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Trade Double-Cross

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Democrats are promising to improve America's image in the world if they retake the White House next year. Tell that to Peru and Colombia, which are watching Democrats in Congress renege on free-trade assurances that are barely a month old.

House Democrats pulled that fast one late last Friday, shortly before a holiday weekend when few were watching. They also announced their opposition to a free-trade pact with South Korea only a day before the deal was signed, and for good measure they announced that an extension of trade promotion authority (which expired June 30) is essentially dead as long as they run Congress. Ah, bipartisanship.

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All of this is particularly embarrassing for Charlie Rangel, the Ways and Means Chairman who has tried to strike a trade compromise with President Bush. We've praised him for his efforts, and a month ago Republicans swallowed hard to give Mr. Rangel concessions on labor and the environment that he could bring to his fellow Democrats. The Administration even agreed to weaken drug-company intellectual property rights to make Democrats happy. Speaker Nancy Pelosi accepted the terms, and Ways and Means issued a rare bipartisan statement saying "This new policy clears the way for broad, bipartisan Congressional support for the Peru and Panama FTAs." Mr. Rangel called it "truly an historic breakthrough," and Democrats hailed it as proof of their ability to govern.

But they lacked the nerve to stand up to the AFL-CIO, which frowned on the deal and proceeded to lobby the rank-and-file to revolt. Mr. Rangel soon admitted privately to Treasury Secretary Hank Paulson that he couldn't deliver on the bargain after all. And then came Friday's announcement that Democrats won't even take up the Peru trade bill until Peru first changes its labor and environmental laws. They also said Mr. Rangel will personally fly to Lima in August to instruct Peru's government on what Congress demands.

"The Constitution confers upon Congress the authority to regulate foreign commerce under Article I, Section, 8," the Democratic statement said to justify Mr. Rangel's Lima summit. So forget the Secretaries of State and Treasury and the U.S. Trade Representative; Congress is cutting out the diplomatic middlemen and renegotiating trade deals as it sees fit.

As we say, we think Mr. Rangel wants to do the right thing. The real power behind this Democratic trade backflip is Sander Levin, the Michigan protectionist who is the AFL-CIO's frontman on Capitol Hill. He, too, praised the original trade deal. But once his union minders told him otherwise, he turned against it and lobbied Ms. Pelosi to demand that Mr. Rangel follow suit.

Mr. Rangel tells us we're overreacting, and that the Peru switcheroo is nothing more than a "protocol" misunderstanding. He says the Peruvians aren't upset, he and his mates will visit Lima, its government will change its laws, and all will turn out well in the end. But what choice does small Peru have except to smile and accept this humiliation if it wants Democrats to pass the deal?

Never in our memory has a U.S. trade partner been forced to change its laws *before* Congress ratifies the deal. As a sovereign nation, Peru has negotiated in good faith, even agreeing to keep open the deal's labor and environmental planks to accommodate Democrats after they won Congress. And for its trouble, Peru now gets to watch American Congressmen play gringo nannies to its domestic political process.

This unilateral high-handedness is even worse for the Colombia-U.S. trade pact, which Democrats seem prepared to kill outright. Colombia has been fighting the war on drugs for decades for the U.S., and suffering disproportionately for it. Popular President Álvaro Uribe, now in his second term, has reduced violence by almost every measure, including murder, terrorist attacks, robbery and kidnapping. But Mr. Uribe knows law enforcement is not the only answer to his nation's ills. He wants to boost the economy through trade so Colombia's poor, who are the most vulnerable to terrorism, can participate in democratic capitalism.

Good idea, right? Not to Democrats, who said Friday that they'll oppose the pact on human rights grounds until they "see concrete evidence of sustained results on the ground in Colombia." What Colombians think about their president and his policies is apparently meaningless. Mr. Uribe replied that he isn't interested in "a relationship wherein the U.S. is master and Colombia a slave republic"; good for him.

House Democrats also declared the South Korea trade deal dead on arrival, based mainly on the issue of automobiles. South Korea has long been protectionist on cars, but the trade deal would gradually open its market. Tariffs would disappear, and Korea would level the playing field on non-tariff barriers such as its engine-size tax and "safety standards." The U.S. can also reimpose its 2.5% tariff on passenger cars if Seoul backslides. Some \$1.6 billion in U.S. farm exports would become duty free immediately; services, where the U.S. has a clear advantage, would open substantially. But again, none of that is good enough for Democrats.

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All of this suggests that the real goal of the Levin-Pelosi Democrats is to put an end to further trade expansion. The details don't matter; any excuse will do. If they succeed, they

will do great harm to U.S. economic and political interests. Rejecting the Peru and Colombia deals would be a strategic disaster, playing into the hands of Hugo Chávez and others who want to turn Latin America against the U.S. And while America sits on the trade sidelines, the rest of the world will keep cutting its own bilateral and regional deals that leave U.S. workers and businesses at a disadvantage.

The Beltway's favorite theme these days is the decline of the Bush Administration, but the trade story is about Democratic protectionism and a political double-cross. The President and business community should stop taking punches and start warning about the damage that the Levin-Pelosi Democrats are doing to the economy and to America's image in the world.