

U.S. "time out" from trade may have begun

By Doug Palmer
Reuters
April 29 2008

WASHINGTON - Democratic Sen. Hillary Clinton still faces tough competition to become president of the United States, but her proposed "time out" from new U.S. trade agreements could already be a reality.

In the final 10 months of the Bush administration, the United States could approve free trade pacts with Colombia, Panama and South Korea and achieve a breakthrough in the Doha round of world trade talks now in their seventh year.

But concerns raised by Clinton and her Democratic rival, Sen. Barack Obama of Illinois, about new trade deals are reverberating in both Congress and the world trade talks, making it more difficult to achieve progress in either arena.

"I'd be very surprised if there was any kind of dramatic breakthrough on Doha this year, and I have the same short-term pessimism on bilateral deals before Congress," said Dan Griswold, director of trade policy studies at the free market-oriented Cato Institute.

U.S. Trade Representative Susan Schwab said on Monday she feared others countries could see the United States as "sliding into an isolationist funk" and she urged business groups to step up pressure on lawmakers to approve the trade pacts.

Clinton, looking for the backing of U.S. labor groups as she campaigned for her party's presidential nomination in the November election, promised last year to take a "time out" from new trade deals if she captured the White House.

A month later, Congress approved what could be the last trade deal of Bush era -- a pact with Peru that the White House renegotiated to include stronger labor and environmental provisions long demanded by Democrats.

The three other free trade pacts have stalled, even though the labor and environmental provisions were also changed as the result of a deal last May between the White House and House of Representatives Speaker Nancy Pelosi, a California Democrat.

In the debate over the Colombia agreement, Obama and Clinton have sided with the 10.5 million-member AFL-CIO labor federation, which is fighting the deal because it believes Colombia has not done enough to stop killings of trade unionists and to bring their killers to justice.

Obama and Clinton also oppose the U.S.-South Korea free trade agreement because they say it fails to tear down barriers that have long kept American cars out of that market.

Panama endangered its trade pact last September when its National Assembly elected Pedro Miguel Gonzalez to lead the legislature. Gonzalez is wanted in the United States on charges he killed a U.S. soldier in 1992.

Gonzalez has said he would not seek a second term this year, lifting U.S. business community hopes that at least the smallest of the three pending trade deals could get through.

TRADE POLITICS

Hoping to move the agreements, Bush submitted the Colombia pact to Congress for a straight up-or-down vote within 90 days under White House trade promotion authority.

But Pelosi instead pushed through a vote indefinitely delaying action on the pact -- in the process destroying a 34-year-old procedure both Republican and Democrat presidents have used to get trade deals through Congress.

Bush has tried to pressure Pelosi by accusing her of "killing" an agreement with a close U.S. ally. Pelosi responded by insisting the White House and Congress agree on a new U.S. aid package before lawmakers vote on the Colombia pact.

Many doubt a deal can be struck, but others see some signs of progress on the trade pacts. The United States and South Korea recently resolved a 4-year-old beef trade spat, removing a major obstacle to approval of the Korea trade deal.

Also, after the blowup over Colombia, the Bush administration has shown more interest in meeting Democratic demands for an expanded assistance program for workers who have lost their jobs because of trade, a congressional aide said.

Some even think Obama and Clinton would be relieved to see the Colombia and Korea agreements passed, so they don't have to deal with them next year if they become president and can start off with a clean slate on trade.

A former Bush administration official said he was "pretty optimistic" Congress would approve the Colombia accord before the November congressional and presidential elections.

"I don't think the Democrats will want to go into that election with this lamentable position they've staked out on Colombia, for which they're being excoriated" by many editorial boards and other commentators, said Grant Aldonas, a former under secretary of

commerce for international trade.

However, Aldonas said he was skeptical there would be a long-awaited deal in world trade talks to tear down barriers to trade in agriculture, manufactured goods and services.

"To be blunt, this thing has been dead for some time and investing a lot more effort in it strikes me as futile," Aldonas said. "My own impression ... is what's being sold as progress (in the talks) doesn't really represent progress."

Still, many in the U.S. business community hold out hope for the Doha round talks, even if they have ratcheted back what they think could be accomplished this year.

The Bush administration may not be able to broker a final deal, but it could get close enough for the next president to get it done, said Doug Goudie, director of international trade policy for the National Association of Manufacturers.

(Editing by David Wiessler)