furthermore, the state has a number of organizational assets that can be brought to bear to make these events more frequent.

What is needed is a genuine campaign to mount a much more holistic, proactive effort to save and renew much more of the state's manufacturing base. Such a strategy, of course, has its dangers. Many firms are past their prime and on their last legs. Triage is always necessary. However, programs in Ohio, Massachusetts, Alabama, Pennsylvania and many other places have had some success reviving such firms and sectors.

Will Lambe, a former graduate student at Duke University, working with CFED's Bill Schweke, devised a study that assessed the state's current business retention "system" and explored a number of precedents in other states before tailoring an approach for the state. This study and policy agenda is a must-read for anyone, wrestling with the issues of shutdowns, mass layoffs, out-sourcing and off-shoring and wants to craft preventative, not just reactive responses. Other CFED reports ("Promising Practices" study and an in-depth literature review) by Schweke on helping dislocated workers, their firms, and their communities can be found at www.ncruralcenter.org/rdwi/research.htm.

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Business Retention and Expansion: “Synergizing” Service Delivery— A Comparative Analysis for Saving North Carolina’s Existing Industries

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Trade Organizations

The Commission for Environmental Cooperation is an international organization created by Canada, Mexico and the United States under the North American Agreement on Environmental Cooperation.

The European Commission's Trade Department has the task of conducting the union's commercial policy.

The Free Trade Areas of the Americas is the official site of the ongoing negotiations to include each country in North and South America into a free trade area.

Organization for Economic Cooperation and Development (OECD) is a multilateral trade organization of 29 countries that negotiated the multilateral agreement on investment document. You may also be interested in the OECD Public Management and Governance site.

The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 as a permanent intergovernmental body. UNCTAD is the principal organ of the United Nations General Assembly in the field of trade and development.

The Office of the United States Trade Representative is responsible for developing and implementing trade policies that promote world growth, support efforts to protect the environment and advance core labor standards, and create new opportunities for American businesses, workers, and agricultural producers.

The World Trade Organization is the only global international organization dealing with the rules of trade between nations.

Think Tanks

The Economic Policy Institute (EPI) is a nonprofit, nonpartisan think tank that seeks to broaden the public debate about strategies to achieve a prosperous and fair economy.

The Institute for International Economics is a private, nonprofit, nonpartisan research institution devoted to the study of international economic policy.

Developing Nations

The Center for International Development at Harvard University serves as the school's primary center for research on sustainable international development. Professor Jeffrey D. Sachs is the first director of the center.

The Third World Network is an independent non-profit international network of organizations and individuals involved in issues relating to development, the third world and north- south issues.

Labor

The AFL-CIO is the voluntary federation of America's unions, representing more than 13 million working women and men nationwide.

The Development Gap works to ensure that the knowledge, priorities, and efforts of the women and men of the South inform decisions made in the north about their economies and the environments in which they live.

The European Trade Union Confederation seeks to influence the European Union by making direct representations to the various institutions (commission, parliament, council), and by ensuring trade union participation in numerous advisory bodies.

The Fair Labor Association is a nonprofit organization established to protect the rights of workers in the United States and around the world.

International Labor Organization is the un-specialized agency that seeks the promotion of social justice and internationally recognized human and labor rights.

Public Service International is an international trade union federation for public sector unions. PSI is an officially recognised non-government organization - NGO - for the public sector within the international labor organization and has accreditation with UNESCO, ECOSOC and UNCTAD.

Solidar is a labor-backed organization who's work often highlights the need to link trade and basic human rights at work.

Activists

A Seed (Action for Solidarity, Equality, Environment, and Development) is a global organization linking youth groups and individuals on all continents.

Campaign for America's Future is a progressive institution that encourages debate among citizens concerning topics that affect the political and economic future of the United States and the world.

The Center for International Environmental Law is a public interest, not-for-profit environmental law firm, founded in 1989, to strengthen international and comparative environmental law and policy around the world.

Focus-on-Trade is a regular electronic bulletin providing updates and analysis on regional and global trade and finance.

Global Trade Watch (GTW) was created in 1993 to promote government and corporate accountability in an area in which few public interest groups were focused: the international commercial agreements shaping the current version of globalization. GTW is a division of Public Citizen, the national consumer group founded in 1972 by Ralph Nader.

The International Center for Trade and Sustainable Development contributes to a better understanding of development and environment concerns in the context of international trade.

International Coalition for Development Action works for social and political change in international trade policies affecting countries of the south and collects and disseminates information concerning trade and trade-related issues with the purpose of furthering people-centered trade policy formulation.

International Institute for Sustainable Development advances policy recommendations on international trade and investments, economic instruments, climate change, measures and instruments, and natural resource managements, to make development sustainable.

Research

Research on Dislocated Workers and Economic Dislocation - North Carolina Rural Economic Development Center, Inc.

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Global Trade and Investment

In 2000, CFED embarked on a two-year project to strengthen the capacity of local officials to govern in a global economy and to better balance the goals of sustainable development and trade. A joint venture with the Harrison Institute for Public Law at the Georgetown Law Center, this project was led by Bill Schweke.

The Harrison Institute, one of eleven institutes or clinical programs at the Georgetown University Law Center, provides legal services that strengthen political and economic democracy. Since 1972, the Institute has represented citizen coalitions, housing cooperatives, community development corporations, government agencies, state and local legislatures and nonprofit organizations.

The project promoted better international rules that affect state and local public officials and economic development professionals. The project pushed for rules designed to:

1. Aid and not hinder "best practices" in domestic economic development;
2. Support the emerging global field of sustainable development;
3. Better balance the respective goals of promoting global commerce, while still maintaining cost-effective and publicly accountable development policies
4. Strengthen local "laboratories of democracy" within nations that have federal systems, particularly for delivering economic development; and
5. Create new transnational networks, partnerships and alliances.

The project tracked changes in multilateral trade agreements and helped public officials and economic developers understand both the positive and negative aspects of globalization. The project helped officials and developers stay current on provisions that had the potential to either hinder or enhance the economic development profession.

The goals of the project were to provide research, networking and educational products create and strengthen transnational alliances, clarify and focus the trade and investor rights debate, continue and bolster the ability of local officials to practice economic and community development, advance multilateral policy to promote sustainable development, and promote American subsidy reform.

The major deliverables of the project included papers that examined such topics as curbing subsidy abuse in the United States by examining reform efforts in Europe, the future of government procurement programs in economic development, and the best practices in placed-based economic development fiven major trade and investment agreements. In addition, CFED created and maintained an electronic newsletter and clearinghouse. CFED also coordinated a working group of development organizations to track trade and investment policy and to communicate their concerns to the United States Trade Representative and Congressional committees.

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