

# Trade Harmony Between Congress, Bush Suffers a Setback Due to a New Demand

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WASHINGTON -- Souring relations between the White House and Capitol Hill are threatening one of the few modest accomplishments that once seemed possible this year: passage of free-trade pacts with a handful of neighboring countries.

Just six weeks ago, market-opening deals with Peru and Panama appeared to have a clear path toward passage. That was because of an agreement between the White House and Congress to incorporate Democratic priorities, including enhanced labor-rights protections, into the pending trade treaties.

- **The News:** Democrats insist that Panama and Peru meet labor-law promises before free-trade pacts get approval.
- **The Stakes:** Progress is threatened in one of the few areas where Congress and the White House have been able to agree this year.
- **The Big Picture:** Tensions between the two sides could stall other initiatives as well.

But now Democrats have raised a new hurdle: insisting Peru and Panama enact the promised labor-law changes before Congress acts.

The reason, says House Ways and Means Chairman Charles Rangel (D., N.Y.) is that rank-and-file Democrats simply don't trust the White House to enforce the labor commitments once Congress approves the deals. "That's the bone of contention," says

Mr. Rangel, whose panel is the starting point for trade initiatives in the House. "You take me and the Democrats to the mat...how do you think you're going to win?" he says in an interview. "The politics are on our side."

For their part, Bush administration officials say it is the Democrats acting in bad faith, violating the spirit of the new bipartisan agreement on trade. "Now it is time for Congress to fulfill its side of the deal," says Susan Schwab, President Bush's trade envoy.

Similar disputes are clouding other issues that once seemed to offer the potential for bipartisan cooperation at the end of Mr. Bush's term, such as immigration and energy. Even seemingly simple goals like expanding a children's health-insurance program are caught in the growing tensions between Congress and Mr. Bush. The No Child Left Behind law, the education initiative that has been one of the few fruits of bipartisanship under Mr. Bush, is at risk of lapsing this year.

The issue of trade offers the potential for White House-congressional conflict on a number of fronts, with lawmakers increasingly wary of globalization and its impact on

living standards. One continuing area of dispute is how much Washington should pay to cushion the blow to workers -- a question that will get new attention today, when two senators introduce a bill to expand a program aimed at helping workers displaced by trade.

Senate Finance Committee Chairman Max Baucus, a Montana Democrat, and Republican Sen. Olympia Snowe of Maine will seek to fix shortcomings in the Trade Adjustment Assistance program, which expires this fall, by expanding it beyond manufacturing workers to include service workers and improve some of the cash, health and training benefits available to those who qualify for TAA. The Bush administration is likely to oppose the pricey proposal. While the White House agrees the current program is flawed, officials say they are opposed to any high-cost expansion, and prefer to focus on new incentives to get people back to work.

The new trade fight over Panama and Peru involves a disagreement on how best to ensure those two countries follow through on promised improvements to labor conditions. Those improvements were part of an agreement between the White House and Congress, unveiled May 10, that purported to retool trade policy to better reflect Democratic priorities. Orchestrated by Ms. Schwab, the commitments also applied to deals with Colombia and South Korea, and were supposed to hasten their passage.

But the Washington deal didn't produce the flurry of activity the White House wanted. In fact, at the end of June, House Democratic leaders issued a statement declaring the South Korea and Colombia treaties would have to wait. Under the Democratic plan, the Peru and Panama pacts would move forward, though on a slow timetable. In issuing the statement, Democrats also made clear they wanted Peru and Panama to move on the promised labor-law changes before Congress considers the pacts.

The fresh demand didn't go over well within the administration. Ms. Schwab sent a scalding letter to House Speaker Nancy Pelosi, a California Democrat. Ms. Schwab insisted the latest demand overreached, treading on the legal authority of another country. "Unilaterally requiring another sovereign country to change its domestic laws before the U.S. Congress approves a trade agreement would be a fundamental break with U.S. law, policy and practice," she wrote.

Democrats counter that there are plenty of examples of the U.S. pressuring countries to take action before Congress votes on a trade deal. Ahead of a vote in Congress two years ago on a trade deal with Central America and the Dominican Republic, known as CAFTA, the administration demanded that Guatemala repeal a data-protection law of concern to U.S. drug makers. The White House also insisted the Dominican Republic overturn a tax on corn syrup opposed by Republican Sen. Charles Grassley, whose home state of Iowa is a major corn producer.

"It's total hypocrisy," Lori Wallach, who heads Public Citizen's Global Trade Watch, an influential lobbying organization that opposes many Bush free-trade pacts, says of the administration's latest trade rhetoric.

Administration officials say those cases are different. In the cases of Guatemala and the Dominican Republic, they say, the administration was pressuring those countries to roll back laws that violated a "standstill" commitment, under which the U.S. and its prospective CAFTA partners agreed not to make any changes in trade-related laws until after the broader pact was ratified. "Those involved an entirely different situation," a senior administration official says.

The war of words is clouding a trip Mr. Rangel is planning in August to Peru and Panama, where he hopes to meet with local legislators and lay the groundwork for action in Congress this fall. Panama has so far stayed on the sidelines of the debate. But Peruvian President Alan Garcia has written to Ms. Pelosi asking for congressional action before Mr. Rangel's delegation arrives. Mr. Garcia suggests doing so "will send a strong signal to the people of Peru that the United States is committed to finalizing this trade agreement."

So far, Democrats are resisting. Mr. Rangel says early action by Peru could defuse concern in Democratic ranks, and raise the chances of passage for the deal. "Why can't we encourage the Peruvians to do what has to be done?" he says. "We can accelerate this and get it done."

At the same time, Mr. Rangel says he is incensed at the administration's tone, after months of more-conciliatory exchanges. He accuses the administration of trying to "stir things up," and make it look as if Democrats don't want a deal. "They can bark at the moon, but I want a treaty," says Mr. Rangel. "I would cry if I wasn't able to do this."

**--Deborah Solomon contributed to this article.**