

International Affairs Forum Interview:

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By **Jasen Zubcevik**



Mr. Barry Schumacher – former Director of Intergovernmental Relations for Puerto Rico's Federal Affairs Administration and advisor on trade issues to Senator Bob Graham. Currently, Mr. Schumacher is the Senior Vice President and Director of International Policy at APCO Worldwide Washington DC Headquarters. With over 30 years of expertise in trade, Mr. Schumacher has assisted numerous foreign governments present themselves in the United States in order to attract new investments and promote trade. Mr. Schumacher holds a Master's Degree in Political Science from the University of California at Berkeley and a Master's Degree in International Affairs from the Johns Hopkins School of Advanced International Studies

International Affairs Forum: Some economists claim that free trade benefits richer nations at the expense of poorer nations while others claim that free trade is a blessing for the global economy. In your opinion, what are the benefits and the drawbacks of free trade?

Mr. Barry Schumacher: Trade is one of the most contentious issues faced in the modern world in the terms of economics. Its impact on both developed and developing countries is huge. The benefits of free trade are the following: when you open your borders to a freer flow of goods and services you provide consumers with the opportunity to use their money in a way that makes most sense to them. What this means is that consumers have a variety of products to choose from at lower ranges of prices. When you have products that cost less, you have more money to spend on other things like healthcare, education and investment. From 1995 to 1999, the developing world share of trade grew from 25% to 33% all because of the increase of free trade. The drawback of free trade is that free trade creates definite winners and losers. The losers become apparent earlier than the

winners. The losers are often the farmers, manufacturers and the service providers. The alternative to free trade, which is protectionism, is not a good alternative. In the long run, protectionism leads to dislocations in the economy, which increases the underground economy. This may benefit certain individuals but it harms the country's economy overall.

IA-F: The WTO recently authorized the EU and several other main US trading partners to impose an estimated \$150 million in retaliatory sanctions on US exports. This WTO decision is the latest example where the US has been found to violate international trade rules. What is your position on this and should the US repeal the Byrd amendment?
(Amendment named after Sen. Robert Byrd (D-WV), requires the Customs Service to hand over anti-dumping duties it collects to the companies that brought the unfair trade complaints)

Mr. Schumacher: The WTO has most of the functions of a government. It has legislative functions that set up the rules

that govern international trade. It also has a judicial function that interprets rulings such as the decision on the Byrd amendment. The executive function is within the member states that have to implement the rules and regulations themselves. This ruling is the example of the WTO judicial function. When people are unhappy with the WTO they are actually unhappy with its judicial interpretations. They claim that either the WTO decision goes far beyond what the original Uruguay Round Agreement was or simply don't like the interpretation.

From political standpoint, I don't think that the US will repeal the Byrd amendment and will have to suffer the consequences. In my opinion, the Byrd amendment skirts the line between the clearly countermanding violations of international trade and the WTO imposing itself on the internal decision-making of the government. After all, the Byrd amendment is nothing more than having the US government say "the money we collect from tariffs shall simply go to various industries that need help". The Byrd amendment is clearly an incentive for companies to file trade cases, because if they file and win them, they get revenues from the tariffs. Because this practice limits international trade, many claim that it clearly contravenes the spirit of the WTO.

IA-F: Some argue that international trade laws hurt companies and workers in the US. What is your position on this issue?

Mr. Schumacher: In the larger picture it is not a question of helping or hurting but whether we can create an environment where companies know the rules. Companies want certainty so they can plan their business. If you clutter any system up with too many rules and regulations after a while it has a negative impact on all parties.

IA-F: Could the outcome of the US presidential elections have an impact on the US government position on global trade?

Mr. Schumacher: Every US president, irrespective of party, has promoted open trade. The core values are not in question. However, around the edges, like with issues involving child labor, human trafficking, low wages and environmental issues, the opinions are different. If President Bush is re-elected, the administration's attention to these trade-related issues to trade will be minimal. If Senator Kerry is elected, I believe more weight would be given to them in the context of trade debates. Also, those constituencies that have been hit in recent years by competing imports (like steel and textiles); I would expect them to clamor for help from Kerry, if he is elected.

IA-F: As the director of intergovernmental relations for Puerto Rico's Federal Affairs Administration you were actively involved in the formation of the Caribbean Basin Initiative (CBI). Could you explain to our readers what is the CBI and to what extent has it been successful?

Mr. Schumacher: In the mid 1980's the US recognized that the Caribbean countries could not effectively compete in the world market through exports. They were primarily tourism and agriculture based economies. Because of their proximity to the US and because most of their imports came from the US, the US created an unilateral concession to these countries to provide a more open and free market to facilitate the export of their products. As a result, there has been some diversification of these economies, especially with the textile industry. But again, there are limits of how diversified

these countries can be because they have small population and their infrastructure is very limited. Overall, I believe the CBI has been successful.

IA-F: According to a Business Wire article published this year, 66% percent of US workers believe that offshore outsourcing of jobs is devastating for the US economy. What is your position on outsourcing?

Mr. Schumacher: It used to be that outsourcing was mostly in the manufacturing sector. Recently however, the jobs that have been moved from the US to other countries are not manufacturing jobs but office jobs like accounting, financial services, customer service etc. I believe that the US government should not try to prevent outsourcing but make a climate where companies can function in the most rational economic way. Outsourcing is not something that only the US economy is experiencing.

IA-F: Recently, the APCO Worldwide Government Relations team, led by you, assisted the government of Mongolia in obtaining assistance from the Millennium Challenge Account set by the US government. Could you explain what the Millennium Challenge Account (MCA) is and how can qualified countries obtain MCA assistance?

Mr. Schumacher: Last year the Bush administration set up a new foreign aid program (MCA – ‘Reducing Poverty Through Growth’), which will provide aid to eligible countries to meet their domestic development needs. With a budget of over \$1 billion for 2004, this is certainly the biggest US foreign aid program since the creation of USAID. The benefit is that the selected developing countries will choose where they want to invest the aid provided through MCA. To be eligible for the MCA aid, developing countries have to meet 16 objective indicators based on three main criteria: ruling justly, investing in their people, and encouraging economic freedom.

To the extent that you give developing countries greater control over the projects they pick and the money they wish to spend them on, I think that is a great thing. On the other hand, to the extent that you limit eligibility by strict selection criteria, you may be throwing out some countries that really need that aid. At APCO Worldwide, we worked on ensuring eligibility of Mongolia and we were successful. Mongolia is one of the 16 countries selected as eligible for MCA aid.