

# Trade in the Spotlight: Issue Seen as Key One In Race for White House

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WASHINGTON — Free trade or protectionism?

The choice isn't quite as black-and-white as that in the race for the White House, but while the trade debate might be playing second fiddle to the Iraq War on the campaign trail, the issue of global commerce and the impact on American jobs and lifestyles will likely weigh heavily on voters thanks to a ballooning trade deficit, worries over the economy, a spate of recalled contaminated products from China and agitation on Capitol Hill to boost the value of China's currency. Further proof of the importance of trade and the economy to the race has come in the last two days. Democratic frontrunner Sen. Hillary Rodham Clinton laid out her first major economic blueprint for union leaders and voters in Iowa on Monday, while nine Republican candidates discussed trade during their debate Tuesday in Dearborn, Mich.

Clinton, who is facing pressure from rival Sen. Barack Obama on her trade record, said the North American Free Trade Agreement "is not working" and added that free trade pacts should be reassessed every five years, starting with NAFTA.

Meanwhile, the Republican candidates made strong statements in support of pursuing free trade agreements in their televised debate Tuesday afternoon in the heart of the U.S. automotive industry, which has struggled with massive job losses due to foreign competition. But the candidates also expressed concern about China's undervalued currency, product safety issues and intellectual property violations, and called for tougher action against that nation.

Fred Thompson, a former Tennessee senator, criticized China for its spate of contaminated products and undervalued currency, but stressed the U.S. could not turn its back on free trade.

"I was one of the strictest advocates of imposing restrictions on the Chinese for their behavior of exporting dangerous materials to countries and tying some of our trade policies to what they did in that regard," said Thompson. "They still have not done enough...but in terms of turning our backs on free trade, that's not the direction to go."

Former New York mayor Rudolph Giuliani expressed his support for the four pending trade deals with Peru, Colombia, Panama and South Korea that are being scrutinized by the Democratic-controlled Congress.

"In three of the four of them, we would actually get to export more than we're importing," said Giuliani. "Why they would want to block these, I don't understand."

Giuliani said he believes trade agreements need to be improved, but he did not provide details. He also said trade pacts should be considered under two different sets of criteria: economic protection and safety, and security and legal rights.

"We can't say that because these agreements weren't perfect, because they have problems, we're going to turn our backs on free trade," he said. "We're a country that depends on exports and we're also an entrepreneurial country."

Generally, candidates from both parties have presented positions that line up along ideological lines in the first election in 55 years where an incumbent president or vice president isn't running.

Democrats, wooing endorsements from organized labor, have taken a strong stance against the free-for-all trade climate of the Bush administration, while their Republican counterparts have embraced those policies and burnished their free trade credentials to win the support of the business community.

Clinton has taken some flack for her husband's support of the Uruguay Round global trade pact that set a timetable for the elimination of global apparel and textile quotas, and NAFTA.

Some have said that former president Bill Clinton chose a trade agenda that flew in the face of a segment of his own party and organized labor. But times have changed and the senator has sought to distance herself from her husband's trade policies.

In addition to her call to reexamine NAFTA, Clinton said she would appoint a trade enforcement officer within the U.S. Trade Representative's office who will "vigorously" enforce trade agreements and double the size of the enforcement unit.

"The Bush administration has filed roughly the same number of enforcement actions under our trade agreements that were filed during one year of the Clinton administration," Clinton said. "That is unacceptable. When I'm president, we're going to start enforcing them again and we're not going to enter into them unless we think they're going to be good for American workers."

She said another priority would be doubling the funding for the Trade Adjustment Assistance program and expanding it to include service workers. Her campaign declined to comment for this story.

Clinton has also said that she opposes the pending free trade deal with South Korea and endorses a bill passed by the Senate Finance Committee that would offset currency undervaluation for goods dumped below cost in the U.S. and require consultation at the World Trade Organization that could lead to sanctions.

"We have to deal with their currency manipulation and we have to have tougher standards on what they import into this country," Clinton said at a recent AFL-CIO-sponsored debate in Detroit.

Those remarks have prompted some criticism in the trade community.

"I think she is moving toward a more protectionist stance," said Carla Hills, U.S. trade representative under president George H.W. Bush from 1989 to 1993 and the primary U.S. negotiator on NAFTA. "Her campaign statements do not embrace the doctrine of economic interdependence and Bill Clinton did embrace that doctrine. He supported the Uruguay Round and he supported NAFTA because he understood the economic benefits."

But for every Clinton critic, there is a Clinton supporter who argues the senator will temper her tough stance on international trade once she gets into office.

"I think it's fair to say she understands the importance of trade to our economy and to our diplomacy, but she also believes acutely that workers who lose their jobs through no fault of their own need be taken care of in the sense of adequate benefits, portable health care...policies that let people get back on their feet, in the workforce and in good productive jobs," said Charlene Barshefsky, U.S. trade representative in the Clinton administration from 1997 to 2001.

Mickey Kantor, who was USTR from 1993 to 1996, said the one key factor in moving the trade policy forward for any president is rebuilding credibility with the public about trade and its benefits.

"If you don't restore credibility with the American people, the trade agenda will not move forward," said Kantor. "The American people believe we don't stand up for our interests and enforce our trade laws and agreements."

For either a Democratic or Republican president, restoring credibility means showing a willingness to incorporate stronger labor and environmental standards in trade agreements and dealing with China on a host of issues, including intellectual property rights violations, undervalued currency and product safety issues, Kantor said.

Clinton has a mixed record on trade in the Senate. She voted for free trade agreements with Chile, Singapore, Australia and Oman, but against the Central American Free Trade Agreement and the Trade Act of 2002 that reauthorized the president's trade promotion authority, also known as fast-track or TPA, which strips Congress of the ability to amend trade deals the President negotiates with other countries.

Bud Konheim, president and chief executive officer of Nicole Miller, who is a registered Independent, said Clinton, who sewed the first UNITE label into a garment in the company's sample room, would bring the most experience and global perspective to the

job, as well as the deepest analysis, despite her anti-NAFTA remarks of late.

"Her husband put it [NAFTA] in place and she had nothing to say about it then," said Konheim. "She is saying it now to win the Democratic primary and the labor vote is important. She isn't going anywhere unless she wins the primary...and as a strategy she can't say NAFTA was great, too bad for the workers, and then have Barack Obama say: 'I am for the worker,' and have him lead on the left. It's just jockeying.

"Hillary is not anti-business and she is not pro-labor," said Konheim.

Obama, who voted for the trade deal with Oman and against CAFTA, supports overhauling and expanding a trade aid program that provides financial aid for displaced workers who lose their jobs because of trade. He is also for stronger labor and environmental protections in trade agreements and an expansion of antidumping duty laws in relation to undervalued currencies, an aide said in an interview.

On China, Obama has signed on to the same currency bill that passed the Senate Finance Committee that Clinton supports.

"If the Chinese or anyone else for that matter is gaming the currency to give their products an unfair advantage in the marketplace, that's not something we should tolerate or agree with, and if China is gaming its regulatory structure to reduce the costs for products in China, we shouldn't tolerate it," Obama's aide said. "But he isn't a unilateralist. We will work with China to reach some sort of agreement [that brings about] fair behavior in the exchange of products and goods between the countries."

Balancing the interests of organized labor and the typically pro-trade business community is a practice to which Obama is accustomed.

"We wholly agree with the labor movement that labor and environmental provisions have to be included in the core of labor agreements. Business has said historically that it couldn't be done until now," the aide said, referring to an agreement Democratic leaders reached with the Bush administration to include stronger labor and environmental provisions in four pending trade agreements.

The primary reason Obama voted against CAFTA was its inadequate labor and environmental standards, he said.

The third-place Democratic candidate, former Sen. John Edwards, has laid out the most comprehensive trade platform of all of the candidates in both parties.

On paper, Edwards' populist themes of protecting the American worker, improving the standard of living for U.S. workers and curtailing foreign competition would appear to attract the most union and textile industry support. But UNITE HERE, the main textile and apparel union, has not yet made an endorsement of any of the candidates.

"John Edwards is perhaps the strongest candidate of either party in terms of protecting workers' rights," said Bruce Raynor, general president of UNITE HERE. "His father worked in a textile mill and he has the most personal appreciation for the issue of what manufacturing jobs mean to families and communities. He is clearly the pro-manufacturing and pro-worker candidate of his party."

UNITE HERE endorsed Edwards four years ago, but the union is holding back on an endorsement this year while it canvasses its members on a larger Democratic pool this time around, Raynor said.

Edwards has won some cautious support from textile trade groups that also see Republican Rep. Duncan Hunter the most vocal candidate against trade with China, as a good candidate for their issues.

While in the Senate, Edwards voted against the African Growth & Opportunity Act, a trade preference program for sub-Saharan African countries, and against the Trade Act of 2002, which gave President Bush TPA. The textile industry opposed both of those trade-related bills.

"I think John has raised the issue of trade more than any other candidate and spoken to the fact of the inequities, hardships and trade causes for the American worker," said Cass Johnson, president of the National Council of Textile Organizations. "He's been the most aggressive on trade issues and he was helpful to our industry on the TPA vote in trying to get strong language specifically for the industry."

Edwards, who was a senator at the time, successfully got the stronger language through the Senate but it was stripped in conference.

Some political experts argue that a Republican president would likely continue in Bush's footsteps on the trade front. Although Bush has repeatedly championed his free trade credentials, he has shown a willingness to curb imports that are hurting domestic sectors such as steel and textiles, industries for which he imposed safeguard quotas on Chinese imports.

Sen. John McCain has the most solid pro-trade voting record of any of the candidates in the GOP, having voted in favor of NAFTA and CAFTA, as well as trade pacts with Oman, Australia, Chile and Singapore.

"He is a supporter of open, global trade," said Douglas Holtz-Eakin, the top economic policy adviser to McCain and former director of the Congressional Budget Office. "He would pursue additional trade agreements that open markets and he would make sure in the process that the trade agreements would have the enforcement mechanisms needed to make sure trade is conducted on a fair market basis."

Holtz-Eakin said McCain supports pending trade pacts with South Korea, Colombia, Peru and Panama, and would like to see the successful completion of the global round of trade

talks. He said McCain believes the U.S. cannot "focus on the currency issue in isolation" in its relationship with China.

Asked whether McCain supports the strategic dialogue with the Chinese the Bush administration has pursued or a stronger approach including potential penalties, Holtz-Eakin said, "The senator believes tariff protection barriers have never worked."

Retailers are closely analyzing the Republican candidates because they typically espouse business-friendly and free trade views that are in line with the business community.

"Philosophically we have a lot more support on the Republican side for the free trade agenda than the Democratic side and that is largely a function of the Democrats' relationship to big labor," said Erik Autor, vice president and international trade at the National Retail Federation.

McCain's rival, former Massachusetts governor Mitt Romney, has pressed Congress to act immediately on two pending trade deals with Colombia and Peru, a campaign spokesman said.

"His focus has been on the need to promote free trade at a time when Congress is delaying [considering] free trade agreements that have been negotiated in good faith with strategic allies," the spokesman said.

Romney said in the debate Tuesday that the U.S. needs to pay close attention in dealing with IPR violations and undervalued currency in China.