

## **FINDING A NEW CONSENSUS ON TRADE AND GLOBALIZATION**

Gene Sperling  
Senior Fellow, Center for American Progress<sup>1</sup>  
January 30, 2007

Thank you, Chairman Rangel, Ranking Member McCrery, Congressman Levin and other members of the Committee.

I would like to take this opportunity to both suggest why we need a new consensus on trade and globalization and what the steps are that we might begin to make to realize that consensus.

There is little question that our nation has benefited enormously over its history from engaging in the free flow of ideas, goods, and services in the global economy. Yet, that same engagement has increasingly become a source of economic anxiety among working families who question whether global economic integration is designed to help the few or the many. There is real concern among typical Americans as to whether globalization and trade will raise all boats, or will lead to a race to the bottom.

One can see the expanded economic anxiety in several trends:

- **Wage Stagnation After a Period of Growth:** The typical family has not seen their income grow in inflation-adjusted terms during the recovery. After increasing 15% between 1993 and 2000, real median household income as calculated by the Census fell 2.7% between 2000 and 2005. Similarly, real wages as calculated by the Department of Labor have been flat for the majority of the recovery. From November 2001 through August 2006, average weekly earnings declined in real terms, and have now risen a mere 2.4% overall in five years.
- **Divide Between Wages and Productivity Growth:** While productivity and wages grew together during the 1990's, there has been a recent disconnect. Between March 2001 and September 2006, productivity grew at an annual 3.1% rate, while real average hourly earnings grew at an annual 0.5% rate through December, *one sixth as fast*.
- **Up-scaling of Economic Anxiety, Spreading to White-Collar and Service Workers:** One of the most volatile economic issue of the last five years has been the rise of "tradeable services" – as Lori Kletzer and Brad Jenson of the Institute for International Economics have termed it – and the resulting off-shoring of jobs traditionally done in the United States. Anxiety about off-shoring has deepened as more and more types of jobs have been hit.
- **Even the College Educated Have Not Been Insulated:** The inflation adjusted earnings of college graduates have not risen during the recovery. Between 2001 and 2005, mean earnings for those with a bachelor's degree or more fell 1% for men and were flat for women, according to data in the Current Population Survey, after significant increases in the 1990s.

---

<sup>1</sup> Many of the ideas reflected in this testimony are laid out in greater depth in Gene Sperling's *The Pro-Growth Progressive*, Simon & Schuster, 2005. Gene Sperling is also the Director of the Center for Universal Education at the Council on Foreign Relations.

- **Fear of Falling – the Pain of Downward Mobility:** While job loss is always painful, Americans increasingly fear that loss of a job will lead to a more permanent and significant fall in their standard of living. As anthropologist Katherine Newman has written, downward mobility is not just a loss of material comfort, but “an eviction from the American dream” that “calls into question the assumptions upon which lives have been predicated.” There is evidence to support this anxiety. Yale economist Jacob Hacker has documented the rise of income volatility over the last several decades. For instance, he shows that for the portion of families that experience income declines (and excluding those families that find jobs at the same or better wages), falls are becoming deeper: in the 1970’s, the median income decline was 25%, and now it is over 40%.<sup>2</sup> A recent study by Princeton Professor Henry Farber found that as a group, displaced workers faced a 17 percent decline in wages due to displacement between 2001 and 2003, more than double the 7.8 percent decline displaced workers experienced between 1997 and 1999.<sup>3</sup>

The fear of a polarized workforce – where you are okay at the top, or okay if you have a job that requires you to be physically in the United States, but more at risk if you have a middle class or working-poor job that can be digitized or done elsewhere—is unquestionably contributing to a polarized debate on trade and globalization. On one side are those who dismiss the threats of globalization and are entirely confident in the larger benefits it delivers; on the other side are those who feel the current trading and globalization system is so rigged against the typical worker that the United States should pull back completely from any trade liberalization efforts.

Neither of these perspectives would be in the best interest of the United States or the global economy, and therefore it seems important for a strong effort to find a new consensus – a new common ground – on globalization. I cannot claim to have the perfect road map but wish to suggest four areas where we should seek to move forward.

## **I. Willingness for Less Adversarial Debate**

The current debate on trade often resembles divorce court: two bitter sides each marshal their best case for their position, and make almost no effort to acknowledge legitimate concerns or valid arguments of their opponent. I have described this before as the “trade-over-blame” versus the “discount pain” game, with some seeking to over-attribute all economic problems to trade, and others seeking to simply assert positive historical trends while refusing to acknowledge the dislocation that trade can cause – including the downward economic spiral of entire communities. Few of us can claim to be exempt from having contributed to this negative dialogue. When I was National Economic Advisor, several members of the economic team did a press briefing on the 5<sup>th</sup> year anniversary of NAFTA. I regret to say that in our effort to counter critics, we fell into the same trap: we simply presented all the positive facts that existed, as opposed to giving a balanced assessment of what had been successful or had not worked in NAFTA.

We need to get past the point where advocates on either side feel that acknowledging pros and cons is a sign of weakness, rather than a sign of recognizing the complexity of the matter. Take the issue of imports in the United States. Those who favor trade speak only of the positive impact of imports—their role in boosting consumption, driving innovation and competition within U.S. industries, and enhancing productivity—without recognizing the potential negative impacts of

---

<sup>2</sup> Jacob S. Hacker, “The Privatization of Risk and the Growing Economic Insecurity of Americans,” *Social Science Research Council*, October, 2005.

<sup>3</sup> Henry Farber, “What Do We Know about Job Loss in the United States?” *Federal Reserve Bank of Chicago* 2Q: 13-28. 2005.

imports on communities and jobs in particular regions. Those focused on the dislocation impacts, however, are hesitant to acknowledge that most Americans like – indeed crave and search out-- lower prices for consumer goods, and measures that raise prices on needed consumer goods can operate like a regressive sales tax for those with the lowest incomes. Recognizing that trade barriers may raise prices for families, or that low-cost imports can cause real hardship to certain communities, does not prevent one from arguing for or against a trade agreement – it simply puts the costs and benefits in better perspective.

## **II. A Globalization and Trade Compact Consistent with Values**

Our second goal in building a new consensus on trade should be for both sides to establish that while we in this country welcome dynamic markets just as much as anyone, we also commit to a type of competition that is *consistent* with American values; a competition that is designed to not only raise the tide, but to lift all boats here and abroad. While some believe that labor standards do not belong in trade agreements, they can play an important role in ensuring that increased trade is not coming at the expense of the positive forms of competition to which we aspire.

In a global economy that is already as integrated as ours is, we cannot pretend that jobs and production will not at times shift to locations where nations can offer lower costs of production, including lower costs of labor. However, it is one thing to see jobs shift abroad because a developing nation is at a lower stage of development and can offer lower labor costs as a competitive advantage. It is another thing to see jobs leave due to practices abroad that directly offend our values: child labor, imprisoning labor leaders, and sweatshop conditions.

The AFL-CIO made this point in testimony before Congress. As Thea Lee, Assistant Director for International Economics at the AFL-CIO, related regarding the AFL-CIO's 2004 China petition:

“The AFL-CIO’s petition did not challenge China’s right to compete in the global economy on the basis of low wages. It is natural for a developing country with an excess supply of poorly educated rural workers to have low wages. . . The AFL-CIO challenge was specifically targeted to the *incremental* cost advantage that comes from the brutal and undemocratic repression of workers’ human rights. That increment was then and remains today illegitimate advantage under universal norms of human rights.”<sup>4</sup>

To achieve a type of global competition that is consistent with American values, we should draw on the following tools:

**1. Clear, Enforceable Labor Standards.** Labor standards, similar to environmental standards, are a legitimate and compelling guarantor against a race to the bottom – they are our safeguard against an economic globalization that relies on unfair labor practices to achieve lower and more competitive prices. In particular, labor standards need three critical components to be effective; they need to (1) uphold the ILO core standards; (2) make labor provisions truly enforceable; (3) be used to incentivize change, and not just to punish.

- The Jordan Model: The labor standards in the US-Jordan Free Trade Agreement should be the model for future bilateral and regional trade agreements. First of all, the U.S.-Jordan FTA was hallmark in that it included both an “enforce your own laws” provision, along with an

---

<sup>4</sup> Thea Lee, “On Human Rights in China: Improving or Deteriorating Conditions.” Testimony International Relations Subcommittee on Africa, Global Human Rights, and International Operations. April 19, 2006

explicit mention of the ILO core provisions. The FTA reads: “1. *The Parties reaffirm their obligations as members of the International Labor Organization (“ILO”) and their commitments under the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up. The Parties shall strive to ensure that such labor principles and the internationally recognized labor rights set forth in paragraph 6 are recognized and protected by domestic law...* 4. *A Party shall not fail to effectively enforce its labor laws, through a sustained or recurring course of action or inaction, in a manner affecting trade between the Parties, after the date of entry into force of this Agreement.*” Second, the US-Jordan FTA is a model agreement because it ensures that both the “enforce your own laws” and the “strive to improve your laws” provisions are enforceable with tough and meaningful sanctions. Some of the loss of support for trade agreements in recent years has been due to movement away from the Jordan model.

## **2. Promoting a Positive Partnerships and Incentives Approach, Not a Punitive Approach:**

Those of us who wish to have meaningful labor standards often stress the importance of having enforcement that is as effective for labor standards as for other areas of trade. Yet, it is important that in our legitimate desire for enforcement, we not give the impression that our approach to labor standards is a punitive one. My experience as National Economic Advisor showed me that however well-intentioned our push for labor standards was, it was easily capable of being viewed by poor nations as a heavy-handed U.S. intrusion on the sovereignty of a nation at a lower stage of economic development. It is important for us to make clear in our language and approach that our goal is not to impose our will on others, but to provide positive incentives and partnerships to help workers abroad rise together with us in the global economy.

- Labor Standards as Incentives: The ideal approach should be to use labor standards in a positive way, to incentivize countries to improve workers’ rights and working conditions—in order to gain greater access to U.S. markets. This was precisely the approach of the Clinton Administration with the Jordan FTA; in that case, the goal was to welcome more extensive trade with Jordan, but to *condition* such engagement on real efforts by Jordanians to improve and enforce their domestic labor codes. During the CAFTA negotiations, a willingness by the Administration to work with Congress on securing core labor standards in the agreement would have signaled to governments in Central America that a commitment to reform was central to increased access to the U.S. Unfortunately, the Administration moved backwards with CAFTA.
- Positive Partnerships and Incentives: the Cambodia Model. Perhaps the most powerful way to incent our trading partners to upgrade their domestic labor codes is to forge deeper partnerships, *whereby we link market access to labor standards improvements in an ongoing manner*. The U.S.-Cambodia textiles agreement is most instructive. In 1999, the Clinton Administration signed a three year trade pact with Cambodia that granted up to 14 percent annual increases in Cambodia’s quota of garment imports to the U.S., in exchange for a commitment by Cambodia to work with the ILO to improve its labor standards. Within two years, Cambodia had welcomed and worked with trainers from the AFL-CIO and ILO, had passed a national minimum wage law, had unionized dozens of factories, and had been granted a 9 percent increase in its U.S. textile quota. Although the Cambodia pact expired at the end of 2004—when the Multi-fiber Agreement expired—the Cambodian government as well as garment factory owners decided it was in their interest to continue working with the ILO, and to position themselves as a place for socially responsible business.<sup>5</sup> Since 2005, the

---

<sup>5</sup> Sandra Polaski, “Combining Global and Local Forces: the Case for Labor Rights in Cambodia.” *World Development*. May 2006.

ILO reports that its factory inspections in Cambodia have quadrupled, and that the level of compliance within the factories has continued to improve.<sup>6</sup>

**3. Adding New Tools:** Despite the importance of core labor standards, there are other tools we should have in our toolkit on this matter. It is important to recognize that as Karen Tramontano of the Global Fairness Initiative has related, even strong labor standards will do little to help the millions of workers in the informal economy. Furthermore, some of the downward spiral for workers and farmers in poor nations engaging in trade comes from not just a lack of labor standards, but a lack of sound safety nets.

- **Stronger Monitoring System.** One effective tool that could be expanded is the use of an independent monitoring system to enhance the transparency of labor and environmental conditions abroad – in nations with and without specific trade agreements with the United States. This is especially important in sub-contracting. Many multinationals monitor standards in their own factories, but do not monitor or understand the conditions of their multiple sub-contractors.

Studies by economists—such as Richard Freeman and Kim Elliot of the Institute for International Economics and Michael Hiscox of Harvard University<sup>7</sup>—have shown that there is a sizable consumer market for labor friendly products in the U.S. Anecdotal evidence shows that reports of labor violations *do* make a difference for consumers, and consequently for producers – examples include New York Times’ reporting of child labor in GAP factories in the late 90’s, and Bloomberg News’ report about the use of slave labor in the production of Brazilian charcoal last September. The Fair Labor Association, a voluntary association of businesses, labor rights groups, and NGOs, that was formed in 1997, operates an international network of monitoring watchdogs, and releases annual reports. Twenty brand-name companies, including Nike, Nordstrom, and Liz Clairborne, have signed onto the FLA. Student activists have also pushed their colleges to go even beyond the standards adopted by the FLA. While groups like the FLA are a step in the right direction, federal funding would surely build their capacity. NGO watchdogs continue to expose labor violations throughout international supply chains—the FLA’s 2006 report alone found an average of 18 violations per audit.<sup>8</sup> Federal support to elevate the capacity and profile of domestic and international independent monitoring organizations would expose negative labor practices, and give consumers more power to express their values by voting with their dollars.

- **Safety-Net and Labor Rights Capacity Building.** Forming deep, capacity-building partnerships is another powerful tool the U.S. should use to move beyond inserting labor standards provisions in trade agreements, *and towards empowering countries to deliver.* Working with foreign governments to build broad safety nets will help our trade partners welcome responsible globalization, without fearing a backlash. In the Cambodian textile pact, the U.S. donated \$2 million dollars over 5 years to both Cambodia and the ILO, to provide Cambodia with the technical assistance needed to upscale its labor standards and to get the

---

<sup>6</sup> According to the ILO, between January 2005-November 2006, the number of factories included in the ILO monitoring program increased from 50 to 212 and the ILO reported compliance rates of above 80% on the five major metrics it uses to rate the factories. International Labor Organization, “17<sup>th</sup> Synthesis Report on Working Conditions in Cambodia’s Garment Sector.” November 31, 2006.

<sup>7</sup> Richard Freeman and Kimberly Elliot, *Can Labor Standards Improve Under Globalization?* Washington D.C., Institute for International Economics, 2003; Hiscox, Michael and Nicholas F.B. Smyth. “Is there consumer demand for improved labor standards?” Harvard University Department of Government, 2005.

<sup>8</sup> Fair Labor Association, *2006 Annual Public Report*, September 2006.

ILO monitoring program off the ground. The Department of Labor's International Labor Affairs Board currently has two capacity building programs that seek to help developing countries strengthen their labor protections – the anti-child labor program and the labor-rights promoting program – both of whom could be significantly expanded.

- Universal Quality Basic Education. In my work as Director of the Center for Universal Education at the Council on Foreign Relations, and as Chair of the US Global Campaign for Education, I have always argued that the investment with perhaps the strongest return in the developing world – and the strategy that would do most to win hearts and minds – is investing in quality basic education for all children, especially girls. The U.S. should follow the lead of UK Chancellor of the Exchequer Gordon Brown in making a major investment in countries with strong Education For All/Fast Track Initiative plans. One option would be the passage of the Education for All legislation proposed by Senator Hillary Clinton and Congresswoman Nita Lowey to help the United States take a leadership position in a global effort to provide a free, quality basic education for every child.

### **III. A Domestic Compact for U.S. Jobs and Worker Dignity**

A third dimension of a new globalization consensus is securing a compact for workers in the United States – a compact that both fights for U.S. jobs, and that provides dignity for workers who lose out in the global economy. While there needs to be a major focus on strengthening our adjustment assistance for workers in an increasingly dynamic workforce, it is also clear that if that is all that is pushed by policymakers, many will feel there is a focus only on “burial insurance” or “better band-aids.” It is crucial that a new domestic compact also include a strong agenda for job creation.

**1. A Compact to Fight for U.S. Jobs.** While I cannot list all of the elements that would go into a jobs compact at home, below are some of the elements.

- Reduce the burden of healthcare on employers with sound universal health care: Healthcare is perhaps the greatest additional cost that employers have to pay in the United States as opposed to other countries. Between 2000 and 2006, employers saw premiums for all employer-sponsored health insurance increase by 87%. In 2006 alone, the average *firm* contributed \$3,615 for a single person's health plan and \$8,508 for a family plan.<sup>9</sup> Meanwhile, our competitors in Europe and Japan are covered by universal healthcare that is not on the back of employers. We need a universal health care plan so that health care costs are not an impediment to companies adding permanent jobs or keeping their products price competitive.
- Encouraging outsourcing to rural areas: The U.S. should by no means throw up its hands and accept that it will be out-competed based by jobs that can be done cheaply abroad. First of all, often wages are less of a component of overall costs than many people assume. Yet, even when wages are determinative, there are certainly areas in the United States – particularly rural areas – where costs may be low enough that we can compete. One report has found that average wages in rural areas are 30 to 40 percent lower than those in urban areas.<sup>10</sup> Providing broadband access and improvements in infrastructure to help communities build on their competitive advantages is a way that even when US jobs are going to move to lower-cost areas, we can compete to keep them in poorer areas of the United States.

---

<sup>9</sup> Kaiser Family Foundation, “Employer Health Benefits Survey,” 2006.

<sup>10</sup> Doug Tsurouka, “Rural U.S. Seeks Place on IT Map,” *Investor's Business Daily*, January 11, 2005

- End Tax Deferral: An additional ingredient of an active U.S. jobs compact is tax policy reform. We should, as Senator Kerry proposed, end the current system of tax deferral which allows companies to defer tax payments on foreign operating income when they set up operations in low-tax jurisdictions abroad, solely for the purpose of tax avoidance.
- Create a Foundation for High Wage Jobs at Home: A U.S. jobs compact must include a more aggressive effort to lay the foundations for *new* job creation at home, especially in high value added industries. Dimensions of this approach include increasing the federal budget for research – as opposed to the recent flat-lining of NIH, a dramatic new commitment to research and innovation for alternative energy, helping regional governments and universities form clusters that attract cutting edge jobs, and expanding initiatives such as the Manufacturing Extension Partnership to ensure our factories are using first class equipment with the highest capital productivity. And of course, strengthening our education system – especially intervening early to get more young people from disadvantaged areas motivated and equipped in math and sciences and interested in seeking college degrees – is key.
- Take Enforcement Seriously: In addition to pushing China to not manipulate its currency, we should ensure American workers that we expect adherence to trade agreements and the WTO rules to be a two-way street. In the six years from the WTO's creation in 1995 to 2000, the Clinton Administration brought 65 cases – an average of 11 per year. Since 2001, the Bush Administration has brought forth only 16 cases—an average of less than 3 per year.<sup>11</sup>

**2. Dignity for Workers.** Even if globalization is undertaken in a manner consistent with our values, and even if the U.S. is fighting hard to create jobs at home, it is inevitable that some Americans will lose out in the rapidly changing global economy. Adjustment assistance is not just about re-employment: it is about fighting for the economic dignity of Americans who have worked hard and played by the rules. Losing a job will always be difficult, but it does not have to be traumatic due to fear of losing health care, one's home, and taking quick and devastating falls. There are numerous adjustment assistance policies we could be moving forward with, that do not make the mistake of discouraging job searches and that still bolster our very weak system of adjustment assistance. Note that according to McKinsey Global Institute, the U.S. spends only 0.5% of GDP to help displaced workers, ranking us amongst the lowest for developed nations. The UK spends 0.9%, German 3.1%, and Denmark 3.7%, even though all of these nations have lower job turnover rates than the U.S.<sup>12</sup>

What would a system that ensures dignity for workers look like?<sup>13</sup>

- Policies Should be Universal – Not Tied to Trade Agreements: It is long past time to stop linking adjustment assistance to how one lost his or her job. Similarly situated families are just as hard hit whether they lose a job due to trade, outsourcing, technology, or a change in consumer trends – and in the current economy, it will be harder and harder to even distinguish the differences. All reforms should help all dislocated workers. The US ties its most generous adjustment assistance package to trade-specific job loss, through Trade Adjustment Assistance (TAA). The US is in fact an outlier in this regard—all other OECD

<sup>11</sup> [http://www.wto.org/english/tratop\\_e/dispu\\_e/dispu\\_status\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm)

<sup>12</sup> Dianne Farrell, "U.S. Offshoring: Small Steps to Make it a Win-Win." McKinsey Global Institute, March 2006.

<sup>13</sup> For further information on many of these proposals, see: Gene Sperling, The Pro-Growth Progressive; and Gene Sperling, "A Rising Tide Lifts All Boats," *Washington Post*, December 2005.

countries make the package available to all dislocated workers. Moreover, even TAA is tailored so narrowly that it does not necessarily reach its target population; in 2003, TAA denied nearly half of all petitions for the program, and less than one quarter of workers who were certified as eligible received income support under the program.<sup>14</sup> Extensive adjustment assistance packages should be available for *all* dislocated workers.

- One-Stop Shopping, Awareness and Access: New policies will do little to ease economic anxiety if they are not well-understood, widely known about, and easy to access. Our current adjustment assistance programs are complicated and impossible to navigate. Nearly everyone knows where to go to get a driver's license, for instance, but no one knows where to go when they lose their job. Instead, there should be a single phone number, website, and series of one-stop shops throughout the country that any dislocated worker can visit upon job loss.
- Healthcare: Perhaps the single most important ingredient to ensuring decent work, and a real safety for those who fall, *is a system of affordable, universal health insurance*. Harvard Professor Elizabeth Warren has shown that more than half of all personal bankruptcies are due to uninsured medical costs.<sup>15</sup>
- Wage Insurance: Wage insurance should move beyond its pilot status and be a more universal program that allows those who lose jobs to receive, for a period of time, 50% of their lost wages upon re-employment. While details and financing need to be explored it is critical to recognize one fact: because wage insurance kicks in only when a person finds a new job, it cannot be accused of being the type of program that discourages job search, as some European models have been accused of.
- Mortgage Insurance: Mortgage insurance programs have been successfully piloted at the local level in numerous states to prevent individuals who lose their jobs-- and cannot meet mortgage payments-- from going into foreclosure. Specifically, North Carolina, West Virginia, and Massachusetts all have such programs. A federal initiative, even one that empowered more state programs, could be a welcome addition to the safety net for dislocated workers.
- Preemptive Policies: A limitation of virtually all existing and proposed adjustment policies is that they kick in only after job loss or a community has started a downward spiral. Exploring *preemptive* policies to ease dislocation *before* job loss could go a long way in building the consensus for trade and globalization. I have suggested new federal policies such as "Community Adjustment Compacts," which would be modeled on the Clinton Administration's Empowerment Zones and New Markets Tax Credits programs. Community Adjustment Compacts would provide tax incentives for business investment in communities vulnerable to trade, to stimulate economic revitalization and transition ahead of the game.
- Flexible Education Accounts: I have also suggested federal preemptive retraining policies, and a new Flexible Education Account, to empower workers to transition to new jobs—again—before job loss. The Flexible Education Account would replace the Lifelong Learning Tax Credit with a 50% credit on \$15,000 that could be used each decade. This policy would enable workers to get a lot of government help all at once—and perhaps in anticipation of a job change—rather than granting a small credit each and every year.

---

<sup>14</sup> Lael Brainard, et al. "Insuring America's Workers in a New Age of Offshoring." Brookings Institution, 2005.

<sup>15</sup> Elizabeth Warren, "Sick and Broke," *Washington Post*, Feb 9 2005.



- Universal 401 K: A matching credit for all working families for savings could ensure greater savings for Americans, and ensure that during times when capital is getting higher returns than wages, more Americans are benefiting from such investment returns and have cushions for downturns, as well as security for retirement.

#### **IV. Moving Forwards on Doha: Sending the Right Signals to the World:**

The fourth piece of a new consensus on trade and globalization involves sending the right signals to the world, regarding our commitment to a broad multilateral trading system that serves humanitarian and development goals.

**1. Need for a Case-By-Case Approach:** One of the most difficult issues the Congress and particularly the Democratic leadership will face in the coming months is how to deal with efforts to expand U.S. economic engagement, before the scope of a new consensus or compact regarding trade and globalization is implemented. One perspective is that even if there has been little progress on a broader new compact, it is still wise to support all trade liberalization efforts because of their general economic and political benefits. Another perspective is to put all trade liberalization on hold until there is a complete new global and domestic compact on globalization. I believe both of these perspectives are a mistake, and that it would be wiser to move forwards in a case by case analysis.

On CAFTA, for example, while passage would have been beneficial to our relations with these neighboring nations, a no vote was a justifiable stance because it represented a step backwards on labor standards especially in light of some of the CAFTA countries' poor records on labor rights. On the other hand, Doha is not a regional deal, but rather represents the future of our multilateral trading system and its aim at least is to make the global trading system more responsive to developing nations. I think it would be a mistake for the administration and Congressional majority to not be willing to both make compromises to allow for at least a temporary expansion of Trade Promotion Authority, limited to the Doha round.

**2. Why We Should Care About the Doha Round:** For a more detailed approach on why progressives should be concerned about the Doha Round, one should read Dan Tarullo's *The Case for Reviving the Doha Trade Round*. Yet, beyond the specific trade issues, I would encourage the Administration as well as progressives in Congress to consider the risks of allowing Doha to be accused of failing, due to failure of the U.S. to grant trade promotion authority to its negotiators.

- Exacerbating the U.S. Image as Being Anti-Multilateral: One of the most distressing aspects of recent years has been the decline of the image of the U.S. among even our traditional allies. The Administration's actions and attitudes towards Kyoto, the International Criminal Court, and our course in Iraq, have signaled to many that the U.S. lacks interest in working meaningfully in multilateral contexts. However unintentional, if Congress is seen as shutting down the Doha process, it will only exacerbate the perspective of the US as supporting a "go it alone" mentality.
- The Importance of International Rule of Law and Peaceful Resolutions of Economic Disputes. Whatever legitimate problems one might have with the WTO's internal processes and rules, progressives should not overlook the importance of the WTO. No one should undervalue an international system that permits nations large and small, rich and poor, to resolve disputes through a multilateral process and the rule of law, as opposed to through military action or ad hoc retaliatory measures.

- Allowing the US to be Seen as a Scapegoat for the Failure to Advance a Poverty and Development Agenda. One of the reasons that progressive and conservatives should be concerned about our perceived role in the Doha Round is that it has been explicitly dedicated to a global development agenda since 2001. Advocates from across the spectrum have related the power of liberalized multilateral trade. According to Oxfam: “Trade is one of the drivers of development. In recent decades, countries such as Vietnam, China, South Korea, Malaysia, Mauritius, Botswana, and Chile have used trade to generate unprecedented growth rates... If Africa were to increase its share of world trade by 0.1 percent of world exports, the resulting \$90 billion generated would be three times what the continent receives in aid and debt relief.” This past November, Oxfam petitioned for the extension of the U.S. trade preference programs – the GSP and AGOA programs that Chairman Rangel was so instrumental in passing – touting the number of jobs that depend on trade in developing countries.<sup>16</sup> Indeed, as Oxfam themselves argued just last week, a Doha agreement in and of itself will not guarantee significant progress on development. Furthermore, the Doha Round may fail, regardless of the passage of Trade Promotion Authority. Nonetheless, if the U.S. is unwilling to at least temporarily extend a limited Trade Promotion Authority for Doha, the US – however unfairly – could very likely emerge as the global scapegoat for why this round aimed at development failed.

**3. The Responsibility Rests with the Administration to Make a Major Down Payment on a New Global Compact in Exchange for Limited Extension of TPA for Doha:** While some will be ready to blame failure of the Doha Round specifically on the new Congressional majority if TPA is not extended for the Doha Round, I believe such a blame game on Democrats would be unfounded – unless the Administration made a major down payment on a new compact for globalization. Over the last six years, the Administration has largely ignored the concerns of Democrats on trade and the status of workers here and abroad. The Administration has undermined the role of unions, as documented by Chairman George Miller on July 13, 2006, has made legal changes that could deny 8 million workers the right to organize, has tried to zero out important elements of the Labor Department’s international division, and has moved backwards, not forwards, on the enforcement of labor standards that has been traditionally critical to forging greater bipartisan support for trade liberalization.

If the Administration wishes to avoid the failure of the Doha Round – as well as the blame for such – they need to reach out and show a willingness to work with Chairman Rangel, Sub-Committee Chair Levin, and Speaker Pelosi on a down payment on a new compact on globalization. In light of the sensitivities witnessed in Seattle, and the late stage of the negotiations, progress on labor issues is not likely tenable in the Doha Round. Nor are the most important elements of a larger compact for workers – such as universal health care – likely to be doable in time for Doha. Yet, there are a considerable number of steps that the Administration could take as a down payment, in exchange for extended TPA limited to the Doha Round. For example:

- An Agreement on Labor Standards in US-FTAs. Even if there is not time to or inclination for Congress to pass a broader extension of TPA, the Administration could help gain support for limited TPA authority for the Doha Round by agreeing to use the Jordan Model on labor standards for all future bilateral and regional agreements. The Administration could also call

---

<sup>16</sup> See Oxfam December 2005: “Blood on the Floor: How the Rich Countries Have Squeezed Development out of the WTO Doha Negotiations.” See Oxfam November 14, 2006 Press Release.

for annual reviews of how countries with whom we have FTAs are doing, regarding the ILO core labor standards.

- Stronger Environmental Conditions in Doha: While labor standards may be a non-starter at this late stage of the Doha Round, many of those closely involved believe greater progress on environmental standards is possible.
- A Major Commitment to Strengthen and Upgrade the Role and Enforcement Powers of the ILO. The ILO's "teeth" in promoting workers' rights come primarily from publicizing member countries' violations of workers rights at its annual conventions. The U.S. could strengthen the power of the ILO through increasing its financial commitment, through giving greater clout and visibility to the findings of the ILO through USTR press statements and/or high-level meetings, and through using the ILO more extensively to monitor the implementation of US FTAs. The Administration could also require compliance to ILO standards by U.S. companies and affiliated sub-contractors.
- Labor Protection Capacity Building. Doubling the budget of the International Labor Affairs Board at the DOL, or making trade-capacity building efforts more streamlined and effective, would be good start at working with other nations to prevent a race to the bottom.
- Encourage the Passage of the Minimum Wage with no Strings Attached: It will not strengthen the Administration's hand in seeking an extension of TPA for Doha Round if the minimum wage bill is tied up in the Senate. The Administration could contribute to the down payment by pushing for a stand-alone passage of the minimum wage increase to \$7.25

**4. The Need for Compromise: You Can't Have it Both Ways:** Many in the Administration may, based on past positions, oppose many of the suggestions I have made for a down-payment on a new compact for globalization. Yet, one cannot at the same time argue that passage of the Doha Round is critical for global economic growth and development and then at the same time be unwilling to make serious efforts – including serious compromises – that could be necessary to achieving the bipartisan support necessary for a limited extension of TPA for the Doha Round.