

Center for American Progress



SPECIAL PRESENTATION

“USING TRADE AS A TOOL TO SHAPE GLOBALIZATION.”

INTRODUCTION BY:

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FEATURED SPEAKER:

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MR. GENE SPERLING: Thank you very much for coming to the Center for American Progress. This is the inaugural address of a new series we're doing at the Center for American Progress called Globalization and the Social Compact. I'd like to get a few thank yous out of the way right now. I'd first like to thank really the leaders of the Center for American Progress, John Podesta, Sarah Rosen Wartell, and Melody Barnes for their support for going forward on this series, but I'd also like to specifically thank my researcher Sara Aronchick, as well as Amanda Logan, Michael Nguyen, Daniella Leger, and Paige Fitzgerald for their work in putting together what is as you can see, and unfortunately for those of you standing, a very well-attended and anticipated event.

I've often said that there are a few things that bring the degree of passion among progressives and across the country as what is the role and impact of trade and globalization, what are the current policies, what is right and wrong with them, what should the progressive vision be going forward? It is the case that there are times that this dialogue can start to resemble a divorce court with two sides somewhat bitter towards each other, marshalling every bit of evidence against the other, and not particularly interested in the nuances or subtleties of the other side.

For us at the Center for American Progress our hope is not to in any way tamp down the passion or to play over the differences or the disagreements, but rather to have a forum – and we like to think a big tent – where those differences can be aired and discussed in the context of what I think is a common goal, which is the goal of trying to create and shape policies in a way that globalization is seen as raising all boats here and abroad as opposed to leading to a race to the bottom. There may be many different theories of what the best way to reach that goal is, but many progressives are united by that common aspiration.

I don't think we could have a better inaugural speaker for our Globalization and Social Compact series than Congressman Sander Levin. This is not just that, like me, he is a Michigan native and it is not even just that he is currently the chairman of the Subcommittee on Trade for the House Ways and Means Committee, and it's not even because he was the ranking member before that. It is because I like to always say that in this tendency for us to debate these things in the divorce court way, I like to say that we're all guilty in some way of haven't been part of that type of debate, but I think if there was one person you would give a pass to on that, it would be Congressman Sandy Levin. I think he is much as anyone has sought to push all sides toward creating a positive and affirmative progressive agenda.

I don't think there's anyone in this debate that does not feel they have been challenged and pushed. I know that when I was national economic adviser to President Clinton that we did not just consult Sandy Levin; he impacted our policies, he engaged us

in discussion that I think moved at times the president or the administration to places where the president himself wanted to be and felt more comfortable in what Bill Clinton called creating globalization with a human face. So I think that it is, not to sound Lincolnesque, but altogether fitting and proper that he be our inaugural speaker.

He comes at a moment when there is tremendous attention on to what degree a globalization agenda will go forward, and if it does not go forward, what would be the terms of the differences and the debate.

So I thank all of you for coming, for the large attendance that we have here, and with that I will turn the floor over to the chairman of the House Ways and Means Trade Subcommittee and my friend Congressman Sandy Levin. (Applause.)

REP. SANDER LEVIN (D-MI): Thank you, Gene. Thank you for your kind words and thank you to so many of you for coming. I guess, Gene, we ran out of brownies and I really had my eye on one – (laughter) – so I’m left with somebody who just gave me – they had a baby girl with their bubblegum. (Laughter.) It says, “it’s a girl.” I think you can walk and chew bubble gum. I haven’t found a way to talk and chew bubble gum, so I’ll leave this to whoever would like to pick it up later, maybe somebody who wishes to have a girl or they’re supposed to have a girl.

Thanks so much, Gene and John Podesta and everybody, for doing this. I’ve been looking forward to it. I think there’s been much too little discussion, as you mentioned, about trade issues. Indeed we held a hearing – can everybody hear me? Is this mic working well enough? Okay. We held a hearing, as some of you know, at the Ways and Means Committee on trade policy. I’ve been on the committee now for 22 years and it was hard, in fact impossible for me to remember the last time that the Ways and Means Committee had held a discussion on broad trade policy. So it’s been many years.

What I wanted to do today was to cover the eight areas that are now before and the Congress and the administration relating to trade. They are the eight trade deficits: the Korea-FTA negotiations, China, the three Latin-American FTAs, currency, the WHO round, TPA, and TAA. Well, I don’t think in half an hour that one could go into detail on each of these.

I also wanted to talk about general assumptions. What drives or stimulates the differences? Why do people tend to fall one way or the other – not that there are rigid ways, but what explains where people fall on the differences? And so what I’m going to do if I might, with your indulgence, is to spend some time talking about these general assumptions and then – and I’ll do that verbatim, and then I will talk about these eight and only treat verbatim – I’ll only do that as to a couple of them, cover the other five or six more generally, and then have some back and forth, okay? And we’ll determine how much time will spend on each of the specifics.

The dramatically accelerating pace of globalization is one of the major phenomena of this era. It’s almost a cliché that one says it’s here to stay. And today

we're discussing one of the most important aspects of that: trade. And as Gene mentioned, controversy is not new to trade, but I think it's been intensified. It obviously has been with the explosion of globalization. In these last years now of the Bush administration, there's been I think more serious division than ever. The erosion of bipartisan foundations to trade policy – this erosion has been clear and there's increased dissatisfaction among the public. A survey shows 60 percent or so say that trade and globalization are bad for creating jobs.

And there are various reasons that are given for this erosion in bipartisanship and for the public unease. One of those explanations is that there's not a proper understanding of the benefits of trade, while the downsides hit home more tangibly. We've all heard that. And there's clearly some truth to it. There needs to be more discussion of the benefits of expanding trade, its positive impacts both in developed and developing nations, including its role in reducing poverty.

But the general public isn't foolish. I think most of us know that we're buying goods – consumer goods from other nations including China, and my guess is that more and more of us know that services now are undertaken away from here whether it's in India or someplace else. And then there's another explanation for the disenchantment and that is that it reflects the increased forces of, in quotes, “protectionism” and in quotes, “isolationism.”

Well, as you mentioned, Gene, controversy over trade has always been beset by polarization, and so early on it turned a positive word, “protect,” into a very negative word: protectionism. But its robotic use by the Bush administration and others in my judgment has only served to strangle debate and is a counterproductive response given the fact that so much of the congressional opposition now comes from many of us who have a strong record of supporting expanding trade.

At the end of the Clinton administration – and Gene Sperling referred to this – there was I think acknowledgedly a shift in policy toward a more activist approach. As President Clinton eloquently stated both at Davos – I was privileged to be there – and the University of Chicago, quote: “to expand trade,” he said, “but on terms that benefit all people; to have trade agreements that lift everybody up, not pull everybody down.” Or another formulation: “for trade to level up, not level down.” And so we found in those later years the Cambodia textile agreement an imaginative effort to tie core labor standards with incentives. The Jordan trade agreement and the China PNTR Bill which is as we worked on it incorporated – and Gene Sperling was very much a part of this – some particular provisions to try to make trade more well rounded. There was this safeguard that was put into the accession agreement, the executive congressional committee, and also some major provisions for oversight including the annual review.

And each of these initiatives passed with broad bipartisan support. Unfortunately, in my judgment, the Bush administration did not build on this evolution in policy direction, but rather took a different approach. The basic belief of many in and outside of the Bush administration is that markets will work out their own deficiencies, that the

conditions are basically a reflection of the operation of comparative advantage and the result of the burst of technology and really, if at all, not very much trade policy. So the best response often is “let it be,” and most consider simply helping those who are hurt. This approach ends up treating trade liberalization as an end in itself.

Others – myself included – view trade liberalization as an important tool, not an end in itself; that leaving it be often should not be. It has led to a passive rather than an active approach to many key trade issues – a strategy that I think locks in the shortcomings of the status quo. So that’s why I’ve entitled my remarks, “Using Trade as a Tool to Shape Globalization.”

So now I’m going to discuss some of the particular issues. But let me say one further word if I might. I’m aware that it can be argued that recognizing the role of some important underlying differences would make it more difficult to reach accord on trade issues and forge the necessary restoration of bipartisan support for trade. I really very much disagree. The failure to dig beneath the surface – and, Gene, you talked about this – and put differences forthrightly on the table has only increased the appeal of populism here in Washington and elsewhere, and in my opinion has undermined our ability to move forward.

All right, let’s tackle the eight, some more briefly than others. First, the trade deficit. We all know it’s hit records and there are some who maximize it and they talk about the reserves that are held by foreign governments on Treasury notes. And there are others who minimize it and simply say, well, it’s the low savings rate. But I think that this view has more implications and ramifications, and let me give you if I might one example. We were having a hearing before the trade – before the full committee and Ambassador Susan Schwab there. They brought their charts. The charts were all about our exports. There wasn’t a single chart about our imports – not a single chart. I know that exports have gone up more in the last period, those exports than imports, but they start from a much lower base and in dollar terms imports far outweigh the exports.

So I said to the ambassador, “What about imports? Aren’t they important?” And her response was, “Yes, they are.” The example that was given was – it was Valentine’s Day – the less expensive cost of flowers. No reference to jobs lost. And I sat there feeling that this exchange – well-intentioned – reflected a passive attitude towards major imbalances.

And I think that approach is embodied in the discussions on the U.S.-Korea FTA. Let me discuss it very briefly. There are several outstanding issues, right? Beef, rice, and the industrial sector. Korea’s essentially had an economic iron curtain for U.S. industrial exports, especially automotive. Last year, Korea sold about 700,000 cars in the U.S. American manufacturers sold about 400. Now we’re having these discussions. Korea wants a reduction in our 2.5 percent tariff. The automotive industry has insisted that any reduction in that tariff be tied to access to the Korean market. The response of USTR to date essentially has been a working group. There has not been forthcoming from USTR an effort to find a meaningful formula to make sure there’s real change.

They've tended to dismiss ideas coming from others as, in quotes, "industrial policy." And they've done that even though the two previous agreements with Korea – the memorandums of understanding – haven't been worth the paper they've written on.

Essentially what Korea has been doing is the same thing as Japan did, sheltering its market – and I have a chart here; I'm waiting for somebody to raise it – showing how the same car produced in Korea costs in real monetary terms quite a bit more here than it costs in Korea, using the profits to expand their R&D.

We welcome competition – and I want to emphasize this – that helps improve our products, but not distorted markets which surely cannot be called part of, in quotes, "creative destruction." Late last week, a bipartisan group of us sent to the administration a specific proposal regarding the automotive and industrial sector. Essentially, it would phase out the 2.5 percent tariff over a long period of time and essentially set up a system so that they could take advantage right away of a zero tariff when there was a one-for-one ratio in terms of above a base of trade in the automotive sector and also a proposal that would get at the non-tariff barriers that exist now.

So I'm hopeful that we can go beyond this passive approach to a highly unbalanced field in trade. It is acquiescence in one-way trade assuming one-way markets will eventually turn themselves into two-way streets, or that one with the closed market will only hurt itself. I was at a discussion last week and this issue was touched on, and one of the comments that came forth was, well, even if you open up the Korean market, it won't make much of a difference. The problem with this approach in my judgment is that really all trade opening is incremental. There are no magic bullets which will change things overnight. And continuing to ignore parts leads to a rather large whole, W-H-O-L-E, and indeed a very large hole, H-O-L-E, hole, and it sends the wrong message I think in the bilateral – in the Doha round where we have to make progress on the non-tariff barriers.

Briefly on China. This administration in my judgment has failed to use the tools that were given in the accession agreement. The annual review really turned into something close to a mockery and we fought for it. The generous safeguard – the first four cases that were brought where the ITC recommended action, the administration said no. IPR – here it is years and years later with huge amounts of our intellectual property essentially being stolen and we still – the administration has still not filed a complaint with the WTO. Last year, the administration filed a case on auto parts and now it's in its beginning action regarding subsidies. And I think this overall laxity is consistent with an underlying belief that markets should be left alone and will balance themselves.

A few weeks ago, the Trade Subcommittee held a hearing on subsidies, and as you perhaps have heard, two of my colleagues, a bipartisan duo, Artur Davis and Phil English, are filing a bill to apply the countervailing duty laws to non-market economies. And we in the majority intend to act on that.

Now let me say some words about the Latin-American FTAs. The FTAs negotiated by USTR with these nations will clearly expand markets in these nations for American products and services as well as the agricultural goods like wheat, cotton, and soy beans. Despite the serious controversy over CAFTA, resulting in passage by two votes, USTR negotiated the same provisions in the three pending FTAs that were in the center of the CAFTA controversy. As to the rights of workers and environment, the standard is nations must simply enforce their own laws no matter how deficient. In Peru, Colombia, and Panama, workers do not in practice or law have their international rights, including what's most significant: the right of workers to associate and to bargain. And one simply needs to look at the reports of the ILO, the State Department, or Human Rights Watch.

Domestically, and I think it's useful to note this, our nation faced issues of huge gaps in the distribution of wealth and poverty and there was immense controversy over the rights of workers and their role in economic development. At that time – it's now long ago – many American business leaders and economists argued to leave to answer to market forces and against, in quotes, “government interference.” And eventually, the argument was won domestically that actively shaping the operation of the market to make sure workers possess their rights, but help to create a middle class and assuredly get help and spread the benefits of accelerating economic growth. And now globalization has thrust – was thrust a 100 or more years ago into industrial nations this issue of worker rights.

These three countries have immense distribution problems and immense poverty. Democrats have actively urged that incorporating the core international standards in these three FTAs is mutually important for both parties, for the workers in nations like Peru, for that nation itself that needs to develop a stronger middle class; for workers in our nation, who do not want to compete with workers whose rights are suppressed, and for our businesses and our workers who need middle classes in other nations to buy our goods and services.

Briefly, when former President Toledo was here, with met with the Ways and Means Committee and he said to us – we were there Republicans and Democrats – for globalization to work, its benefits need to spread. For its benefits to be spread, workers have to be able to participate and exercise their international rights. In order for them to do so, these rights should be placed in free trade agreements and with enforcement. Well, USTR at first said he didn't say that. He did. And then they just continued to insist on the standard, enforce your own laws.

Since November, there's been new talk now about bipartisanship and finding a new template. And USTR with some Republicans are claiming that including ILO core labor standards could lead to actions through the FTA requiring significant changes in U.S. law. This argument is a further evasion of the issue. In '98, ILO declaration on fundamental principles and rights of work represented a consensus among 175 countries in a tripartite process: government, workers, business reps including those from the U.S.

The declaration binds all ILO members by virtue of their membership to respect, promote, and realize the core labor standards.

We're not seeking in trade agreements to impose a new standard or a U.S. standard; only that countries reaffirm an obligation they've already committed to. In creating a sense – more than a sense, a double standard, the USTR proposal creates in the end no meaningful standard at all. It says to the U.S., simply enforce our own labor law; as to the other nation it says, carry out ILO standards or have laws that are equivalent to U.S. laws. To seek equivalency with U.S. law misses the point as to the basic developments which need to occur in those nations.

The ILO standards provide a framework and whether a country brings their laws and practices into compliance – and I emphasize this – depends on the situation on the ground in the nations, the traditions, the values, the socioeconomic conditions, and overall legal framework. For example, as to the rights of workers, the language in the laws of the former Soviet Union may have given workers their rights, perhaps in some cases more precise than language in U.S. law. But in view of all the conditions in the Soviet Union, would anyone argue that workers in that country enjoyed rights equivalent to those in our country?

If a nation has laws “equivalent to the U.S. laws” then workers and their leaders are murdered when they try to form a union, do they have their rights of association? The USTR proposal shifts the focus from the obligation of those nations to carry out their commitment as signatories to the ILO declaration to a legalistic argument over whether the letter of the law in one nation is equivalent to those of the U.S. Let me give you quickly an example in Peru. I was there a year and a month ago. In the Fujimori regime, essentially they did this: they set up a structure for individual contracts and subcontracts to replace collective bargaining agreements and union organization. The result was essentially the erosion of the rights of workers.

The result of the USTR proposal would be lawyers arguing about whether they could demonstrate, in quotes, “equivalency” with U.S. laws on subcontract as opposed to whether in Peru workers in reality which has the right to associate and to bargain. The ILO has a body of experience in applying these standards that give them the meaning in a context relevant to each of the three Latin-American nations. They've examined their laws and overall conditions. As I said, they've issued reports.

Other nations would undoubtedly choose to forego bringing their own laws and practices into compliance with the ILO standards and instead try to find some small aspect of U.S. labor law that could demonstrate equivalency in the written word. The U.S. would likely never bring a complaint under the proposal made by USTR, since we would be bringing into the dispute settlement system the entire U.S. labor code. Legal contentions about rifting equivalencies of laws must not be a substitute for a clear obligation with the nation with whom we have an FTA to bring one's own laws and conditions into compliance with basic ILO standards.

Let me just say when they argue that we would open up our laws – look, under an FTA, only another nation could bring a complaint, not a union in the United States or any other entity, and there would have to be a persistent action having a major or direct effect in trade.

And I close this portion of it with really an appeal: time is urgent, key issues cannot be finessed. There's a March 31 deadline for Congress to be given notice in contents of an FTA agreement for the administration in order for that agreement to be covered by the procedures of present fast-track authority. There are several other issues in the Latin American FTAs that need to be resolved, including environmental and IPR medicine issues and there are human rights issues as to Colombia. As to worker rights, failure to revise these three FTAs to directly incorporate the ILO core labor standards with enforcement and reasonable transition will not only be a ticket to their defeat in Congress, but a missed opportunity.

The fifth is currency – just a few words. You know this. It's an inflamed issue within the Congress. It's an important issue. The reasons for imbalances are complex. There's no single cause. There is an aspect of quality of product, cost factors, consumer demand, et cetera. We held an informal, bipartisan discussion in our subcommittee on China and on Japan, and while the economists – they had different points of view – disagreed about China, they were in agreement about Japan. Toyota's own reports show that because of the weak Yen, they gain in profits \$3,000, \$4,000 on the average per car. And the response of the administration has been rhetorical with China and denial of a problem with Japan.

I've talked to the Secretary of the Treasury about this. He points out that Japan hasn't intervened directly in the currency market since early 2004 and that's true – directly. By the way, John Taylor, the undersecretary there, says how the U.S. not only countenanced it, but really participated in this intervention in Japan. But there's more than direct intervention. There are explicit policies that are keeping the Yen in essence regulated. And I said this respectfully to the secretary – he testified before us and we've talked since then – I think that position means relying on the market forces even if they're not free. Well, as you know, there are plenty of bills before the Congress now and we'll see. I think there are going to be some more hearings.

A few words on the WTO negotiations. I think they are important. I think progress is really necessary. There can be disagreements over the impact of the Doha Round and I urge they not be exaggerated, but there are some real problems in addition to agriculture. The dispute settlement system remains very opaque; we need to reform it. As to the industrial sector, there's been some talk about tariff reductions, essentially nothing about non-tariff barriers, and maybe we'll go back to it as we start the discussion. Agriculture is a tough problem and I think the erosion of bipartisanship as a foundation for trade policy really makes our job all the more difficult.

Now a few words about Trade Promotion Authority. It flows from what I've just said. I think we should not be focusing at this moment whether we should now reenact it

or whether we should oppose it. That's putting the cart before the horse of addressing the problems with our trade policy and also to see if there is a breakthrough in terms of Doha. But one other thing: if there's going to be renewal of TPA, it's going to have to be with a much more active role for the U.S. Congress. I've sat on what's called an advisory group, a COG – a COG means something that works and this oversight committee of Congress hasn't worked at all.

Let me finish with a few words about TAA. It's a mess. If you look at the proportion of people who benefit from it, whom one would think would be eligible, it's a small percentage. It isn't written appropriately. When some entity moves overseas, there's a requirement that can't be met and isn't usually met. The health benefit is used by what, 11, 12 percent of the people whom you would think might be eligible. We tried in the last sessions to improve TAA. I'm not sure where all the resistance came from. I think in part it was because – in part – of an underlying assumption that as nations should just let it unfold and it will work itself out, maybe for some there's the assumption that the same is true for workers and businesses that are displaced by globalization. We need to do better, and much better, but improvement of TAA cannot be used as the rationale for, for example, TPA. I resist this notion of a tradeoff. What we need to do is trade up in both areas in terms of trade policy.

So I close with this: time is short, valuable days have been lost, I think the administration at times has had difficulty adjusting to the presence of a new majority in Congress. We're here. And I remain optimistic that necessity may still be the mother of invention, or in this case, when it comes to policies, change.

Thank you very much.

(Applause.)

All right, let's go. We haven't worked out how we're going to handle this but we'll stand both of us here. You're going to try to –

MR. SPERLING: No, no. I'm only going to field questions; you're going to answer them. Let me just make one observation and then I'm actually going to take the moderator's prerogative and throw out the first question.

The point I wanted to say was, as I said, this is the beginning of a series on Globalization and the Social Compact. Many of the people here are experts like yourself. We would be very interested in your ideas and thoughts. I also encourage you to look at our website. There are many people I'd like to mention, one Dan Tarullo, former sherpa, Assistant to the President for International Economic Policy or senior fellows at the Center for American Progress who are doing very thoughtful and innovative work also in this area.

Congressman, this is a story that's from Bloomberg. It has Charlie Rangel, the chairman of the House Ways and Means, saying that – he said that he was recently at the

White House and quote, he said, “The president seemed startled that I was there. He looked at me and he said: ‘I love you man, I love you.’” And Charlie said, “So I guess that means something,” but then the caption says, Rangel says, “love won’t buy him deals on trade.” So I guess the first question is more specifically other than love, which we all want, can you give us some sense of what some of the specific things, not the exact recipe – I’m not asking you to negotiate against yourself – what are some of the specific things that you would think would unlock progress either on some of the bilaterals going forward or the Doha Round from your perspective?

REP. LEVIN: Well, as to the FTAs, I’ve made it clear I think. There are issues in addition to the core labor standard issue. There our position has been clear for years: incorporate core workers standards into the trade agreements with enforceability and with reasonable transition. It’s been that for years. As to Korea – and I maybe said for 400 cars, it’s 4,000 cars versus 600,000–700,000 in Korea.

Look, there has to be a meaningful formula, Gene. It’s totally one-sided and we have to find a formula that can measure results. We have proposed one formula. We’ve come forward with a specific proposal and it was supported on a bipartisan basis. So going back to Korea, I mean, it’s the same dynamic as was true with Japan where the cars were sold more cheaply here than the same car in the other country.

In terms of Doha, I’ve tried to spell it out. Agriculture’s an exceptionally difficult issue. It’s going to require the restoration of bipartisanship. It’s politically difficult. I think it would help if the administration would sit down with us and tell us where it wanted to go on non-tariff barriers, where it wanted to go on transparency, where it wanted to go on sensitive issues of rule of law.

I know administrations hesitate to tell any member of Congress an end result – you sometimes were difficult – but there has to be more than this perfunctory back and forth if there’s going to be this advance in terms of the Doha Round. And there is some concern – a lot of concern in our ranks that they’re holding back where they are willing to end up because they want some tradeoffs at the end, but I think there needs to be – and then we’ll go on; I want to emphasize this – there has to be the reality when it comes to Doha of bipartisanship. It can’t be perfunctory because it’s a tough nut to crack and an important one, and unless there’s more than consultation – I can’t tell you how routine these discussions are over the telephone, and they’re rarely with members – there’s been some on that, but they’re rarely with members and they’re one-sided. We have today a new dynamic in this town: we have a presidency held by one party and we have a majority in the House and Senate held by another, and if this isn’t the mother of bipartisanship, there’ll be no parent.

Who’s next?

MR. SPERLING: Let me actually – we’d like to first allow to see if there’s anybody in the press who has any questions first, so – right there and then please identify yourself and you just hand over that – you can go first and then hand over –

Q: Hi, my name is Deb Price. I'm a reporter at the *Detroit News*. Sandy, you were talking about the presence of a new majority and that the president's having difficulty adjusting to that and then you also talked – you mentioned about the flurry of trade related bills and hearings and I was wondering if you feel you have enough votes to force changes in Bush trade policies; and if so, in what specific areas? And if you don't have the votes, what other ways – what other kinds of levers might you have? How much success do you expect to have?

REP. LEVIN: Ms. Deb Price, *Detroit News*. The answer isn't – I'd like to emphasize the need to really try to work some solutions, but that will only work if there's recognition of where Democrats are coming from. The answer is on the three Latin FTAs, if they maintain their present course I – they won't pass. When it comes to Korea, if they maintain the present course and they have negotiations going on – I forget what round is it, fifth, sixth, eighth? – I don't think it will pass.

As to currency – and I'm going down the checklist – we have some legislation. There's now a revised Ryan-Hunter Bill. In order for any legislation to pass, I think it has to be WTO consistent. I think it can pass. I think it could pass the House. I'm not sure about the Senate. But we need to press on because in the end I know the secretary of the Treasury has the lead and I thought his decision at the G7 to side with Japan instead of Europe was a mistake. Europe wanted to bring up the – I think the terrible imbalance between the Yen and the European currency – the same is true with the dollar – and the secretary said, no, I won't side with the Europeans. I just don't think it's the free market working, so we're going to press on with that.

As to China, I think we will pass legislation in the House and I would hope the same could be true in the Senate of essentially making non-market economies open to our countervailing duty laws. That was introduced, as I mentioned, by Davis and by English and we're going all to hearing next week and I hope that it can pass.

TAA, we're going to get to work on it on all aspects of it. On TPA – I've left out the trade deficit because it's such a larger issue. TPA, as I said, I think those who say, "let's pass it now" or those who say "I won't vote for it under any circumstances" are both making a mistake. I think the key to consideration of it will be a change in trade policy and I mentioned several of the areas and also a major breakthrough in the Doha Round. That's going to have to come in the next three or four months in any event. And there's time after that to consider the issue of TPA.

Q: Jim Berger from *Washington Trade Daily*. You mentioned the Jordan Free Trade Agreement as a positive in this debate on labor environment. Is it inadequate or can't you use the same language in these three Latin-American FTAs?

REP. LEVIN: In my judgment, the Korean – I mean, the Jordan agreement has core labor standards in the agreement with enforceability. I know there may be some difference of opinion about that. By the way, do you remember what the enforcement

provision was in the Jordan agreement? Anybody remember that? If you give the answer, you get this bubblegum. (Laughter.) Anybody, Jim? What? Parity. And what kind of parity?

MR. : (Off mic.)

REP. LEVIN: No. (Laughter.) A good try. No, no, as I remember it was either country could do what it wanted. And then there was the letter of understanding, remember that? When the Bush administration came, saying that we would not use normal trade remedies. And I'm not suggesting that is the model in terms of trade enforcement.

Martin?

Q: Actually, you give a very detailed critique of the administration's proposal on equivalence to U.S. law. Do we understand that that concept, that equivalence to U.S. law, would have to be removed from any proposal in order of you to be able to accept it?

REP. LEVIN: Yes.

Q: Okay. And where do things stand with USTR? Are you waiting to hear – are you waiting for another proposal from them or where do things stand on these talks?

REP. LEVIN: The answer is I'm not sure. Equivalence won't work. Any nation – look, I was in Peru and I could read to you – I brought with me the State Department report on Colombia. I won't burden you with it. Anybody who reads it would never say that while the State Department says the laws provide such and such, the practices and the results do not. I don't think anybody could quarrel with that when they talk about the impact of violence, when they talk about the impact of what are called cooperatives – these subcontracting individual contract agreements. And any nation that we challenged would, I think, not say “we'll abide by ILO standards,” but say, “look, there's some equivalence” – and by the way, I didn't mention there's a derogation provision in their proposal and in essence we would have to prove that any derogation impacted trade – so I think equivalence ends up with no real standard at all, and I want to emphasize why it's important. I mentioned the four steps – the four aspects of it, right? For their workers, for the countries that need middle classes, for our workers who don't want to compete with entities in other countries that suppress their workers, and for our businesses with its workers that need middle classes to sell to.

Look, there is – and I'll finish with this, Martin, because I don't know where negotiations are, but the depth of my feeling. The Clinton administration started along the path of saying, let's begin to build some standards into our trade agreements, including for workers.

And when Gene said the president wanted to express his view, he surely did about this and that's why I was at Davos – half of it talked about the benefit of trade,

appropriately, and the other half talked about the challenge to globalization and how we needed to level up, not down – those were words were used at other times, but I quoted his words. The World Bank in a recent report said we needed to look at qualitative as well as quantitative factors. That was essentially saying you've got to built into globalization growth with some equity, or it won't work. And in Venezuela it did not work. The vast majority of the people did not benefit from globalization. In that case it was oil. We've seen the result.

So the depth of feeling here is because of our view of globalization and how we need to begin and continue along the path of building some standards, including for workers. Look, I mean, give me an example where workers do not participate where there was expansion. You can maybe point to China. But workers have benefited, but I don't want to use China as a paragon, where workers don't have their rights and a lot of other people don't have their rights either.

Q: Thanks. Pete Kasperowicz from *Inside U.S. Trade*. I wanted to ask you – I wanted to sort of link a few of these ideas you have. You've said you don't think that FTAs would pass in their current form. You don't think Korea, I guess, is going so well and it may not pass if no progress is made there. How big a factor are those two items in the TPA debate? You keep saying it's too early to judge fast track at this point. If the administration, for example, comes back with a Korea deal and tries to shove it down your throat when you don't think it's perfect, how big a factor is that in getting TPA up, and maybe the same thing for the FTAs?

REP. LEVIN: Major. I mean, I said let's get our policy straight, talking about TPA, before you do that and before we see where Doha is going is putting the cart before the horse. And by the way, it plays into the hands – I shouldn't put it that way. It fortifies the view there should be no TPA under any circumstance, which is not my position. I don't want to put the cart before the horse and, as I said, any consideration of TPA also has to have a meaningful discussion about the role of Congress. The role of Congress has to change: not 535 negotiators, but 535 who are not simply – not mainly confronted at the end, take it or leave it.

MR. SPERLING: Anybody else got (off mike).

REP. LEVIN: Okay, let's go. We've got a few minutes, nobody be reticent.

Q: Kim Elliott with the Peterson Institute for International Economics and the Center for Global Development, and another question on labor standards, if I could, or a suggestion maybe. It strikes me that most of your criticisms of the administration proposal in terms of getting into legalisms and how do you enforce it, apply to any – trying to tweak the current template, even to the degree of having enforceable core labor standards, but as a positive obligation strikes me as falling prey of all of those criticisms. And it strikes – and the two other issues is that it depends on in terms of what's an appropriate way to approach the labor standard? Are you working with a government that has political will, but no capacity, or maybe no political will?

And it seems to me that the better way to go forward is to have a limited, trade related, negative exception like the Article 20 that allows us to block imports made with forced labor, for those countries or firms, even at the firm level that don't have the political will that are actually trying to do egregious violations of the core labor standards for competitive reasons. We should be able to block those specific imports. But in terms of promoting and raising and really getting good enforcement and application of the core labor standards, that it has to be done by building capacity. And I just wonder if we can sort of get out of this corner that we seem to be backing ourselves into and think anew about how to deal with labor standards.

REP. LEVIN: Well, I know that's your position, but I disagree with you. I think experience has shown that the standards mean something. They were used in GSP and in some cases some changes were brought about. I don't think it's just so technical. I think the ILO reports show that there is a core of meaning to those provisions, and that it varies from country to country.

From my experience in the countries I visited, what's concerning people who resist it within those countries is not that the core labor standards aren't meaningful, but they are – that the freedom of association and the freedom to collectively bargain is something that is understandable within the dynamics of that country, and there's a fear that the standards will be too meaningful and will bring about too much change. Look, when we passed the laws in the '30s, we didn't have endless words. We had words: the right of workers to associate and the right of workers to bargain collectively. That brought a substantial shift.

And one last thing about capacity building and will. I don't understand the will because, look, trade agreements themselves create a structure – create an obligation. You can argue, I suppose, that some of the intellectual property standards are general, are vague, but is there any question that we could bring a WTO case where these DVDs are stolen – 80–90 percent of them – and not win? I think we would win. So capacity building – I want capacity building, but you have to structure a trade agreement as to these provisions like you do others, and have them in the agreement with enforceability.

MR. SPERLING: Last question.

REP. LEVIN: Well, can we go a little longer? Okay. I mean, it's only 2:00.

Q: Julius Coles with Africare. It's sort of interesting to listen to you and Africa not be mentioned one time in the discourse, and I find that somewhat amazing, but perhaps not. And I think it's the poorest area of the world that really deserves some benefits from these trade agreements and the Doha Round is one of those negotiations that could benefit Africa tremendously, especially in the area of agricultural products and commodities that you refer to, but didn't get into the discussion. What can be done to benefit the continent of Africa which needs so much help, especially in the area of sugar and cotton?

REP. LEVIN: I'm glad you mentioned it because I basically agree with you. And those of us who are pursuing this course – and I don't say it to get any applause, it's just a fact – have been leaders in the effort to develop a goal and to improve it, and that we have an internationalist kind of a view. And I refer to it only in general that the need for bipartisanship to tackle these difficult Ag issues – I'm in favor of tackling them. This is supposed to be the development round.

And let me just add one other point in that regard to give you an illustration that doesn't perhaps affect Africa as much as others. We've had to dispute – I mentioned this briefly – about medicines – IPR and medicines. USTR has negotiated provisions that I think are more likely than not to make it difficult for people who need access to generic drugs to have that access in the countries. And a number of us have protested or have urged that there not be – that precise provisions that are in these agreements. I very much agree with you and I think the only way, though, these issues are going to be tackled, including the difficult critical issue of sugar, cotton and others, in the Doha Round is if there is a much stronger foundation for bipartisanship. As you know, they're tough issues.

Okay. A couple more, Gene, is that okay?

MR. SPERLING: (Off mic.)

Q: Susan Aaronson, George Washington University. I'm coming back to labor rights. When a reporter asked me about that the other day – no, last Friday – I was kind of shocked looking at it from a larger context that it was again an example of U.S. unwillingness to adhere to international standards it has long agreed to, and I wonder if you could just comment on how other Democratic members see this, because there seems to be some sense that Congressman Rangel may be amenable – or maybe he's playing good cop/bad cop with the administration approach. Could you comment on that?

And then what strategies would be useful to ensure that this equivalency approach – U.S. law or internationally accepted standards – gets nipped in the bud because my fear is that they could move to other areas. Thank you.

REP. LEVIN: You point to an important aspect. I think it says the wrong thing. As I said, I think the notion that Peru would file a case against the U.S. because they did not like the government like a certain aspect of U.S. labor law is really basically a bogus issue. And I think it does say the wrong thing. We'll have one more question. This might have been a good place to end. There'll be one more so I can express a feeling that I think a lot of us have about this.

I don't expect standards to be built into globalization very easily. It's going to be step by step, but we're going to have to take the steps and we're going to have to bargain it out with other nations. Years ago, I think talk about worker rights in globalization would have been perceived by virtually every country except a few as something that

could not happen. I think there's more interest in it now, and a major reason is because of the concern that too many people are being left out of the path of globalization. It isn't working well or well enough, and if workers aren't an important piece of it, where's it going, either in this country or other countries?

And those of us who basically believe in it have the responsibility to lead its shape, unless you believe it will shape itself. I don't believe that. I think you have to have intelligent shaping of the benefits to maximize them and to try to minimize its downsides. And so in that respect also I think the USTR proposal sends the wrong message, so I think the main problem is as I outlined .

Who has the last crack? And then we'll quit. Actually there are two. You're in the same row.

Q: Thank you, Mr. Levin, Stephanie Burgess from Oxfam America. I appreciate, really, your views on the need for globalization to be inclusive, and maybe following up on a question earlier, one of the things that you didn't mention in your list of eight areas was the issue of trade preferences, and I'm wondering if you might comment briefly on if you see the question of trade preference programs coming up this year in Congress and specifically also on the Andean trade preferences – the possibility of those being renewed before they expire in June. I know the Republican side has expressed some opposition to that; I'm wondering if you could just comment on if you think that might move forward. Thank you.

REP. LEVIN: Yes, I hope it will. We opposed the time of the extension of TSP of ATPA to the passage enactment of FTAs. Mr. Rangel and I and others very much opposed them. Now that we're in the majority, we hope to extend them.

Q: My name's Ernie Anderson. I'm with Brigham Young University. I'm really interested in this idea of international development, especially in Latin-America, and what you said about how it's going to be a step-by-step process; slow, not necessarily quick. But as a person that doesn't have a great background knowledge in this area, I was – without diving into too many specifics – wondering what sort of steps those would be. I'm looking for more specificity, I suppose – what actually can be done especially by Congress, and what those steps would be in that process.

REP. LEVIN: We focused on trade, but – and the president I think as we've been meeting has talked about the Millennium Fund. Now, I think we have overlooked our relationships with Latin America and I think the Millennium Fund hasn't worked well enough. We have a lot to do. By the way, when I say step by step, that doesn't mean slow; it may mean steady. And it needs to be intensive and it needs to be worked out.

I think there's much more to be done. And maybe – let me just say this – I think the FTAs can be an important step in this regard. I think we have a great stake in shaping our trade agreements so that within Latin American countries the deep tradition of deep divide begins to be resolved. Latin America has, as a region, the worst income

inequalities in the world. There are these deep divisions. It's important for them to begin, and more than begin, to be bridged. And I think our trade agreements can help in that regard.

Well, thank you very, very much.

(Applause.)

(END)