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Trade Pacts No Longer An Easy Sell in GOP

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A tariff, according to the Merriam-Webster dictionary, is "a schedule of duties imposed by a government on imported or in some countries exported goods." But as free-traders on Capitol Hill and K Street prepare for the first congressional trade debate since 2007, they have a simpler message: A reduction in tariffs is really a tax cut.

It's one of several arguments aimed at winning the support of the Republican freshmen who will give GOP leaders control of the House in January. And it illustrates an intriguing dynamic for the 112th Congress. President Obama's decision to move forward on a long-stalled trade deal with South Korea sets up a confrontation with many of his supporters in organized labor, but it also presents a test of whether the Republican Party is as pro-trade as it once was.

While the modern GOP has traditionally been a bastion of support for free markets, times have changed. The public's embrace of trade has loosened considerably as American jobs have disappeared. That appears particularly true among grass-roots tea party activists, who often echo Democratic complaints about corporate outsourcing as well as populist concerns about the influence of global economic organizations that facilitate trade, such as the World Trade Organization (WTO) and the International Monetary Fund (IMF).

"The new tea party class is kind of an open question on trade," says Daniel Griswold, director of trade policy at the libertarian Cato Institute. Griswold says that while tea party freshmen seem generally pro-trade, based on statements on their websites, voters who identify with the tea party "seem skeptical about trade agreements."

The potential for a tea party backlash within the GOP has business lobbyists trying to flush out just where the freshmen stand -- and attempting to shape their views by promoting tariff reductions as "economic liberty" that will decrease the cost of commerce and create opportunities for U.S. companies.

The administration announced Dec. 3 that it had resolved a longstanding dispute with South Korea over the pact regarding auto tariffs; in addition to other changes, the two governments agreed that the U.S. will now get five years to phase out a tariff on imported Korean-made cars, instead of having to drop the duty immediately. The issue goes on the agenda of the next Congress, although it's up to Obama to start action by sending the agreement to Capitol Hill for ratification.

The revised deal has given the U.S. Chamber of Commerce a chance to approach the freshmen on trade, says Christopher Wenk, the business group's senior director for international policy. "Certainly with these folks, government intrusion, taxes, tariffs -- no question that these arguments will resonate with them."

Vote Calculations

The movement on Korea marks a crucial pivot for the Obama administration on trade policy. President George W. Bush signed the Korea deal in 2007 but never sent it to Congress. That was primarily because of opposition from Ford Motor Co., which argued that Seoul has long kept out American-made vehicles with non-tariff trade barriers and wanted U.S. negotiators to secure a better deal.

As a presidential candidate, Obama opposed the South Korea agreement -- as well as the leftover Bush-era deals with Colombia and Panama. Upon taking office, Obama focused on enforcing U.S. trade laws rather than negotiating new agreements, a position in accord with his allies in organized labor.

Now, however, given Obama's political need to create jobs and strengthen U.S. economic influence overseas -- particularly in Asia -- trade looms as a prime potential area of cooperation between Obama and the new House Republican majority. To the extent that rank-and-file Republicans vote with their leaders, free-trade policy stands a good chance of flourishing in the 112th Congress.

Efforts to bring down trade barriers and open global commerce have been a tough sell for Democratic presidents in recent decades, due to opposition from labor unions and environmental groups. President Bill Clinton relied on broad Republican support to enact both the North American Free Trade Agreement (NAFTA) and a permanent normalization of trade relations with China. Obama is likely to need the same sort of math to win approval of the Korea deal.

On the last trade agreement that came to a vote on Capitol Hill -- a deal with Peru in 2007 -- almost half of House Democrats supported the bill as it passed 285-132. But that included several moderate, pro-business "Blue Dog" Democrats who were defeated on Nov. 2, such as Earl Pomeroy of North Dakota and Stephanie Herseth-Sandlin of South Dakota.

Many other Democrats -- beyond the small pro-business contingent of "New Democrats" -- have raised objections to the Korea deal, saying it would undermine workers' rights and environmental rights and would continue an outflow of American jobs overseas.

Obama's Korea bid is receiving significant cover among Democrats from Sander M. Levin of Michigan, who is chairman of the House Ways and Means Committee and a fierce ally of the United Auto Workers, which has thrown its support behind the deal. Ford also backs the revised pact, seeing it as a way to expand sales in Asia.

The Senate is traditionally supportive of trade agreements, regardless of party control, and the GOP caucus is getting some new free-trade stalwarts such as Rob Portman of Ohio, who left the House to serve as President Bush's U.S. trade representative from 2005 to 2006.

It's up to the administration to determine when to submit a trade agreement to Congress. Once leaders bring the Korea pact to the floor, the implementing legislation will move under fast-track procedures that prevent amendments and require a simple up-or-down vote, since those rules were in place when the original deal was negotiated.

GOP Divisions in the House

Trade votes in the House are often nail-biters, turning on regional interests in auto manufacturing, farm exports, textiles and shipping. The GOP-led House passed a Bush administration trade deal with Central American countries on a 217-215 vote in 2005.

The new House Republican leaders -- exemplified by Speaker-in-waiting John A. Boehner of Ohio and future Majority Leader Eric Cantor of Virginia -- are firmly pro-trade. They are demanding final action not only on the South Korea agreement, but also on Bush's trade deals with Colombia and Panama, which languished under Democratic control.

Incoming Ways and Means Chairman Dave Camp, whose panel has jurisdiction over trade issues, is a strong free-trader. He's also from Michigan, meaning that he, along with Levin and the executives at Ford, pushed for a better deal from Seoul.

But the Republican Party is not monolithic on trade. There have long been divisions, mainly along regional lines, among the rank and file. Southern Republicans representing districts with long-embattled textile interests -- for example, Rep. Walter B. Jones of North Carolina -- have opposed trade agreements or supported them only under intense strong-arming. The same is true in some parts of the Rust Belt, where lawmakers from districts with manufacturers hit hard by globalization have resisted new trade pacts. On the 2007 Peru vote, 16 Republicans dissented, most on the grounds that it would hurt U.S. textile and manufacturing firms.

At the same time, farm-country Republicans often support trade deals that they hope will open markets for their constituents abroad.

Given the dearth of recent trade votes, it's unclear what the numbers would look like on the Korea deal. But one

recent tally resonates in trade circles: Public concern about China's growing economic influence and its efforts to help its exporters by undervaluing its currency prompted a large bipartisan House vote in September, 348-79, in favor of legislation targeting Beijing's currency practices.

The bill has stalled in the Senate. Considering the aversion among most big U.S. corporations to legislation penalizing China, a Republican-led House seems unlikely to advance new currency legislation. But the numbers are difficult to ignore: In addition to almost all Democrats, 99 Republicans supported the bill, a majority of the caucus.

Public Opinion Shifts

Public support for free trade has been falling during the recession. In a November poll by the Pew Research Center for the People and the Press, only 35 percent of respondents said they thought free-trade agreements are good for the United States. That tied for the lowest level in 13 years.

The numbers are particularly striking on the Republican side. Asked whether free-trade agreements such as NAFTA and the policies of the WTO were good or bad for the United States, only 28 percent of self-identified Republicans said "good" -- a 15 percent decline in a year -- and 54 percent chose "bad." Among Republicans who said they agree with the tea party, 63 percent said trade was "bad."

Of course, such survey questions are often broad and general. Yet, while many tea party-backed candidates generally espoused free-market principles, often with a libertarian bent, free-traders worry that some of the same grass-roots activists who are suspicious of the Federal Reserve and the workings of corporate America will also have concerns about the WTO and protecting U.S. sovereignty in the global economic system -- and will push Republicans to vote against free-trade deals.

Indeed, some members draw distinctions between the principle of free trade and the way the U.S. government actually engages in trade. Incoming Sen. Rand Paul, a Kentucky Republican and tea party favorite, says he is firmly pro-trade, yet his campaign website sends a more nuanced message. The site says the United States is often "subservient" to the WTO, the IMF, the World Bank and the United Nations.

"Rand Paul proposes that America can engage the world in free trade, develop lucrative commercial relationships with other nations, and defend its national interests without funding or joining international organizations," the site says. "The U.S. government must answer only to the Constitution and the citizens protected by it."

Groups that oppose NAFTA and other recent trade deals -- as well as U.S. corporations' moves to shift jobs overseas -- are making the case that tea party voters have more in common with skeptics of recent U.S. trade policy than with the GOP leadership. A report released by the Global Trade Watch at Public Citizen argues that 75 Republican candidates "adopted some 'fair-trade' messaging as well, 43 of whom won their races."

Freshmen Factor

Trade advocates in the business community dismiss those numbers, arguing that, election by election, the results were mixed and inconclusive when it came to trade. Still, the incoming Republican freshmen "are all over the place," says William Reinsch, president of the National Foreign Trade Council, which represents many large multinational corporations.

Some of those freshmen, even while bashing Obama economic policies, also took swipes at multinational corporations on issues such as offshoring. "It's not exactly clear where they're going to shake out," Reinsch said.

Cal Cohen, president of the Emergency Committee for American Trade, a business lobbying group, says that doubts about U.S. sovereignty "need to be openly addressed -- any trade agreements put requirements on both [nations]."

Cohen says that in talks with new members, his group is stressing the importance of exports and "what is at stake for workers in their districts." Cohen says he's cautiously optimistic and that he's hearing the same from current GOP lawmakers.

Rep. Kevin Brady, the pro-trade Texas Republican in line to chair the Ways and Means Trade Subcommittee, is making the rounds of incoming members, and he sounds optimistic that the new GOP free-trade message is

working. With a few exceptions, Brady says, "tea party members see trade in terms of freedom. They also see tariffs as taxes."

With the Obama administration's trade policy wheels suddenly in motion, the test of whether that's true may come sooner rather than later.

FOR FURTHER READING: *Korea trade deal*, p. 2682; *House passes China currency bill*, *CQ Weekly*, p. 2294; *Obama trade agreements, 2009 Almanac*, p. 12-8 ; *changing dynamics on congressional trade policy, 2008 Almanac*, p. 6-18.

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