Gung Ho

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The foreign company's president conducts a detailed inspection of the plant's inventory while the employees look on. The outcome will determine whether the plant closes. Ford, Toyota, Daihatsu? No, the 1980s flick, *Gung Ho!* In the movie, a Japanese conglomerate has invested in an American car town's failing factory. The conglomerate thinks it can raise productivity with its modern management practices. But euphoria turns to disillusionment as the American workforce clashes with the Japanese management. In a desperate move to save the plant and the town, the shop steward negotiates a new deal. To earn a raise and keep the plant open, the workers have to meet a tough quota by an impending deadline.

The deadline arrives, and the company president flies in to do an inventory. The deadlines and browbeating have worked - the employees have made the quota. But closer inspection reveals flaws in the cars. One car is missing an engine, another is missing the windshield, the wheels fall off of a third, etc. After the inspection, the president orders the plant closed. There were no winners. The company *and* the workers lost. Of course, Hollywood can't let it end like that. The shop steward makes an impassioned plea to the company head who has a change of heart and turns into a beaming champion of the union's cause. Everybody goes home happy.

Or in other words…

Up and coming countries are lured by the promises of foreign investment and agree to a range of strict new trade facilitation measures to save their economies. Unfortunately, as these vulnerable economies join the global market, euphoria turns to disillusionment. The countries renegotiate and extensions are given. As the new deadlines loom just around the corner, the parties are hardening their positions.

The US has been resistant to re-opening previously negotiated deals. Many developing countries are taking the stance that they need more time and money before they can effectively implement facilitation measures and intellectual property protections.

Each side has a valid point. Millions of dollars have been poured into a number of countries to help them revamp their Customs processes. Original deadlines have slipped, and new ones have been renegotiated. Anecdotes tell of Customs administrations spending their aid money on new uniforms and police cars, among other things.

On the other side, as these developing economies take their rightful place on the world stage, they are drained of resources from within and without. A Chilean Customs official relates that every time they provide an employee with the necessary training for trade facilitation, the private sector hires the employee away with much higher pay. On a macroeconomic scale, financial crises have forced many countries to divert precious resources to maintaining the stability of their economies.

If each side in this dispute continues on their present course, the situation will end up with no winners. In today's economy, countries that fail to modernize and open their markets are seeing foreign direct investment drying up. And countries that unilaterally play hardball will find their potential trade partners have gone to more adept suitors.

In its missionary zeal to move trade negotiations forward and hang tough on various deadlines, the US risks alienating important trading partners. Recently, at a Brazil-US Business Council meeting, US Trade Representative Richard Fisher criticized Brazil for not adopting the US's accelerated timetable for the Free Trade Area of the Americas (FTAA).

In an interview for this article, Brazilian Ambassador to the US, Rubens Barbosa, was surprised that Fisher would have accused Brazil of footdragging. Barbosa pointed to President Clinton's lack of fast track authority and rising protectionist sentiment in the US as signs that the US is not as committed to the FTAA as it claims. He also noted the absence of US Trade Representative Charlene Barshefsky at the recent trade ministerial in Toronto as "emblematic" of waning US interest in the FTAA.

While acknowledging the good relations between Brazil and the United States and the continued support of the US during Brazil's recent financial crisis, Barbosa discussed areas where the US markets are not as free as US trade negotiators claim. Brazil has been hurt by steel quotas, which are politically motivated, and trade preferences built into the North American Free Trade Agreement.

When asked about Brazil's trade priorities, Barbosa said that Mercosur and the rest of South America was at the top of the list, followed by the European Union (EU). North America followed these others. This may be indicative of the future of global trade. If developed countries continue to pressure emerging economies to adopt new trade practices faster than they are able, there could be unfortunate consequences. Brazil is focusing on its regional partners, with the developed countries of the Northern Hemisphere taking less priority. Asia is looking to strengthen ties within its boundaries. These steps are signs of increasing regionalization, perhaps at the cost of global trade liberalization. Indeed, there is a growing sense of protectionism in the local populations of many developing countries. For them, globalization has meant the destruction of the middle class.

Hopefully, the lesson from 1990s trade agreements is clear. Faster implementation isn't better if the outcome is sub-par. If countries need additional time and help to implement trade facilitation measures and intellectual property protections, the useful approach will be to open a reasonable discussion and to jointly develop a workable plan.

Future assistance should be provided to those countries that independently demonstrate a willingness to modernize their Customs administrations and improve their compliance with accepted trade agreements. For example, El Salvador has implemented an advanced automated system for their Customs and they are moving ahead in a joint venture with Guatemala. In early 2000, the El Salvadorian Customs Administration plans to accept electronic funds transfers for tariff payments. Clearly, El Salvador has shown an understanding of putting their resources where there is a higher return on investment. Countries like El Salvador should be supported as they move forward on trade initiatives.

A progress monitoring process needs to be developed and put into place anywhere assistance is provided. The monitoring process must ensure that money is invested effectively. Problem spots need to be identified pro-actively.

Capacity-building is the hot buzz word in economic development and it means more than providing financial aid. It should mean a systematic process for implementing the resources and guidance that moves countries into the 21^{st} century.

If a collaborative approach is embraced and measures are taken to ease the effects of trade liberalization on a country's populace, there is hope that current trade discussions will put a new shine on globalization. If unrealistic expectations and demands are made, then the trends toward a global free market will remain an ideal of the 1990s. There will be no winners and there will be no Hollywood happy endings.