



Presentation of Erik Autor, National Retail Federation, to the ITCB

Dec. 13, 2000

1. White House Outlook

The 2000 Presidential election was the closest in U.S. history. The difference in the popular vote, which Vice President Gore won, was only 3/10ths of one percent, and the eventual outcome in the Electoral College will be determined by less than 1/100th of one percent of the vote in Florida. The election result has still not played out, but by now it is fairly certain that George W. Bush will be the next occupant of the White House. If so, it will be the first time in over 100 years that a President was selected after having lost the popular vote.

George W. Bush is expected to be a stronger supporter of free trade than Vice President Gore and is likely to have trade policies very much in line with his father. While Bush is closer to business on trade issues and Gore with the unions, the differences between the two are mainly ones of degree.

History has also shown that even zealous advocates of free trade and free trade skeptics tend to move to middle positions once they are in the White House. Thus, on textiles and apparel trade issues, the record of previous free-trade Republican Presidents, Reagan and Bush, show that they were willing to make deals to help domestic industries struggling with import competition, including the textile industry, by negotiating quotas and import restraints.

Governor Bush has listed a number of trade issues as priorities -- the negotiation of additional free trade agreements with Singapore and others, completion of the Free Trade Agreement of the Americas, and the reauthorization of so-called "fast track" trade negotiating authority. However, Bush faces the formidable political challenge of developing a workable, bipartisan agenda in the wake of one of the most contentious Presidential races in memory.

Among the names being mentioned as possible Bush candidates for USTR, at the top of the list is Robert Zoellick, foreign policy advisor to George W. Bush, teacher at Harvard, and a senior State Department official in the first Bush administration. Zoellick was actively involved in President Bush's Enterprise for the Americas Initiative and he clearly understands the importance of trade to foreign policy objectives.

Another name that has also been mentioned for USTR is Congressman Bob Matsui of California. If Bush is serious about appointing some Democrats to cabinet positions in order to cultivate a spirit of bipartisanship, Matsui would

be an interesting possibility. He is a free-trade democrat, with strong political skills, who could be very helpful in crafting a bipartisan consensus with Congress on trade policy.

Another notable Bush senior staffer is Joshua Bolton, former Chief Trade Counsel of the Senate Finance Committee and General Counsel at USTR during the first Bush presidency. It is more likely that Bolten will end up with a senior position in the White House, such as Deputy Chief of Staff, than at USTR.

2. Congressional Outlook

U.S. Senate

The biggest change following the election has been in the Senate, which has 11 new Members and, for the first time in its history, a 50-50 split between the parties. There will be no significant change in Senate leadership. Senator Trent Lott (R-MS) will retain his spot as Republican Leader and Senator Tom Daschle (D-SD) will remain as Democratic Leader.

However, Lott is vulnerable. He has lost three of his closest consiglieri in the Senate (Senators Connie Mack (R-FL), Paul Coverdell (R-GA), and Slade Gorton (R-WA)) through retirement, death, and election loss, and many Senate Republicans are unhappy with Lott's leadership. The Democrats are also demanding some kind of power-sharing arrangement - equal representation on committees, equal say on committee agendas, even splitting chairmanships. Moreover, the balance could tilt away from the Republicans even before the 2002 Congressional election. Senator Strom Thurmond (R-SC) is now 98 years old and Senator Jesse Helms (R-NC) is in poor health. If either Thurmond and/or Helms can't finish out his term in the next two years, the Democratic Governors of North and South Carolina will replace them with Democrats, which will then become the majority party in the Senate. Without Helms and Thurmond, the textile industry will also lose two of its strongest allies in the Senate. However, Senator Fritz Hollings (D-SC), also one of the strongest supporters of the textile industry, will have a new position of power if the Democrats take the Senate.

It should also be noted that the Senate Finance Committee, which has jurisdiction over international trade, has lost six of its Members (almost most one-third of the Committee). Those Members who will no longer be on the Committee include Chairman Roth (R-DE) and Ranking Democratic Member Sen. Moynihan (D-NY) one other Republican Member and three other Democrats. Thus, the Senate Finance Committee will have a very different composition in the 107th Congress. The new Committee Chair will be Senator Chuck Grassley (R-IA), current chair of the Int'l Trade Subcommittee. Grassley has been a solid free trade supporter, but his primary focus has been agriculture, not textiles and Max Baucus (D-MT). Baucus is a vocal advocate for including labor and environment in trade agreements. He is also a strong supporter of the antidumping laws, and has hired Greg Mastel as his chief trade staffer, a trade economist who has also

been a zealous supporter of the antidumping laws. These issues will all have a direct impact on textile and apparel trade.

A number of names have been mentioned as possible new Members of the Finance Committee, including - Senators Charles Schumer (D-NY), Dianne Feinstein (D-CA), Tom Daschle (D-SD), and Jeff Bingaman (D-NM) on the Democratic side. A number of these Members have very close ties with organized labor, including the textile and apparel union, UNITE.

U.S. House of Representatives

With a five seat margin in the House, a slim Republican majority has now become a sliver. The House leadership remains largely intact, but with a deep divisions on the Republican side between Speaker, Dennis Hastert (R-IL) and Chief Whip, Tom Delay (R-TX). On the Democratic side, Leader Dick Gephardt (D-MO) and Whip, David Bonior (D-MI) are free trade opponents and are unlikely to do anything to upset the unions over the next two years with control of the House within their grasp.

House Committee Chairs will be chosen after the beginning of the next Congress in January. There are three candidates for the Chair of Ways and Means Committee, which has jurisdiction over international trade. The front runner appears to be Congressman Phil Crane (R-IL), who currently chairs the Trade Subcommittee. Crane is the most senior Republican in the House and one of its most ardent supporters of free trade and for eliminating U.S. trade barriers to textiles and apparel. If not chosen for the full Committee, Crane would likely remain as chair of the Trade Subcommittee.

The second leading contender for Ways and Means Chair is Congressman Bill Thomas (R-CA). Thomas has a solid record on trade and is committed to broad trade policy objectives. However, he would probably not be as strong an advocate for free trade as Crane. Thomas did vote for trade restrictive textile bills in 1987 and 1990. He has significant cotton fibre production in his district. This is, however, an export-driven industry with 60-70% of production sold outside the United States, and there is no indication that the textile industry would have any sway over him. If he is not chosen to chair the full Committee, Thomas will likely chair Trade Subcommittee and would need agreement from Crane in order to move trade legislation through full committee.

The dark horse candidate for Ways and Means Chair is Congressman Clay Shaw (R-FL). Although it is unlikely that he will be selected, Shaw also has a solid record on trade.

The ranking Democrats on the Ways and Means Committee and the Trade Subcommittee are Representatives Charlie Rangel (D-NY) and Sander Levin (D-MI). - It is interesting to note that Rangel was upset by textile and apparel union's opposition to the Africa trade bill, and even called them a bunch of racists. Levin is a strong supporter of including labor and environment provision in trade agreements and for strong trade remedies (antidumping,

CVD, and safeguards). Although he has become more supportive of trade initiatives, he retains a close relationship with organized labor.

3. Outlook on Trade

In order to accomplish anything over the next two years, the parties will have to move to the ideological centre. As demonstrated this year by the votes on normal trade relations with China and the Africa and Caribbean trade bill, trade is one area where it may be possible to forge a bipartisan consensus. However, the issues of labor and environment continue to hang over the trade debate as a division between Republicans and Democrats, particularly with respect to any new free trade agreements, unilateral trade preference programs such as the Africa Growth and Opportunity Act, the Caribbean Trade Partnership Act, and the Andean Trade Preferences Act, as well as the renewal of fast track trade negotiating authority.

This issue will have to be addressed in order to make any new headway on trade. Republicans have insisted that the issues of labor and environment remain separate from trade agreements. Democrats want labor and environment included in future trade agreements and initiatives backed up with trade sanctions. On unilateral trade preferences, Democrats could insist on additional labor and environment conditions, like those included in the free trade agreement with Jordan, and provisions that would revoke trade benefits for any country that is not in compliance with what they see as an appropriate level of protection on labor and the environment.

The Democrats are now strong enough in Congress to insist that they get what on this issue or Congress will not be able to accomplish anything on trade. To reach a compromise with the Democrats that avoids the use of trade sanctions to enforce labor and environmental norms, George Bush and the Congressional Republicans may have to agree to use antidumping and safeguards remedies aggressively. Such a result will have a direct impact on textile and apparel trade.

Dumping and other trade remedies are likely to be a growing issue in the next Congress in any event. The U.S. steel industry working with the U.S. textile industry is pushing for changes to the antidumping law that will make it easier to impose antidumping duties on imports. These industries still carry a lot of political clout in Washington, and it is unlikely that a Bush Administration would see much to gain in standing up to them, particularly if the economy weakens.

It is also unlikely that any significant headway can be made in the Senate to improve terms of trade on textiles and apparel as long as Senator Lott remains as Republican Leader, and Senators Hollings, Helms, and Thurmond retain their seats.