



Has Partisan Feuding Derailed the Trade Agenda?

Howard F. Rosen and Gary Clyde Hufbauer analyze the myriad disputes in Washington that have undercut hopes for bipartisan support for trade and aid for workers.

Edited transcript, recorded March 3, 2011. © Peterson Institute for International Economics.

Steve Weisman: There was optimism earlier this year that bipartisan consensus favoring trade deals would emerge in the new Congress. Now there is disarray on Capitol Hill and with the administration. This is Steve Weisman at the Peterson Institute for International Economics with two experts to discuss the impasse: Howard Rosen and Gary Hufbauer. Thanks for joining me. Howard, you were quoted in the New York Times as saying this is the worst disarray you have seen in thirty years. Explain.

Howard Rosen: I think it is a confluence of a couple things. The first is that the Obama administration has not placed a very high priority on trade policy. They have basically a kind of light agenda. The Republicans in Congress have been playing a kind of partisan games with the little that there is. So it is confluence of having a light agenda and also having it all hung up in terms of partisan politics. I think it has kind of blown up. Not only that, but it seems like things that we had been doing over the past couple of years we are starting to dismantle.

Steve Weisman: Dismantling, in particular, protections for people who are affected adversely by trade?

Howard Rosen: For example, the first thing is that we have a preference program that has been in place for thirty five years to help low income developing countries (over 100 countries). This has been held up because one Republican Senator is pursuing the interest of one employer of fifty or so workers. We have just not seen this kind of thing before.

The second is that we have preferences specifically for some Latin American countries (Colombia and Ecuador specifically) and that has been held up as a hostage, to get the administration to put forward the US/Colombia Free Trade Agreement (FTA). Ironically, as a result of this, Colombia has been left with nothing, because the preferences have expired and yet the administration has not put forward its agreement [with Colombia]. Colombia is paying the price for our dysfunction over trade policy.

The last thing going on is that in the midst of all this is a fifty year old program to help workers and communities and firms are hurt by the globalization [Trade Adjustment Assistance]. This has also got caught up in this whole mess. And the programs have expired. Recent reforms may not be renewed.

But more importantly, the commitment that we have made, a fifty year old commitment take care of those people, those firms that pay a price [for free trade] is being eroded. And it is not clear that it is being eroded consciously, but it certainly is being eroded by the actions that have been taken.

Steve Weisman: Gary Hufbauer, what are the prospects of some kind of deal that can break this logjam?

Gary Hufbauer: Well, as Karl Marx famously said, "Sometimes things have to get worse before they get better." And maybe it is bad enough now that we can see rays of sunshine. The first ray of sunshine is that President Obama is trying to cuddle up at least to some extent to the business community. And the business community basically loves the trade agenda or the positive side of the trade agenda. So that is one thing that he could do later this year to show a little more sympathy to business interests and to try and get the economy going on the trade side.

The second thing is that the Republican forces in Congress have a strategy, which I think is actually fairly sensible in context. And that's to lump the stuff that President Obama wants (namely the Korea Trade Agreement) and, as Howard mentioned, a Trade Adjustment Assistance program, and the generalized system of preferences and the Andean Trade Preference Act -- those things that the President wants -- with some spinach that the President doesn't want, which is the Colombia Trade Agreement and Panama. (He doesn't care too much about [Panama], but it is pretty closely linked politically with Colombia. So the Republicans are going to make the President eat the spinach if he wants the ice cream. And I guess the President looks like he is a pretty good deal maker based on his performance last November. So I think that while things look pretty bad now, they will look a lot better come June.

Howard Rosen: My concern with that strategy is that although I think Gary is right, at this point the opposition to the Korea [Free Trade] Agreement -- which is the big enchilada, the big deal -- has been kind of separated. Some unions, the UAW [United Auto Workers] are to fight against it [the Korea agreement]. But the AFL [American Federation of Labor], it's not clear how active they will be against it. But it is very clear that the unions are against the Colombia Agreement. What I'm afraid of, if there is an effort to package all these things together, implicitly or explicitly -- one argument is to put all three together or to link them, by saying we put up Korea and then we plan to put up Colombia on X date or something. By linking them, they may actually weaken support for Korea.

Gary Hufbauer: That is true, and I don't expect the unions will generally be happy after this. I will toss in one more thing that I think President Obama is going to do that will make some unions unhappy, and that is actually honor our agreement with Mexico about trucking. I know we have lost cases and so forth, but now the President has said about the third time, we are going to do a trial program, which is the latest agreement.

Howard Rosen: And the Teamsters especially are unhappy about that.

Gary Hufbauer: Yes, they are going to be unhappy about that, sure. But I think you just have to look at the situation. I mean, the unions have a lot of reasons to be unhappy about a lot of things. And I know that they beat the drums on trade, which I think has nothing to do with their basic unhappiness. But they have other things which have moved very suddenly to the top of their agenda -- collective bargaining for public employees.

Steve Weisman: Right, they have a lot of balls in the air right now.

Gary Hufbauer: Yes, and President Obama is supporting them on that. And I think that they are not going to be happy about his whole agenda, but they will take the trade spinach, provided that he continues to support them on this core interest.

Steve Weisman: We talked about the unions, but let's talk about the Chamber of Commerce, and their business interests that spent a lot of money to help elect Republicans in the last election. The Chamber wanted the Korea deal. As Howard just said, that's a very big enchilada for them. Are they going to sit by and see this impasse continue?

Gary Hufbauer: I think if the strategy that I outlined, which I think is a Republican strategy, does not succeed then they will separate out Korea at some point. But I think they will give this strategy a good try. But you are absolutely right. This is actually a bigger problem with the Trade Agenda now. Corporations have tended to go their own way in the last decade by comparison with the previous two decades, where they spoke with a united voice to support things like the Tokyo Round and the Uruguay Round and the big trade deals. Now corporations individually really want to go for the agreement with the most payout for that corporation. That is what we are seeing with Korea. Yes, there are corporations which have a lot of business deals going with Korea. They want to get that and they are not so interested in Colombia. Others are interested in Panama, others are interested in Colombia, and others are interested in trucking. And so there is quite a fragmentation of the business community.

Steve Weisman: But the sector of the business community that favors Korea, as I understand it, is financial services. They felt that the Doha Round [of international trade talks] was inadequate to their interests. Why can't Wall Street, the insurance sector, telecommunications, rally the business community behind Korea?

Gary Hufbauer: That is an excellent question and I'd suspect when it gets closer to a vote...I mean, right now, the President hasn't even set it up. These lobbyists get quite active...

Steve Weisman: They have to earn a living.

Gary Hufbauer: Once they see the light at the end of the tunnel and the train coming at them, then they get quite active. At that point I do think what you said is right, Steve, that they will rally. But I don't think it will be like we saw in the past. In the past you saw a much more united voice from the Business Roundtable or the Chamber or other groups like NAM [National Association of Manufacturers]. So those days I think will be hard to reconstruct.

Howard Rosen: I think this is all complicated, which again is what is making me quite concerned about it. It is further complicated by non-trade issues. As we are seeing now, we are going to have a continuous discussion this year on the budget. It looks like Congress is going to put spending on the government on a two week basis. So this is going to be an ongoing debate. And it is interesting that the business community is on both sides of this argument. And that is going to [lead to] conflict on both sides of the budget.

On the one hand, they would like to see the budget deficit reduced. On the other hand, they want corporate taxes reduced. On the other hand, they want the trade deals through. They are lobbying the same members for all of these different positions. And it is going to break them further apart.

Gary Hufbauer: I agree that it complicates it, but I think the big picture is this: The budget takes precedence over everything. And it may just drive trade right off the agenda.

Howard Rosen: Exactly.

Gary Hufbauer: That is a problem – unless the two parties can agree with the President on [setting] everything else to one side. The other thing that complicates this, of course, is the Middle East. Now maybe those two things leave no room for anything else. My scenario is that there will be some room in May or June.

Howard Rosen: Thus far, the Middle East is not taking up time from Congress from legislation.

Steve Weisman: What I think is interesting on the Middle East is that Congress is saying very little about it.

Gary Hufbauer: That is probably one of the fortunate things.

Howard Rosen: Yes, a lot of people [in Congress] want to be...

Gary Hufbauer: ...Secretary of State. And we have a perfectly good Secretary of State.

Howard Rosen: In this case, delay is not a good thing. Because A: We are coming up against the election cycle and it is always not a good idea to be pushing free trade agreements in a campaign year. On the other side, the administration, like I said, has a light agenda. But if this delay keeps on going, we may not even get to it. And what happens to the Trans Pacific Partnership, to TPP? And this is supposedly the only major thing the administration itself is pushing, and this thing may just get put off the calendar.

Steve Weisman: Howard, let me come back to a puzzling aspect of what you said was this light agenda of the Obama administration. Gary has pointed out, and everybody has pointed out, the administration wants to cozy up to the business community now. They have a new Chief of Staff who is a former Secretary of Commerce who is clearly pro-trade in his philosophy. There are other people who have been brought into the administration. What is the reason that Obama has this light trade agenda? It seems to be kind of a no brainer for him.

Howard Rosen: This administration came in saying that, “Globalization is not a winner for us. And we are just not going to talk about it and we are not going to pursue this.” And of course the recession and all that kind of helped them in that thinking, because our main problem right now is jobs. So they don’t come with a strong pro-globalization agenda to begin with.

But I think the focus is on the wrong side. I stated at the outset saying that the administration comes to the table with a light agenda. OK, the real obstacle right now seems to be the Republicans in Congress. I don’t understand how the business community could have allowed these little irritants to get out of hand. What I am talking about is the expiration of GSP [Generalized System of Preferences], the expiration of the Andean Trade Preferences Act. Leaving Colombia, one of our allies -- actually we are discriminating against them. They are getting the worst preferences of any country right now.

How could the business community have allowed this to happen? They have been up there timidly lobbying on these things, saying we can’t let these things happen. But what I am suggesting is, there seems to be a little bit of a break between the business community and their influence on the Republicans.

Steve Weisman: Do you think that the Tea Party Movement plays into that?

Gary Hufbauer: The Tea Party Movement is perplexing in many ways. One of them is that the polls clearly show that Tea Party members, more than either Democrats or mainstream Republicans, are hostile to globalization. The members elected to Congress, however, on the whole have not made strong anti-globalization arguments and many of them have made pro-trade arguments. Senator [Jim] DeMint [R-SC] in particular is very strong, and he was kind of the father of the Tea Party, a very strong pro-trade Senator. So there is that disjunction.

I think it probably raises a caution amongst the Republican leaders as to how far and how fast they can push the trade agenda. But these items that we are talking about, they are not the kind of things that would I think elicit a negative response from the Tea Party members. Maybe something much bigger would, but probably not these items on the table right now.

Howard Rosen: I want to come back out to this whole budget issue because there was a notion, never stated by the Obama administration, that they saw trade policy as a domestic policy issue. They didn't see a separation between the domestic economy and trade. And the feeling was that we had to shore up the safety nets and domestic economy -- and then we could pursue further liberalization of trade policy.

Again, they never stated that explicitly. But we are two years into the Obama administration, because of the weak economy, because of the deficits, and what are we doing? We are tearing down the safety nets, which is only going to make it more difficult for them to pursue a trade agenda. And the Tea Party falls on the other side of this argument because they are in favor of tearing down these social safety nets.

Steve Weisman: Thanks very much both of you.

Gary Hufbauer: Thank you.

