Socks Burden Bush's Trade Goals

Curb on Imports To Sustain Agenda Remains Possibility

By Greg Hitt
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WASHINGTON -- Even as it pushes for passage of a free-trade deal with Colombia, the Bush administration is mulling whether to curb imports from another Latin American trading partner, Honduras. The strategic commodity at issue: socks.

That the administration would consider such a move is evidence of President Bush's struggle to sustain momentum for liberalizing trade, even as public doubts are growing about the benefits of integrating the U.S. economy into the global marketplace. Democratic and Republican presidential candidates are courting votes with promises to help American workers confront the challenge posed by cheap goods from low-wage nations.

To parry attacks on its open-market agenda, the administration has gotten tough with some trading partners, pursuing tariffs on foreign-made steel, for example, and slapping China with complaints at the World Trade Organization on piracy of intellectual property.

The dispute over Honduran socks shows the nitty-gritty side of trade policy, which often is less about debates over open borders and free investment that take place at the World Economic Forum in Davos, Switzerland, than it is about narrow disputes over specific products made in locales blessed with influential lawmakers.

The decision on Honduran sock imports, which could come this week, is rooted in the fight to win passage of the U.S. trade pact with Central America -- the Central American Free Trade Agreement, or Cafta -- and commitments made to win the support of an Alabama lawmaker who has made a priority of protecting sock makers from foreign competition.

David Spooner, a top-ranking Commerce Department official, said the government is studying all "relevant information pertaining to imports of socks from Honduras" and "will make a decision based on the merits." He declined further comment.

The issue is sensitive in part because the White House doesn't want to rile lawmakers ahead of the vote on the Colombia free-trade deal. The administration could irritate some key Republican lawmakers if it can't finesse the Honduran sock challenge, which Mr. Bush hardly needs, given his larger problems with the Democratic-controlled Congress.

"There's not any interest in doing any more votes on trade," said Jim Kolbe, a former Republican congressman from Arizona and a well-known supporter of free trade. Mr. Kolbe said dwindling support among Republicans, along with a "rising tide of populism, which you see in a number of candidates on both sides," is contributing to the lack of interest in Congress.

Honduras is one of five Central American nations, along with the Caribbean-based Dominican Republic, that came together to form Cafta with the U.S. The initiative reflected Mr. Bush's commitment to expanding trade in the Western Hemisphere but proved contentious on Capitol Hill, where concerns with globalization were beginning to emerge in a serious way.

To win a House vote for Cafta in 2005, Bush aides promised Republican Rep. Robert Aderholt of Alabama that the government would closely monitor apparel shipments from Cafta trading partners. Under Cafta, the U.S. can temporarily impose pre-Cafta tariffs on imported apparel, if domestic producers are harmed or even threatened.

Mr. Aderholt's district is home to Fort Payne, where about 4,000 people are employed by local sock makers.

Now, Mr. Aderholt is calling on the administration to make good on its vows. According to the Commerce Department, sock imports from Honduras for the year ending June 2007 jumped more than 50% from 2006 levels, and they now account for 8.3% of U.S. imports. Market share for U.S. sock makers has declined.

"We're confident the administration is going to do the right thing," says Hood Harris, Mr. Aderholt's chief of staff. "There is a continuing threat."

Beyond Mr. Aderholt, 25 members of the House, most of them from the South, where sock production is concentrated, have put the administration on notice that they are monitoring the Honduras decision.

Dozens of U.S. sock makers also have written the Commerce Department to urge that steps be taken to stop the "uncontrolled importation of socks from Honduras," as one company official put it.

Last summer, the Bush administration opened an investigation into Honduran socks. Looming tomorrow is a deadline to decide whether to formally trigger consultations -- and, ultimately, negotiations -- with Honduras on U.S. concerns. The decision has already been postponed twice; further delay is possible.

One option under discussion is a middle-ground action that would signal concern to U.S. producers but not drive Honduran producers out of business. That could involve imposition of a small tariff for a short period of time, officials suggested.

The government of Honduras is urging the U.S. not to invoke any restrictions, contending in a filing with Commerce that such action would be "contrary to the vision" of Cafta and would drive sock manufacturers out of the country.

"This forces them to go to Asia," agrees lobbyist Ron Sorini, who represents Gildan Activewear Inc., a Canadian company with operations in Honduras and the U.S., including in Mr. Aderholt's district.

Gildan is urging restraint. The company has plans to build a sock plant in Honduras. But Mr. Sorini said imposition of tariffs would undermine Gildan and other manufacturers in Honduras. "Apparel is a penny-sensitive business," he said.

Write to Greg Hitt at greg.hitt@wsj.com