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Governors Rescind Agreement To Comply With Trade Pacts

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WASHINGTON—At least four governors have pulled out of an agreement with U.S. trade officials committing their states to abide by trade pacts that would bar giving preferences to local businesses or restricting outsourcing.

Governors including Iowa's Tom Vilsack, Missouri's Bob Holden, Pennsylvania's Edward Rendell and Minnesota's Tim Pawlenty—three Democrats and a Republican—have informed the office of the U.S. Trade Representative that they can't comply with the agreement, fearing it could make illegal certain practices that states use in awarding government contracts. Other states are considering a similar move, including Oregon.

The move represents more fallout from the loss of U.S. jobs abroad through outsourcing and signals the difficulty trade agreements may have this year in getting necessary congressional approval.

At issue is a request Trade Representative Robert Zoellick made in September to state governors for their commitment to comply with procurement provisions in pending bilateral and regional trade agreements. Twenty-three governors supported the request as a way to give the

U.S. trade office more bargaining power.

Meanwhile, consumer group Public Citizen has written state legislatures and attorneys general raising questions about whether governors have the authority to make such commitments, and about trade agreements' negative impact on many state's purchasing policies. "States have a lot to lose by signing on to these agreements," said Lori Wallach of Public Citizen.

In "rescinding the agreement," Mr. Rendell of Pennsylvania said in a May 11 letter to Mr. Zoellick: "We stand ready to engage in future trade agreements when we are certain that such trade agreements ensure a level playing field for our domestic employers and workers."

The Bush administration is expected soon to sign two new trade agreements with Australia and Central American nations. Both pacts still must be approved by Congress.

The U.S. trade office said that California recently committed to abide by the Australia pact.

"The concern is driven by outsourcing. But states have to realize that there are consequences. If we close our markets to foreign companies, then foreign countries will shut off their markets," a U.S. trade official said.