International trade’s buffer value to Miami greater than ever

President Bush’s visit to Miami and address at the Greater Miami Chamber of Commerce this month focused on one of the strongest pillars of our local economy—international trade, particularly that with our hemisphere neighbors. The timing of his visit and the urgency of his plea (the need for Congress to pass trade agreements with Peru, Panama and Colombia) are clear indicators that free trade is under siege—not only here in the US but throughout the Americas.

This is grim news for Florida, especially South Florida. Florida-origin merchandise exports to the Western Hemisphere last year exceeded $26 billion, accounting for nearly 70% of world regions. (Europe was second with 15%). South Florida ports scored $72 billion in goods traded with foreign ports last year, mainly with Latin America. And services exports—the only category of trade where the US produces a surplus—continue to post strong gains.

Were trade agreements signed and implemented with Peru, Panama and Colombia, Florida’s services sector would stand to gain more than any other state.

There are various reasons for the bleak outlook on further progress on trade. In both Latin America and the US we are witnessing a resurgence of populism—of both the left and right.

On the left, one finds a quartet of rabble-rousing political puppeteers: Hugo Chavez of Venezuela, Evo Morales of Bolivia, Rafael Correa of Ecuador and Daniel Ortega of Nicaragua. (The first has a checkbook large enough to fund the three others.)

On the right, there are the US media evangelists of trade protectionism, led by CNN’s infamous anti-immigration exponent Lou Dobbs, with Glenn Beck and Pat Buchanan in supporting roles.

A Latin American public, skeptical or opposed to free trade which it regards as part of a failed neoliberal reform agenda, and a US public vulnerable to the simple messages of political and media populists and feeling that their living standards have not improved and their jobs may be threatened by more trade accords have emboldened anti-trade politicians throughout the Hemisphere.

Despite myriad independent research that demonstrates that free trade creates more jobs than its destroys, that it improves economic welfare and growth in liberalizing countries, and that productivity and institutional reforms (or failure to reform) are the key determinants of gains and losses from trade, the public is not buying it. (Try to explain to the man on the street that if low wages were the main factor in a nation’s ability to compete, then GM, Ford and Chrysler would move their headquarters and most production from Dearborn to Bangladesh.)

Equally or more important from the US perspective is domestic politics. An unpopular, lame-duck president mired in a protracted war in Iraq, Republicans distancing themselves from the president and unwilling to fall on the sword of free trade, and a Democratic Party invigorated by the prospects of capturing the White House next year combine to impede further progress on trade.

However, were the Republicans to win the presidency next year and even contain their losses in Congress, not much would change on the trade front. In a surprising Wall Street Journal-NBC News poll just published, 6 out of 10 Republican voters believe free trade is bad for the US economy.

While the Peru and Panama free trade agreements may well squeak through, the chances of an accord with Colombia are about the same as Michael Vick being elected president of the American Society for the Prevention of Cruelty to Animals or Sen. Larry Craig being hired as a man’s room attendant at the Coral Gables Country Club. This is an abysmal situation, given the national security importance of Colombia to the US.

For South Floridians, the current mood and state of play in trade liberalization should be of great concern. The provisions of all these accords provide significant commercial opportunities in our greatest area of competitiveness—the export of professional services.

If courageous congressional Republicans and sensible free-trade Democrats such as Max Baucus, senator from Montana, and the New Democratic Network can work together to bring these accords and other liberalizing measures across the finish line, our community will surely gain.

Given the huge downturn in the housing market along with the credit crunch, the importance of international trade to our economy, as a buffer, is greater than ever.