

US Trade Politics After the Congressional Elections: Implications for Canada

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A Story About US Protectionism

- AFL-CIO cites China for “engaging in unreasonable trade practices by its violation of workers’ rights”
 - US labor resists all new trade agreements until partners comply with core ILO rights
 - Calls for remedies: 77% duties on all imports from China
 - Democratic leaders tie renewal of TPA to labor/environmental standards
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The Story Continues

- House Democrats accuse Bush of being “asleep at the wheel” in protecting US trade interests
- Clinton averaged 10 WTO disputes per year vs. Bush’s 3, want the 7 “lost” cases filed

- Democratic leaders name WTO disputes:

China: *distribution*

China: *tech transfer*

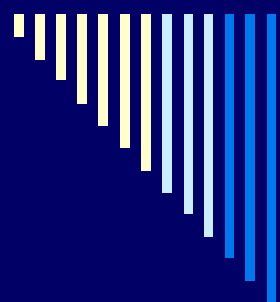
China: *IP*

India: *NTBs and IP*

Japan: *autos*

Korea: *autos*

Canada: ?



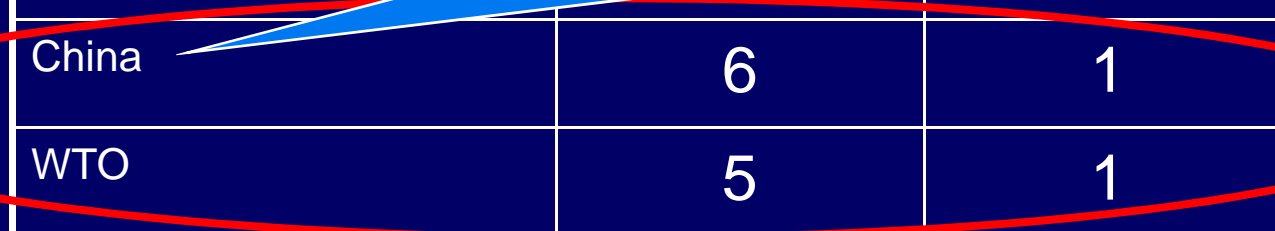
New Faces, New Trade Policy?

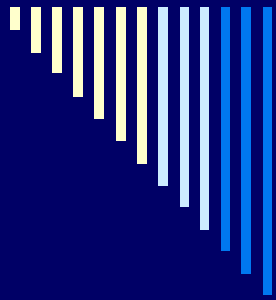
- ❑ Six “trade-friendly” Senators replaced by “trade-skeptics”
- ❑ Sixteen “trade-friendly” Representatives replaced by “trade-skeptics”
- ❑ In neither chamber did a “trade-skeptic” lose to a “trade-friendly” member

Which Trade Issues Drew Fire?

Trade Issue	# Democrats who raised issue	# Republicans who raised issue
CAFTA	24	2
Labor stan		
Environme		
"Fair trade"		
NAFTA		
China	6	1
WTO	5	1

- No mention of fear of investment
- Stressed large trade imbalance
- Emphasized need for standards





What Does the Rhetoric Mean?

“American should continue to expand the global economy through new **fair trade agreements**, as opposed to today’s ‘free trade’ agreements. **‘Free’** here is meant only in the sense of **‘unrestricted;’** these agreements do nothing to guarantee freedom to foreign workers ... nor reasonable protections for their environment.”

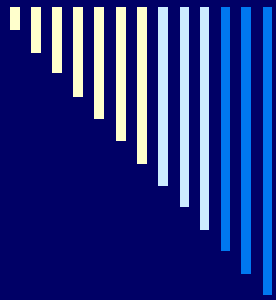
—Nancy Boyda (D), Kansas 2nd District



Democrats Target Peru

“[W]e are writing to convey in the strongest terms our **concerns** regarding the US-Peru Trade Promotion Agreement (TPA). Specifically, we are dismayed that the Administration has consistently declined to take the simple steps necessary to address our key outstanding concern, which continues to be **labor standards**”

—Democrats’ letter to USTR Schwab, Nov. 20



US Trade Deals in the Works

Deals in Trouble?

Colombia (labor?)

Peru

Malaysia (environment?)

Doha round?

Deals Not in Trouble?

Vietnam (PNTR?)

Korea

GSP (& other preferences)

Doha round?

Scorecard on ILO Covenants

Association

Compulsory Labor

Discrimination

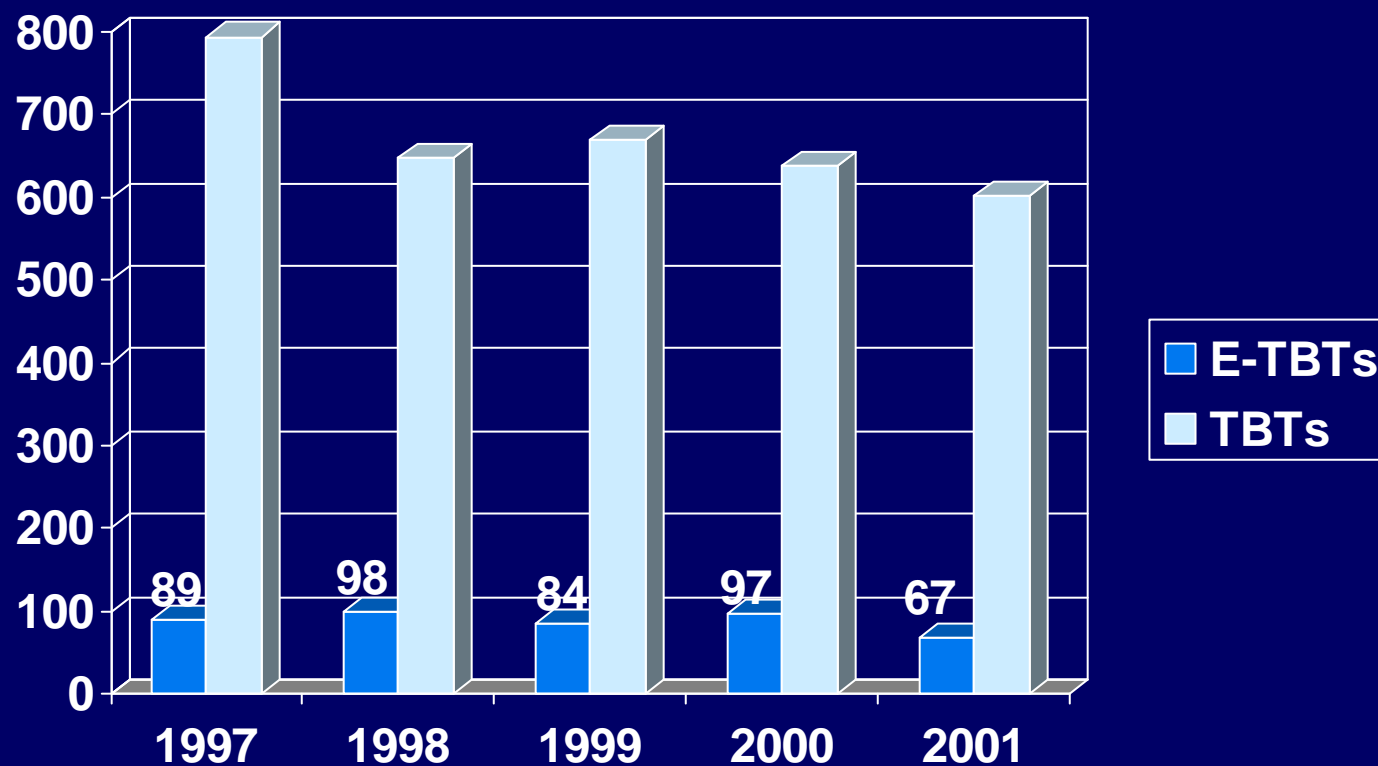
Child Labor

	#87	#98	#29	#105	#100	#111	#138	#182
Colombia	✓	✓	✓	✓	✓	✓	✓	✓
Peru	✓	✓	✓	✓	✓	✓	✓	✓
Malaysia	X	✓	✓	XX	✓	X	✓	✓
Oman	X	X	✓	✓	X	X	✓	✓
US	X	X	X	✓	X	X	X	✓

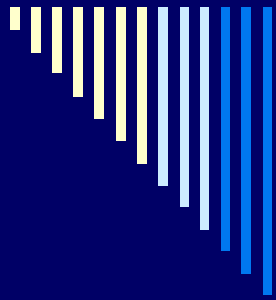


Source: International Labour Organization

Environmental Barriers to Trade



Source: Ulrich Hoomann, "Environmental Requirements and International Trade" (UNCTAD, 2003)



India on “Trade and...” Issues

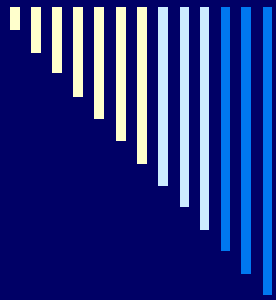
“We firmly oppose any linkage between trade and labour standards. [...] Similarly, on environment we are strongly opposed to the use of environmental measures for protectionist purposes We are convinced that the existing WTO rules are adequate to deal with all legitimate environmental concerns. We should firmly resist negotiations in this area which are not desirable, now or later. We consider them as Trojan horses of protectionism.”



OECD Agrees With India

General Principles

6. Governments adhering to the Guidelines should not use them for *protectionist purposes* nor use them in a way that calls into question the *comparative advantage* of any country where multinational enterprises invest.



A Silver Lining: LDC Worries?

“We are ready to break the current deadlock: each of us is committed to moving **beyond our current positions** in key areas of the Round. That means ... making real cuts in industrial tariffs, and establishing new openings in **services trade**”

—APEC Press Release, Hanoi, Nov. 18



A Silver Lining: EU Worries?

“In the wake of the **US and Brazilian elections**, and with the expiry of US Trade Promotion Authority looming in the middle of 2007, Mandelson will identify a **‘narrow window’** to conclude the [Doha round] negotiation in the next few months”

—EU Press Release, New Delhi, Nov. 18



Terms for a Deal on TPA?

- **Max Baucus** (Senate Finance): more trade adjustment assistance, more enforcement of agreements, increased export promotion efforts
- **Charles Rangel** (House Ways & Means): more attention to labor and environmental standards, with recourse to dispute settlement



Implications for Canada

- Uncertainty about US trade politics may:
 - Increase Canada's appeal as an FTA partner
 - Relieve pressure to keep pace with US FTAs
 - Focus attention on causes of "missing trade"

 - To succeed, Canada needs to:
 - Get out from under NAFTA rhetoric on Mexico
 - Push with the US for opening up services trade
 - Help frame discussion of China, India, the WTO
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