



American Politics & International Trade

Richard L. Collins
Collins & Company, Inc.



Major Points

- The Rising Tide of Protectionism
- The Role & Structure of Congress
- Implications & Consequences of Politics

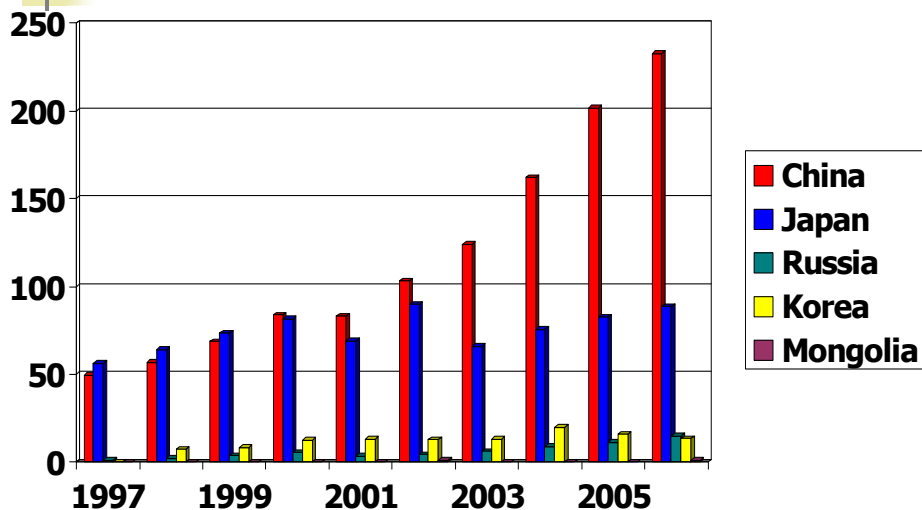
2006 U.S. Trade Numbers

Exports	\$1,037.3 billion	Record High
Imports	\$1,855.4 billion	Record High
Deficit	\$818.1 billion	Record High

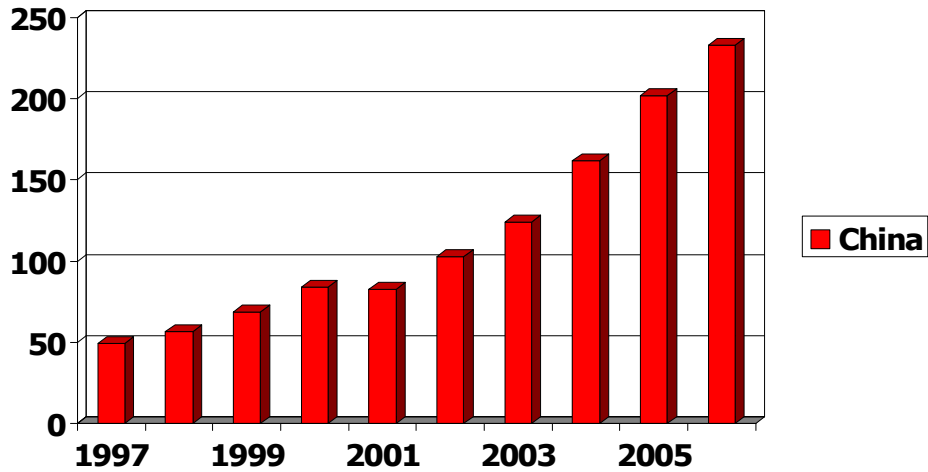
Select NEA-U.S. Trading Profiles

China	-\$232.5 billion	Record High
Japan	-\$88.4 billion	Record High
Russia	-\$15.1 billion	Record High
S. Korea	-\$13.3 billion	Record High

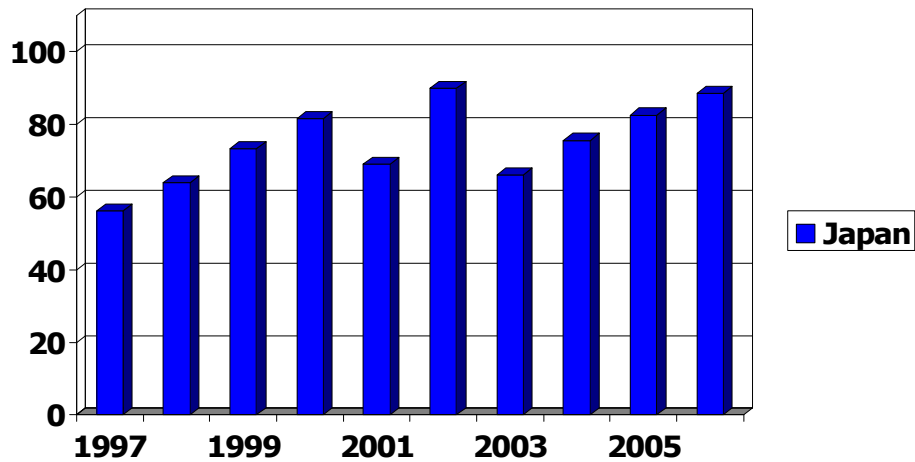
U.S. Trade Deficit with NEA: 1997-2006 (in billions)



U.S. Trade Deficit with China: 1997-2006 (in billions)



U.S. Trade Deficit with Japan: 1997-2006 (in billions)





Trends in NEA-U.S. Trade

- Globalization is happening
- Large overall benefits
- Large trade deficit
- Convulsive job-market side effects

Conflicting U.S. Attitudes

Embracing
Globalization

&

Protectionism

The United States of America Has Diverse Interests

Agriculture

Financial
Services

Manufacturing

Autos

Construction

Mining

**The United States
of America**

Sciences

Labor

Retail

Entertainment

Luxury
Goods

Agriculture



Manufacturing & Motor Vehicles

- Almost 3 million manufacturing jobs lost since 2000
- Ford Motor Co. upset about closed markets in Korea
- In 2006, the motor vehicle sector made up \$11 billion of the \$14 billion U.S. trade deficit to Korea
- U.S. trade deficit for motor vehicles and parts
 - Japan: \$30.6 billion
 - Korea: \$6.5 billion
 - Taiwan \$1.2 billion



General Motors Strike

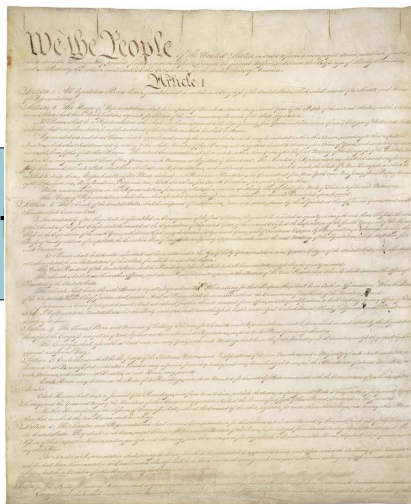
- 3 Day strike in September 2007
- United Auto Workers & GM negotiated a deal that forced a pay-cut but offered increased job security guarantees
 - Reflected labor's fears of job uncertainty
 - Reflected management's fear of competing in the global market
- Similar Chrysler strike in early October
- More auto strikes possible

Chinese Currency

- Concern that undervalued Yuan hurts American competitiveness
- Sander Levin (D-MI)—Chairman of the House Ways and Means Trade Subcommittee—said U.S. manufacturers “can’t effectively compete against a stacked deck”
- The Currency Exchange Rate Oversight Reform Act of 2007 (S. 1607) and the Currency Reform and Financial Markets Access Act of 2007 (S. 1677) would target “misaligned currency”
 - Would force the Treasury Department to more thoroughly investigate the Chinese currency for “misalignment” with punishments possible as a consequence
 - The bills appear to violate WTO rules

The Constitution Defines and Empowers the U.S. Government

Legisla



Judicial

Who is Empowered to Negotiate Trade Agreements?

The President "shall have Power, by and with the Advice and Consent of the Senate to make Treaties, provided two thirds of the Senators present concur" according to Article 2, Section 2 of the Constitution

Legislative Executive Judicial

Power-Sharing Between the Legislative and Executive Has Always Been in Flux

Legislative

Executive

- To conduct treaties the president needs support from 2/3 of Senate

- The president has Executive Authority

The Constitution recognizes a distinction between executive agreements, or compacts, but does not indicate what the difference is. Executive Agreements have the same power as treaties but are easier for the president to pass.

Power-Sharing Between the Legislative and Executive Has Always Been in Flux

<p>The Tariff Act of 1890</p>	<p>Passed by Republican-Controlled 51st United States Congress</p>	<p>Under Republican President Benjamin Harrison</p>
<p>Reciprocal Trade Agreement of 1934</p>	<p>Passed by Democrat-Controlled 73rd United States Congress</p>	<p>Under Democrat President Franklin D. Roosevelt</p>
<p>The Trade Act of 1974</p>	<p>Passed by Democrat-Controlled 94th United States Congress</p>	<p>Under Republican President Gerald Ford</p>
<p>The Trade Act of 2002</p>	<p>Passed by Republican-Controlled 107th United States Congress</p>	<p>Under Republican President George W. Bush</p>

• Congress is more likely to increase presidential authority

when the majority is of the same party as the president.

• Gerald Ford a unique example

Fast Track Authority is A Great Expansion of Presidential Power

- FTA was first introduced in the Trade Act of 1974 and it empowered the president to force quick action on proposed trade agreements
- When an agreement is "fast tracked" Congress can vote "yes" or "no" but cannot amend or filibuster



A Quick History of Fast Track Authority (also known as Trade Promotion Authority)

- Authorized in 1974
- Renewed in 2002
 - **The vote in the Senate was 64-34**
 - **The vote in the House was 215-212**
(190 Republicans and 25 Democrats made the majority)
- Used to Negotiate
 - **The US-Chile FTA**
 - **The US-Singapore FTA**
 - **The US-Australia FTA**
 - **The US-Morocco FTA**
 - **DR-CAFTA-US FTA**
 - **USKOR FTA**
- Expired July 1 2007



The Future of FTA/TPA

- Unlikely to be renewed in near future with Democrat-controlled Congress
- Labor groups critical of recent free trade agreements and Bush's trade policy in general
- "I hope a new administration would mean a new trade policy, and that would mean another look at TPA" said Sander M. Levin (D-MI) Chairman of the House Ways and Means Trade Subcommittee

Security & International Trade

- Security issues and strategic concerns matter
- NAFTA received increased support after Colin Powell testified that the agreement would stabilize the region and increase American security
- Conflict over the US-Colombia FTA:
 - Condoleezza Rice said "Passing these trade agreements is not a narrow partisan interest; it is a vital national interest," adding that failure to pass the bills would be "a retreat from our responsibility of leadership and a renunciation of our influence in the Americas."
 - Levin (D-MI) said "Chavez came to power in part because most of the [Venezuelan] population got very little out of globalization. So the best antidote to Chavez is to adopt a trade policy that spreads the benefits of globalization."

Senate Foreign Relations Committee

- SUBCOMMITTEE ON INTERNATIONAL DEVELOPMENT AND FOREIGN ASSISTANCE, ECONOMIC AFFAIRS AND INTERNATIONAL ENVIRONMENTAL PROTECTION
- ~~Joseph R. Biden Jr. (D-DE)~~ • ~~Richard G. Lugar (R-IN)~~
 - Christopher J. Dodd (D-CT) • Chuck Hagel (R-NE)
 - John Kerry (D-MA) • ~~Joseph R. Biden Jr. (D-DE)~~
 - Russ Feingold (D-WI) • ~~Bob Corker (R-TN)~~
 - ~~Robert Menendez (D-NJ)~~ • ~~Chuck Hagel (R-NE)~~
 - ~~Bill Nelson (D-FL)~~ • ~~Sen. Gary V. Rupp (R-OH)~~
 - ~~Barack Obama (D-IL)~~ • Lisa Murkowski (R-AL)
 - ~~Robert Menendez (D-NJ)~~ • ~~Richard G. Lugar (R-IN)~~
 - ~~Ben Ray Lujan (D-NM)~~ • ~~Jim DeMint (R-SC)~~
 - ~~Benjamin L. Cardin (D-MD)~~ • Johnny Isakson (R-GA)
 - Bob Casey (D-PA) • David Vitter (R-LA)
 - Jim Webb (D-VA)
- Ranking Member

2008 Presidential Candidates: Hillary Clinton (D)

- Voted in support of US-Chile FTA, US-Singapore FTA, US-Oman FTA and the United States-Australia Free Trade Agreement Implementation Act
- Criticized the FTAs with Chile and Singapore for weak enforcement of International Labor Organization standards
- Voted against CAFTA and the Trade Act of 2002
- Spoke out against USKOR as "inherently unfair," particularly for the U.S. auto industry
- Speaking of trade with China, said "We just can't keep doing what we did in the 20th century..."

2008 Presidential Candidates: Barack Obama (D)

- Generally supports free trade policies
- Concerned about free trade agreements that do not include labor and environmental protections
- Voted in support of US-Oman FTA
- Opposed CAFTA, saying "It does less to protect labor than previous trade agreements, and does little to address enforcement of basic environmental standards in the Central American countries and the Dominican Republic."

2008 Presidential Candidates: Rudy Giuliani (R)

- Pledges to “aggressively advance” free trade
- Spoke in support of the pending Free Trade Agreements with Peru, Colombia, Panama and South Korea, saying they “would be good deals for the United States.”
- According to economic advisor Michael Boskin Giuliani supports free trade “but also wants to make sure countries such as China are playing fair...”

2008 Presidential Candidates: Mitt Romney (R)

- Generally in support of free trade, saying “Trade lifts all nations that participate.”
- Is against protectionism, which he said “would virtually guarantee that America would become a second-tier economy in a couple of decades, with a second-class standard of living.”
- Expressed support for increased trade relations with China

American Perception of NEA Trade Issues

- The NEA-U.S. free trade debate in America is primarily shaped by two sides:
 - “Free Traders”
 - “Protectionists”
- Two issues receive greatest consideration:
 - Competition with China
 - Loss of jobs
- NEA trade receives minimal attention in press
- The U.S. lacks sense of urgency about trade issues

The Golden Triangle?

- The Institute for the Study of Diplomacy recently unveiled a paper titled *America’s Role: Northeast Asia Initiative*
- Argues that economic relations with China and Japan are of supreme importance to the U.S. and should be valued above relations with all other NEA trading partners



According to ISD:

This memo is essentially a “memorandum of conversation” recording the substance of the Northeast Asia Initiative Working Group meeting of October 5, 2006. When the Institute for the Study of Diplomacy conceived an Asia initiative as part of its larger “America’s Role in the World” project, its initial impulse was to produce a perspective on the U.S.-China relationship, by consensus the most challenging and important of all 21st century U.S. foreign policy interactions and one a new U.S. administration must “get right” early in its term. Following consultations with members of the Institute’s Board of Directors, the Institute broadened the regional initiative to include Japan, which remains the pivot of U.S. policy in East Asia and China’s rival for regional preeminence. Whether or not to bring the Koreans into the study as a core concern received considerable discussion, both before and during the inaugural meeting. Although the regional and global significance of the Koreas is clear, neither North or South Korea separately nor the peninsula as a whole rise to the stature of Japan or China in U.S. security or foreign policy calculations. The same might be said of Russia, but for a different reason: Russia is simply less active and less visible in this theater. Hence ISD’s initiative remains focused on the trilateral Japan-China-U.S. interaction and on the goal of providing a perspective on the China-Japan relationship as it affects U.S. interests.