

## **House Democratic Leadership's Deal with USTR has Serious Problems**

On May 10, House Speaker Pelosi and Ways and Means Chair Rangel announced a deal with the Bush Administration on trade. It followed months of closed-door negotiations between Ways and Means leaders and the Bush Administration that excluded most Democratic House members and most Democratic Party base groups. The hastily-announced deal has not obtained support from any labor, environmental, consumer, family farm, faith, small business groups or other Democratic base groups.

Among outside groups, reactions have ranged from overt opposition (Teamsters, Change to Win Coalition, Public Citizen, IATPAction, National Family Farm Coalition, R-CALF and U.S. Business and Industry Council) to those who are reserving judgment until the general policy statements that now constitute the deal are translated into actual trade agreement text (Steelworkers, AFL-CIO, Friends of the Earth, Sierra Club, Defenders of Wildlife, Earthjustice, Machinists, and Boilermakers). It has received uniform support from business groups including the Chamber of Commerce.

While the deal potentially reflects progress on certain labor and environmental concerns, and while the legal text, once written, may produce significant advances regarding labor and environmental standards in FTAs, we are baffled and dismayed by the rush to announce this deal, particularly as it is not even clear that the Democratic Leadership and the White House actually do agree:

- In the press event for the deal, Democrats said the deal only covers the Peru and Panama Free Trade Agreements, while Ways and Means Ranking Member McCrery indicated that the deal is really also about the Colombia and South Korea FTAs and renewed Fast Track authority.
- While Chairman Rangel indicates that the labor and environmental standards addressed in the deal will be incorporated directly into the text of the agreement, McCrery said there might be other ways to attach them. USTR Schwab subsequently said that the commitments could be addressed in the implementing legislation (which would make them absolutely non-binding.)
- Democratic Leadership indicates that the deal will require full enforcement of core International Labor Organization standards, but the US Chamber of Commerce says that it has “assurances that the labor provisions cannot be read to require compliance with ILO Conventions.”

Whatever advances the legal text, once written, contains, there are a number of other pressing issues in the FTA model that the deal does not address, or addresses inadequately:

- It does not address FTAs' ban on anti-off-shoring and Buy America policies.

- It does not address FTAs' government procurement chapter threats to federal and state prevailing wage protections, and to renewable energy and recycled content requirements.
- It would continue to allow Citigroup or other U.S. investors providing private retirement accounts to sue Peruvian taxpayers if Peru reverses its failed Social Security privatization.
- It would continue to allow foreign investors to directly sue the United States in trade tribunals, a greater right than is enjoyed by U.S. investors.
- It does not address the FTAs' agriculture rules that will foreseeably result in the displacement of many peasant farmers, increasing hunger, coca cultivation, and undocumented migration.
- It does not address FTAs' limits on imported food safety and inspection.

There is a real danger that President Bush could use this deal as the pretext for seeking an extension or renewal of "fast track" negotiating authority while many concerns about the impacts of the current U.S. trade policy model remain unaddressed and unresolved.

Because all that was agreed was a set of statements about a future final text to be inserted into the FTAs (or not, if McCrery is right), no one – neither House Leadership nor interested parties – can claim to really know what the final product will be. Why then was there such a rush to announce?

And why was it so important to conclude a deal that, according to Chairman Rangel, most House Democrats will oppose? Yes, a minority of Democrats and a majority of Republicans can likely pass these FTAs in the House; but the fallout could be severe. The idea of free trade agreements being passed by the Republican caucus and a minority of Democrats cannot help but evoke the memory of the NAFTA fight and its devastating impact on the 1994 Congressional elections.

House Leadership needs to take steps to prevent this political and policy calamity.