

CAFTA Deals Watchdog Report

A decade of revealing meaningless, worthless and stupid deals-for-trade-votes

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Pennsylvania Republican Flip-flops on CAFTA NAFTA Expansion in Exchange for House Vote on Limited China Bill that Faces Uncertain Senate, White House Veto Prospects

Rep. Phil English Solves His Chairman Bill Thomas Problem, While Ignoring the NAFTA Expansion and China Problems of His Manufacturing Constituents

Washington, D.C. – Most people recognize that the current U.S.-China trade relationship needs dramatic change. Most of Congress and the public recognize that the controversial proposed Central America Free Trade Agreement (CAFTA) NAFTA expansion is a very bad idea. And almost all recognize that these are two very separate matters.

Representative Phil English (R-Pa.) also had a third big problem: the extreme ire of Representative Bill Thomas, the Chair of the Ways and Means Committee on which English serves. English had opposed CAFTA, which Thomas champions, in two committee votes and was pushing several pieces of China legislation that Thomas opposed.

Now English has decided to prioritize fixing his Chairman Thomas problem over taking care of the interests of his Pennsylvania district, a district that has seen its once robust manufacturing base devastated by bad trade policy. In Pennsylvania, many business owners have joined working people in opposing CAFTA NAFTA expansion and in demanding action to revalue China's currency – the manipulation of which serves as a subsidy for Chinese exports and bolsters the \$162 billion U.S. trade deficit with China.

In a quixotic quest certain to confound his constituents, English has announced that he will support CAFTA in exchange for a pledge from Thomas to allow a House vote on China legislation that does not try to remedy China's currency manipulation, much less other significant issues causing the current mess in U.S.-China trade relations. Even if the China legislation had been perfect, the best that English has obtained is a House vote, not a guarantee of new China policy given the uncertain fate of his proposal in the Senate and the White House's opposition to it. **English's CAFTA "deal" can be compared to a patient who, confronted with a cancerous tumor (NAFTA's trade deficit and manufacturing losses) and painfully clogged arteries guaranteeing a fatal heart attack (China's manipulated currency and resulting trade deficit and manufacturing losses,) volunteers for a metastasizes of the cancer in exchange for an unsigned prescription for nitroglycerin to help with the heart pains while altogether ignoring the clogged arteries.**

ENGLISH FLIP-FLOPS!

In June, when English voted against the identical CAFTA in committee, he explained in a press release that he "was compelled to vote against the bill [CAFTA] due to concerns that the signatory countries are not adequately equipped, both in terms of political will and institutional resources, to enforce the terms of the agreement."¹

At a news conference, English announced that he had reversed his opposition to CAFTA and Thomas, who had been consistently pressuring English to drop his opposition to CAFTA, in turn endorsed one piece of China legislation that English supports. The only meaningful aspects of that legislation would provide the Commerce Department explicit authority to apply countervailing duties to non-market economies such as China and suspend for three years the availability of bonds for new shippers in antidumping cases and instead require cash deposits to avoid situations in which shippers default on their obligations. It also authorizes some new spending for the Office of U.S. Trade Representative and the U.S. International Trade Commission to conduct investigations on areas of concern with China¹; however that money is not included in the appropriations bills now being considered by Congress. Given Congress' decades-long failure at appropriating trade agreement-related monies that had been previously authorized, this aspect of English's "deal" amounts to taking a giant leap of faith. The legislation also sets up yet another system to

monitor China's compliance with intellectual property rights and market access commitments and states the "Sense of Congress" that China should sign the WTO government procurement agreement and that a Doha WTO agreement should not undermine U.S. trade law enforcement. The only reference to the currency issue on which English has focused is the requirement that the Treasury Department conduct *a study to seek a definition* of currency manipulation. Thomas had originally opposed the legislation, calling it "too aggressive." More importantly, Bush administration sources have also indicated opposition to this English initiative, a position from which the White House has not yet recanted.²

The China legislation Thomas supported does nothing with regard to English's proposal to impose high, across the board tariffs on Chinese imports in retaliation for China undervaluing its currency.³ Furthermore, the sheer number of issues complicating the U.S.-China relationship – including the country's flaunting of labor standards and human rights, massive financing of U.S. debt, UNOCAL purchase efforts, blocking of U.S. agricultural exports, and violation of U.S. copyrights – mean that the China bill for which English has obtained a House vote addresses only a tiny fraction of the China problems. In contrast, House Democrats recently introduced a China bill which would require the Bush administration to take certain definitive actions on China's undervaluing of its currency.⁴

Voters in English's Pennsylvania district – including many manufacturing business owners and workers in a district that has lost at least 5,000 jobs to trade since 1994⁵ – are likely to be equally troubled by English's new-found love of CAFTA NAFTA expansion. **In June, when English voted against CAFTA in committee, he explained in a press release that he "was compelled to vote against the bill (CAFTA) due to concerns that the signatory countries are not adequately equipped, both in terms of political will and institutional resources, to enforce the terms of the agreement."**⁶ **On Thursday, English completely reversed this position, telling reporters that "My view now is that CAFTA is fine."**⁷ Given that the CAFTA from June 15th is the same CAFTA as that of July 15th – no amendments or renegotiations have taken place in the intervening month – it is likely to baffle and anger manufacturing business owners and workers in English's district that he reversed what had seemed like a principled position on the job-offshoring CAFTA NAFTA expansion.

Well, English didn't solve his China problem, or his CAFTA problem, but he did solve his Bill Thomas problem. But what can Thomas do to help English when the China legislation dies in the Senate or get vetoed and, if CAFTA were to be implemented thanks to English's flip-flop, more damage is done to manufacturing in English's district by this NAFTA expansion?

Background:

Public Citizen's Global Trade Watch has studied over 90 deals taken by Members of Congress for trade votes during the period 1992-2004, and found that nearly over 80 percent of promises on such deals were not kept or reversed by subsequent events. We divided these deals into pure pork barrel promises, of which 70 percent were broken; and ameliorative policy fix promises, of which 90 percent were broken. For our full report, "Trade Wars – Revenge of the Myth: Deals for Trade Votes Gone Bad," please visit <http://www.citizen.org/documents/tradewars.pdf>

ENDNOTES:

¹ "Rep. Phil English, "U.S. Trade Rights Enforcement Act," Fact Sheet, July 14, 2005.

² Martin Vaughan, "House Republican Leaders Eye Options on China Trade to Ease CAFTA Passage," *National Journal's Congress Daily AM*, June 30, 2005.

³ "English, Other GOP Members Endorse Currency Bill that Violates WTO: China Update," *Inside U.S. Trade*, June 24, 2005.

⁴ Rep. Charles Rangel (D-NY), "House Democrats Introduce Legislation to Address China's Unfair Trade Practices," Press Release, July 14, 2005.

⁵ U.S. Department of Labor TAA Numbers for Erie, Butler, Meadville, Warren, Hermitage, and Sharon, PA, accessed on Public Citizen's Global Trade Watch Database of TAA Certifications, July 15, 2005.

⁶ Rep. Phil English, "English Statement on DR-CAFTA No-Vote," Press Release, June 15, 2004.

⁷ Edmund Andrews, "GOP Hopes Bill on China Will Assist Trade Pact," *New York Times*, July 15, 2005.