

COLUMBIA UNIVERSITY'S APEC STUDY CENTER AND  
PROGRAM IN INTERNATIONAL ECONOMIC POLICY, SCHOOL OF INTERNATIONAL AND PUBLIC AFFAIRS

**SPRING 2007 DISTINGUISHED SPEAKER IN  
INTERNATIONAL ECONOMIC POLICY**

**Congressman Charles B. Rangel**

**Chairman, Committee on Ways and Means  
U.S. House of Representatives**

**PERSPECTIVES ON U.S. TRADE POLICY:  
CONGRESSIONAL PRIORITIES IN A NEW POLITICAL ERA**

*Monday, March 26, 2007*



On March 26, 2007, the APEC Study Center joined with the Program in International Economic Policy at the School of International and Public Affairs (SIPA) in presenting the *Spring 2007 Distinguished Speaker in International Economic Policy*, Charles B. Rangel. Congressman Rangel represents the Fifteenth Congressional District of New York and is serving his nineteenth term.

Lisa Anderson, Dean of SIPA, noted in her welcoming remarks that the U.S. Congress plays a vital role in determining the future of international trade; this is particularly true at this time because of the impending expiration of the U.S. Presidential Trade Promotion Authority and setbacks to the World Trade Organization's Doha round of negotiations. Dean Anderson said that Congressman Rangel's insights are especially sought after—he is a liberal Democrat who is recognized as a pragmatic dealmaker, has long been a champion of free trade, and in January 2007 assumed the role of Chairman of the Committee on Ways and Means in the U.S. House of Representatives, one of the most powerful positions in Congress.



*Lisa Anderson, Dean, SIPA*

Merit E. Janow, Professor in the Practice of International Economic Law and International Affairs, and Director of the Master's Program in International Affairs at SIPA, provided introductory remarks. Professor Janow alluded to murmurs of significant bipartisan dialogue on international trade and also remarked upon the progress made on issues involving agriculture, labor standards, and developing countries. She reminded the audience of the upcoming deadline of March 31, 2007, for notifications on some of the significant bilateral agreements under negotiation, including those involving Colombia, Korea, Panama, and Peru.



*Merit Janow, Professor in the Practice of International Economic Law & International Affairs, SIPA*

Professor Janow also welcomed Harold McGraw, Chairman, President, and CEO of the McGraw Hill Companies, Inc., and Jagdish Bhagwati, University Professor, Columbia University, who would later explore congressional priorities, the nature of political maneuvering, and some of the broader implications for globalization and economic prosperity. This report is a summary of Congressman Rangel's presentation and the discussion that followed. A copy of this report may be downloaded from the APEC Study Center's Web site, [www.gsb.columbia.edu/apec](http://www.gsb.columbia.edu/apec).

Congressman Rangel opened his remarks by emphasizing the importance of the separation of powers in the U.S. Constitution. He underscored the significance of Constitutional provisions that grant authority with respect to trade policy to the House of Representatives, criticizing the current administration's reluctance to work with the Democratic majority. He noted that over the course of the

last decade in which he has served in the House of Representatives, he, as the senior Democrat, has never been asked for help in gaining support for a vote on trade. He ascribed this omission to a desire on the part of Republicans to avoid “tainting” Republican policy—to encourage the perception that their policy is negotiable. While some of the minor free trade agreements have had Democratic support, generally the resistance of the administration to include what Congressman Rangel described as “basic” human rights, labor, and environmental standards has led to Democratic reluctance in supporting legislation. He argued it has been the Democrats’ policy to attempt to incorporate the International Labor Organization standards, which he characterized as “about as minimal as you can get” on child labor, human rights, and the right to assembly, into the trade agreements.

Congressman Rangel emphasized that he is not opposed to trade or globalization, but that he is concerned that the current administration has overemphasized the importance of private sector business performance, ignoring the needs of those who do not appear to benefit from trade. The political repercussions of this, he cautioned, are severe; he illustrated this by noting that the overwhelming majority of new Democratic members of the House had railed against trade in their campaigns for election. The Congressman went on to assert that the United States Trade Representative (USTR) does not represent U.S. interests, but merely Republican policy, suggesting that many Americans see the USTR as a lobbyist for multinationals, not for the American people as a whole. The administration appears to be largely indifferent to people who have lost their jobs, businesses, and homes. Whether or not these losses are, in fact, due to trade, it is incumbent upon the administration to compensate those who appear to be injured by greater trade competition; at a minimum, the administration should provide funds for education and job training. Congressman Rangel contended that some communities have been hit hard economically so their youth want to leave; but college tuition is so high that they spend much of their lives paying back loans afterward. Meanwhile, the technological training they seek in school is falling behind that of India and other Asian countries.

Ultimately, the perception is that these trade agreements only benefit the multinationals, with no regard to the people at the bottom who are adversely affected. While private efforts are being made to provide funds for education and job training, this is of little political avail in terms of gaining support for trade policy. As the Congressman pointed out, “We do not have people marching up and down in front of our Congressional offices saying ‘I got my job through NAFTA,’ nor are people from Wal-Mart saying, ‘Thank you, if you didn’t have



*Charles Rangel*

that agreement with China, we never would have been able to get these lower-priced goods!”

With regard to Fast Track Authority, which ends on March 31, 2007, Congressman Rangel reiterated that the responsibility for trade belongs to the Congress and that it is loaned to the President for reasons of expediency, “because we can’t have 535 people negotiating a trade agreement.” Congress establishes policy and transfers authority to the Executive Branch. Therefore, it is appropriate for Congress to set reasonable conditions as to how that authority will be used. Fast Track, therefore, will be conditional on trade policy. If Doha appears to be moving in a positive direction, Congressman Rangel declared there would be no reason to deny Fast Track authority, for fear of harming the nation’s ability to negotiate agreements. Again, however, he cautioned, Congress will not grant such authority without being very certain of how it will be used. He noted that while the trade policy may not end up being exactly what the President would like – a Republican trade policy – neither would it be a Democratic trade policy. Ultimately, it would be a compromise reflective of the broader interests of the country as a whole.

The Congressman reiterated the need for multinationals to play a greater role in the solution to the problems facing Americans, noting that it is “hard for me to believe that we can have some of our international manufacturers complaining about the high cost of health care and the high cost of getting educated, qualified people when their competitors have national health insurance and the kids don’t have to pay to go to school.” The Congressman concluded his remarks by advocating that policymakers and business work together to make America stronger and more competitive.



Congressman Rangel then accepted questions from the audience. He was asked whether he would support changing intellectual property rules in free trade agreements in the Americas to provide access to affordable HIV and AIDS medications for the poor. The Congressman replied that Democrats have supported such measures to aid those with life-threatening

diseases, but that the agreements with Peru and Colombia had not yet been concluded for other reasons. The Congressman was also asked whether he would support unions in their opposition to the Korea-U.S. FTA on the grounds that it fails to protect workers rights, the environment, and health care access. He responded, “They’ve got about 700,000 cars in the United States while U.S. cars in Korea are in the hundreds. So, it’s no



question.” Asked further if he was concerned about Korean popular opposition to the trade agreement, he reiterated that the primary obstacle to the agreement was “their inability to allow American cars into the country no matter what we say and no matter what we do.”

Another member of the audience asked if Congressman Rangel would support a proposal by Senators Schumer and Graham to impose a 25 percent tariff on China. Congressman Rangel said he did not believe that this tariff was practicable, nor would he support it himself. He emphasized, however, that he favored doing everything possible to convince China to respect international law, noting that, “They may be a country with a rich history for thousands of years, but stealing is stealing. I think we have to protect our people who obey the WTO and I don’t think the USTR does a good job there.”

Next to speak was Harold McGraw, who, as Professor Janow noted, has become an important business voice on international trade policy. He currently serves as Chairman of the Business Roundtable, an association of 160 CEOs of leading U.S. companies, and had served previously as head of the Business Roundtable’s *International Trade and Investment Task Force*. He also officiated as Chair of the Emergency Committee for American Trade (ECAT), a private business group dedicated to supporting measures to promote economic growth through the expansion of international trade and investment. Mr. McGraw began by reminding the audience of the importance of acknowledging the inevitable changes necessitated by globalization, arguing that shifts in demographics and power relations in the coming decades will require the United States to acknowledge that it cannot control the aggregate global agenda. The United States, he contended, must develop mechanisms for peaceful political and economic coexistence, “particularly if we hope to eradicate poverty, both in the United States and abroad.” He agreed with Congressman Rangel’s remarks, acknowledging that business often does not use its voice constructively and that it fails to adequately support the World Trade Organization.

Mr. McGraw went on to admonish the audience to remember that “a trade agreement is an economic development initiative, and we have to be careful how much we put into these trade agreements in trying to solve lots and lots of different kinds of problems.” A trade agreement allows countries to begin a dialogue, to strengthen relationships; it initiates cooperation and allows for future opportunities to explore other issues of concern. Mr. McGraw praised Chairman Rangel, calling him a “voice of reason, a voice that has to be heard, and a truly bipartisan individual,” noting particularly his “very important” relationship with Congressman James McCreary.



*Harold McGraw, Chairman,  
President & CEO, The  
McGraw-Hill Companies*

However, he said this is unfortunately very rare in Washington, where “the partisanship is not to be believed,” and called for further cooperation between the two parties.

However, Mr. McGraw expressed concern with Congressman Rangel’s discussion of International Labor Organization standards, reminding the audience that the United States is, in fact, party to only two of the ILO conventions. He cautioned against the use of trade agreements as foreign policy tools, citing the Clinton administration’s attempt to include labor and environmental language in the Jordanian Free Trade Agreement in the hopes of creating a template for future agreements. Mr. McGraw argued that the FTA ended up being renegotiated and ultimately had no serious impact on labor or environmental standards in either country. Mr. McGraw speculated that the agreement with Korea would be more precise in its language on labor and the environment, noting that it would likely be the first really commercially meaningful agreement. He was similarly positive about the upcoming agreement with Malaysia.

On the other hand, Mr. McGraw decried the lack of progress being made in Doha and in the Free Trade Area of the Americas, lamenting the extraordinary promise each agreement might otherwise hold for economic growth and cooperation. Greater progress has been made in terms of bilateral agreements, he argued, which may not be the most efficient alternative, but is better than nothing. The bilateral agreements in Latin America, together with the Central American Free Trade Agreement (CAFTA) and the Pan-Andean Trade preferences, he attested, provide a prospect for strengthening American trade relations with Latin America.



Mr. McGraw concluded his remarks with a call for business leaders to assume greater responsibility in helping displaced employees, praising United Technologies in Syracuse, N.Y., as a model of corporate responsibility. When it decided to outsource work to China and Poland, it provided college and graduate funding to displaced employees. Mr. McGraw argued that

educational and health care reforms are critical in improving the lot of displaced workers. He noted that the United States spent two trillion dollars last year on health care: “That’s \$4,900 per person—compare that to \$2,800 per person in Germany or \$2,100 in Japan for the same level of quality.” He said there are serious costs in terms of competitiveness when such disparities exist and pointed to other disparities in terms of immigration and energy independence.

Mr. McGraw cautioned against growing sentiments of protectionism and isolationism in America, noting that “the alternative to trade is economic stagflation.”

He touched upon comments made by Treasury Secretary Henry Paulson, who quoted a recent poll that indicated that only a third of Americans believe that trade is economically advantageous, despite the fact that one in five jobs is related to trade and that 25 percent of the country's GDP is based in trade. Mr. McGraw charged that it is the responsibility of the business community to "speak out and protect institutions like the WTO, to make sure that people understand the economic consequences of protectionism."

Final remarks were made by Jagdish Bhagwati, University Professor of Economics at Columbia University, a prominent defender of free trade. Professor Bhagwati began by referring to Congressman Rangel's notion that the issue of labor and environmental standards has been the bailiwick of Democrats, while Republicans have been seen as representing the multinationals. Professor Bhagwati asserted that such talk is mere politics. People's views on these issues transcend party affiliation. Professor Bhagwati was cynical about bipartisan compromise on labor and environmental standards, noting that even if the Democrats' persistence results in the inclusion of such standards in economic agreements, "Trade agreements, fundamentally, are not about achieving consensus within your own nation, but about achieving consensus with other nations." Politically weaker countries may be bullied into signing such agreements—he cited Korean policymakers who are faced with pressure from China and Japan, and thus feel driven to maintain good relations with the United States. However, the United States cannot play similar games with larger countries like India or Brazil, as these countries will simply refuse to cooperate. Professor Bhagwati pointed to India's refusal to agree to a human rights clause in a recent agreement with the European Union. Regardless of the merits of issues such as human rights and the environment, fundamentally, these are not trade issues and it is a legitimate point of view to feel that they are tangential to trade negotiation.

Professor Bhagwati argued against the two main reasons that politicians insist on including labor and domestic environmental standards in trade agreements. The first reason is the desire to apply equivalent environmental standards so that polluters pay the same tax levied on the rest of us in terms of the costs of production. This has been described as wanting a level playing field. "Contrary to what Tom Friedman is saying," said Professor Bhagwati, "instead of the world being flat, we want to flatten the world." In other words, we want to weaken competition. That, the professor pointed out, is a



*Jagdish Bhagwati, University Professor of Economics, Columbia University*

“fear and self-interest motivation.” The second reason for including labor and environmental standards is altruism, a concern for workers and consumers who will suffer the consequences of pollution. Democrats, Professor Bhagwati complained, are masquerading their fear and self-interest with the language of altruism. Other countries are well aware of this and find it annoying. When competition is met through import tariffs, the tool is a transparent one. This is not the case with environmental and labor standards, which are really a form of export protectionism, and thus, fundamentally unfair: “The beast is charging and you don’t catch it by the horns, you reach behind it and catch it by the tail and break the charge. That’s what this game is about.” Is this truly the only way to protect U.S. interests? Do we even have legitimate reasons for concern? In fact, Professor Bhagwati went on to explain, a tangible connection between trade liberalization and wages is almost impossible to find. Most trade studies, including the work done by Paul Krugman and Bob Lawrence, demonstrate that the effect of trade with poor countries on workers’ wages is relatively small. Professor Bhagwati’s own empirical research indicates that trade with poor countries may even improve workers’ wages when compared to the pressure they would have had from technical change that displaces unskilled labor. Professor Bhagwati charged that the effect of immigration, another hot political issue, is also suspect. He testified that economists attribute less than 1 percent of the pressure on wages to unskilled immigration. Recent work by an economist at the University of California, San Diego suggests that workers’ living standards have even improved because of unskilled immigration. In conclusion, Professor Bhagwati called for proper intellectual examination of the evidence to alleviate people’s fear of trade and determine the proper course for U.S. trade policy.



Professor Janow invited further debate, proposing the speakers address how regional trade agreements can be structured to benefit not only their participants, but also the broader international community. She observed that bilateral arrangements appear to be an unavoidable reality, noting that multilateralists were, in a sense, forced to support bilateral arrangements —since if they do not, it erodes support for trade,

generally. Mr. McGraw responded by emphasizing the importance of remembering, in the process of negotiation, that all partners in a regional agreement should benefit from it—a win-win approach is crucial. Without such a stance, the agreement is doomed to fail. He offered the Free Trade Agreement of the Americas as an example in which too many noneconomic factors intruded and this worked to defeat effective negotiation. Mr.



McGraw acknowledged the difficulty involved in negotiating regional agreements, referring to the great reluctance on the part of those involved to concede political autonomy.

Professor Bhagwati stressed the political realities involved, elaborating on the difficulties in gaining support among various constituencies for trade. Even if the individuals and organizations involved are not fearful of trade, and many of them are, they do not want to risk eroding the little political capital they hold in fighting for free trade. Professor Bhagwati argued it makes more sense to ask people to “go to the well” once, on behalf of free trade, rather than repeatedly via all the various separate free trade agreements. He explained that it is also difficult to manage these various negotiations, bureaucratically: “on the Doha Round of negotiations, on the multilateral system, I often get the feeling that we have all the generals, but no troops, and you know, that’s because most of the troops are busy with the bilaterals.”

Asked whether the private sector should be more involved in explaining the content of the agreements, Mr. McGraw expressed his faith in the utility of strong public-private sector cooperation, citing Ireland as an example of successful cooperation. The reality is that most companies focus on their own needs in various markets, “banging on the door of the USTR,” for example, when they have a problem with intellectual property rights. It is important for businesses to be part of a broader conversation and to be ready to listen and engage.

Another issue is credibility. Mr. McGraw described the absence of credible leadership, not only in the business community but also in government. This is another obstacle to coping with transformational change. To educate the average person in the United States about trade, Mr. McGraw voices that are speaking.” In fact, we need a “rock star.” It is difficult for most politicians to support trade and globalization for fear of losing support—people connect various issues negatively to trade: the cost of living, fuel prices, even their credit card bills and mortgages are ascribed to the evils of globalization. Mr. McGraw ventured that the person most likely to be able to discuss competitiveness and trade with the American people is the U.S. President, and even here, “the President knows that he has a credibility issue and that people aren’t going to listen to the same extent.” Mr. McGraw hoped for a new conversation on trade in the upcoming national presidential election.



Professor Bhagwati asserted that it is important to phrase questions properly and provide not only numbers, but also anecdotal evidence. He questioned the validity of the poll citing that 70 percent of Americans were against trade, noting another poll had found 60 percent of respondents in *favor* of free trade. Some of the problem lies in

semantics: “If you ask me am I for fair trade and I’m just a lay person, I say, ‘Of course I am, who’d be against unfairness?’” He then discussed a recent issue of *The Economist* that focused on those who lose and gain from globalization. He noted that the article began by discussing how a particular town had been devastated, but that the editors of *The Economist* never thought to include some discussion of a town that had been helped by trade; “it never even occurred to them that their antennas should have been out. They should have given both positive and negative examples.” Professor Bhagwati concluded that enough has not been done on the pro-trade side to “make things come alive” through the use of real-world examples. He speculated that most people find it difficult to relate to mere numbers, particularly when conflicting statistics are so often seen in the media.

