

# Economic Interests

## Hillary's Tough Trade Talk

By Bruce Stokes

**T**he anecdote is recounted in tellingly similar detail by several people who have briefed the leading Democratic presidential candidate, Sen. Hillary Rodham Clinton of New York. In a meeting earlier this year, former senior economic advisers to President Bill Clinton urged the 2008 Democratic front-runner to strike a pro-trade stance in her campaign, reflecting the policies pursued in her husband's administration. Sen. Clinton dismissed the advice, informing the group that she saw globalization differently.

These differences were highlighted in Clinton's early-December interview with the *Financial Times*, in which the candidate questioned whether "comparative advantage [the cornerstone of the traditional argument for free trade] as it is classically understood may not be descriptive of the 21st-century economy in which we find ourselves."

Such economic apostasy clearly sets Hillary Clinton apart from Bill Clinton. In fact, the issue may prove to be the single most important policy difference between her campaign and his legacy. She has come out against pending trade deals with Colombia and South Korea, whereas he completed the North American Free Trade Agreement and the Uruguay Round of multilateral trade negotiations.

But it should come as no surprise that Sen. Clinton is more critical of globalization than her husband was. The year 2007 is not the year 1993. The U.S. trade deficit is far worse. The country has hemorrhaged manufacturing jobs over the past 14 years. But, contrary to the anti-union scaremongering coming from the Republicans, Sen. Clinton's political base is not simply organized labor, which now makes up a mere 12 percent of the American workforce. No, her constituency includes a far larger and more diverse segment of the population that is critical of trade.

Nevertheless, Clinton's trade stance is sufficiently vague to raise concern on both the left and the right. Her trade proposals may be unsustainable or unenforceable. She has yet to articulate a comprehensive vision for strengthening the social safety net in the face of globalization. And her support for research and development and other pro-competitiveness policies breaks little new ground.

In the end, argued Sandy Berger, Bill Clinton's national secu-

rity adviser, "it is just too simple to call her a protectionist. She is more skeptical than her husband about the presumed benefits of trade. But I think she would be a pro-trade president."

If she gets elected in 2008, Clinton's stance on trade may be dictated by conditions. "We live in a different world," said a Clinton campaign official who asked not to be named. The trade deficit, at 5.7 percent of gross domestic product, is more than four times larger as a portion of the economy today than it was when Bill Clinton moved into the White House. Since then, the U.S. economy has lost more than 1.9 million manufacturing jobs. And workers who lost jobs because of trade dislocations now make about 20 percent less if they have new jobs.

**It is little wonder** that a larger share of the American public is skeptical of globalization. In 2002, four-fifths of Americans thought trade was good for the country. Now only three-fifths share that view, according to the Pew Global Attitudes Survey.

In 1993, observes Democratic pollster Celinda Lake, Baby Boomers were in their early 40s. With two decades to go before they could retire, they had little choice but to buy into Bill Clinton's vision that they could make globalization work for them. These same people are now pushing 60. They are just trying to hold on.

Today, these are Hillary Clinton voters. Polls show that she does best among women, older people, those who make



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less than \$30,000 a year, and voters with less than a high school education. These are the same people who are most concerned about globalization—and in Iowa, New Hampshire, and South Carolina—are the most skeptical of trade agreements, according to a recent Pew survey.

Over the past seven years, Clinton has felt these voters' pain while she sat through countless town hall meetings in upstate New York, where many small communities have seen their largest employers shut down or move overseas. When she thinks about globalization, Lake mused, "she has more Buffalo in her mind than Manhattan."

Advisers say that this experience has shaped Clinton's trade proposals. She has called for a "time out" on new U.S. trade agreements. She has promised to review existing trade accords every five years to see if they are living up to their promises. And she has vowed to more vigorously enforce foreigners' trade commitments to the United States.

None of these ideas are new or necessarily meaningful. Every president in the past 20 years has come into office promising to toughen enforcement, to little avail. The diplomatic and economic consequences of the United States' renegotiating or pulling out of existing trade agreements make that eventuality highly doubtful. And Clinton has never spelled out how she would use a "time out" to reshape U.S. trade policy. It is likely that a Clinton White House would merely use a pause to buy time while it wrestled with more pressing foreign and domestic problems, allowing U.S. trade policy to drift.

If Clinton is the Democratic nominee, her opposition to the Colombian and South Korean deals makes it likely that these pacts will not come up for a congressional vote in 2008, a setback for trade liberalization.

But Clinton's critique of the Colombia deal is based on Bogota's human-rights record, which has been improving of late, a trend that could allow a future Clinton administration to support the deal. Similarly, her stance on South Korea is rooted in concern for the U.S. auto industry, whose competitiveness problems Washington could address in other ways, through tax and regulatory help. And Clinton's current support for the Peru free-trade agreement suggests that there are deals she would sign.

**Clinton's biggest trade challenge** could well prove to be an issue that has yet to surface in the campaign: a last-minute Doha Round multilateral trade deal left on her doorstep by the outgoing Bush administration. Clinton would have the unenviable dilemma of expending political capital and dividing her party to get congressional approval for an agreement with minimal benefits for the United States or reopening the accord at the expense of alienating many close allies.

Coping with globalization is not only about trade, however.

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Clinton has also begun to outline a comprehensive social safety net to cushion the American worker from the ups and downs of the world economy. Her health care plan is the cornerstone of this effort. But she has also talked of doubling the amount of money spent on job retraining, providing trade adjustment assistance for service workers and those whose jobs move to India and China, increasing the wage insurance given to workers who take a job that pays less than their former work, and reforming unemployment insurance.

But the level of detail in Clinton's health care proposal is absent from her vision for overhauling unemployment insurance. Her husband also promised expanded retraining, and failed to deliver. Organized labor opposes the wage insurance that her moderate Democratic advisers champion. And it is unclear whether voters will find reassurance in her piecemeal approach to building a safety net.

Clinton also foresees a major new government role in promoting U.S. competitiveness. She promises to make the research and experimentation tax credit permanent. She wants more money to train scientists and engineers. She would increase the research budgets at the National Science Foundation, the Energy Department's Office of Science, and the Defense Department by 50 percent and double spending at the National Institutes of Health over the next 10 years. In addition, Clinton supports a \$50 billion strategic energy fund to make the United States the world's leader in renewable-energy technology.

"It's thoughtful, and she is not doing it from rote," said Bill Reinsch, president of the National Foreign Trade Council. "She gets it."

Congress is loath to make the research credit permanent, however, because that would deprive lawmakers of one good way to twist the arms of tech companies for campaign cash. More money for education and science always sounds good on the campaign trail, but may prove harder to deliver if Clinton follows the advice of adviser and former Treasury Secretary Robert Rubin on the need to first bring the budget deficit under control.

Whatever Clinton's critics contend, her presidency would not turn its back on the global economy. America's fortunes are too dependent on trade and foreign investment. And the Democratic Party is too beholden to Wall Street, Silicon Valley, and Hollywood, major donors who are also big players on the world stage.

But make no mistake about it, a Hillary Clinton administration is likely to be more selective and tougher in how it engages the world. And it may finally begin to systematically address the costs of globalization, while consciously trying to boost American competitiveness. After years of laissez-faire government, that would be a welcome development. ■

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