

## The Clinton Record on Trade Vote Deal Making: High Infidelity

### TALES OF PERIL AND BETRAYAL FROM THE NAFTA DEAL-FOR-VOTE FRONT

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#### EXECUTIVE SUMMARY:

In 1993, the controversial North American Free Trade Agreement (NAFTA) narrowly passed Congress. Even a week before the NAFTA vote, the Clinton Administration and the corporations supporting NAFTA were unsure the measure would pass. To obtain the missing votes, the Clinton White House offered an array of special deals to the few Members still publicly undecided on NAFTA.

The Administration offered a wide range of giveaways which included "traditional" horse-trading for votes with promises of federal funding for bridges, freeways, and pet projects in Members districts. The White House also offered special "side agreements," changes to U.S. regulations, and promises of tough trade law enforcement to soften the anticipated damage NAFTA would have on specific industrial sectors and workers.

These deals were first comprehensively catalogued in a groundbreaking expose by Public Citizen titled "NAFTA's Bizarre Bazaar." Critics of NAFTA were highly skeptical about the side agreements, scornful about the special deals, but felt certain that the downsides of NAFTA would become depressingly apparent. They committed to monitoring both NAFTA's outcomes and the fruition of the promised special deals.

In 1997, Public Citizen released two reports which tracked the outcomes of the deals: "Deals for NAFTA Votes: Trick or Treat?" and "Deals for NAFTA Votes II: Bait and Switch.". We found that systematically, the White House promises remained unfulfilled. Exceptions were several meaningless promises, such as photographs with the president, and one campaign fund-raising event. (Other promises for the president to attend fund-raisers were not fulfilled.)

In this report, we follow up on the status of the NAFTA promises which still had the possibility of being kept. (For instance, a promised fund-raiser is irrelevant once the Member is out of Congress.)

In this report seven and a half years after the NAFTA deals were made, the Administration systematically has failed to fulfil the special deals promised to obtain NAFTA votes. Promises remain unmet even though the Members of Congress involved kept their end of the bargain and voted for NAFTA -- some incurring long-lasting political ire at home.

Many of the Administration's promises were delivered in formal letters to the target Members by Cabinet Secretaries or the President. While these letters of "commitment" have made tracking the deals somewhat easier, the letters proved to be worth less than the paper on which they were written.

Over the past seven and a half years, the Clinton Administration has failed to deliver on the NAFTA vote-deals' special funding for in-district projects and the policy-related promises to change U.S. regulation. Now, with only nine months remaining in his administration and a short, busy legislative calender, promises from the White House are even less likely to come to pass.

We found that the Clinton Administration's failure to deliver on promises applies to both pork barrel deals and important policy changes. For instance, in an October 1993 letter to Rep. Nancy Pelosi, President Clinton promised that the Administration would use existing trade law to take action "if Mexico's action or policies deny internationally recognized workers' rights...." Specifically, the Administration promised to issue an Executive Order adding labor rights violations as an explicit cause of action which could trigger trade sanctions under Section 301 of the U.S. trade law. This policy promise easily could be fulfilled by the Administration alone and, unlike appropriations-related promises, did not require gambling on the congressional budget process. The promise covered a major concern Rep. Pelosi had about NAFTA and she announced support for NAFTA, stating that she had secured a means for addressing her labor rights concerns. Yet, seven years later, the promised Executive Order has never been issued and the promised use of trade policy mechanisms to enforce labor rights in Mexico was never forthcoming despite well-documented evidence of violations.

#### Deals for China PNTR Votes?

Now, in the most intense trade fight since NAFTA, the U.S. House of Representatives takes up the Permanent Normal Trade Relations (PNTR) for China legislation next week. Although the Administration has sought to create an impression that it is poised to win, the outcome of the vote is too close to call. Indeed, 35 Democrats who have supported annual Normal Trade Relations for China in the past - including some Democrats who supported NAFTA - are now opposed to China PNTR.

The strongest evidence of the White House's China PNTR vote shortfall is the Administration's recent foray into deal-making negotiations with undecided House Members over federal monies or programs and over assorted side agreements and policy changes.

Given the Administration's record of keeping its word on deals-for-votes on trade legislation, one would expect that Members of Congress would no longer be susceptible to this approach from this Administration.

Indeed, when the prizes offered in the NAFTA deals never materialized after several years passed, many Representatives became leery of Clinton's ability to deliver. In 1997 and 1998, the President failed twice in his attempt to win approval for Fast Track trade authority, in part because his record on not following through on the NAFTA vote-deal promises severely undermined his ability to fall back on deal making when he failed on the merits.

While congressional veterans of these bait and switch deals during trade votes are not easily

swayed, but more junior Members of the House, especially in the Democratic party, may be more open to Administration offers. The House of Representatives has many new Members since NAFTA.

As the Administration reopens the trade candy store, seasoned Members of Congress who are undecided on China PNTR are demanding that their "deals" be completely fulfilled before the China PNTR vote. For instance, Rep. James Oberstar (D-MN) has announced broadly that he will oppose China PNTR unless two conditions are fulfilled before the vote:

a change to Trade Adjustment Assistance regulations allowing funding for trade-injured workers in his district not now covered under the program's terms, and

final passage of legislation to change existing U.S. trade law to cover imported slab which is now flooding the U.S. market and costing jobs in Oberstar's district.

Oberstar told the New York Times: "I'll take the heat if I can get something for the people I represent." Yet, repeating its past conduct on trade vote promises, the Administration failed to push the trade law changes early on and now is running out of time to be able to deliver.

Some more junior Members of Congress seem more open to the deal-making, having not lived through the political aftermath of NAFTA. For instance, Texas staff of Rep. Ruben Hinojosa (D-TX) have reported to local PNTR opponents inquiring about his position that Hinojosa is negotiating with the Administration about increasing federal funding for job-retraining and education programs in his district. Hinojosa is considered to be strongly leaning in favor of China PNTR, but not formally committed. Yet, unless all of the requested funding is approved and in a bank in Texas before the PNTR vote, supporting an unpopular trade agreement presents a huge political risk.

A reason Hinojosa may be so eager for additional Trade Adjustment Assistance funding for his district is because his district has significant certified NAFTA-related job, according to federal TAA data. The NAFTA job losses have made trade a volatile issue in Hinojosa's district. With only nine months left for this Administration, many in Hinojosa's district know it is improbable that the funding he has sought for years will now be forthcoming. Meanwhile, a strong majority of Americans oppose China PNTR, adding to the political risk of potential job loss in the districts of PNTR supporters.

Rep. Gregory Meeks (D-NY) is an undecided Member targeted by the Administration. Meeks joined Hinojosa on an Administration-sponsored tour of China last month. In an interview about his China PNTR position, Meeks commented on the need for investment commitments for inner-city businesses and communities. This same concern about investment in the district was the basis of a NAFTA deal made by Rep. Meeks' predecessor Rep. Floyd Flake.

After corporate lobbyists refused to put in writing guarantees to Rep. Flake to make good on their claims that NAFTA would increase jobs at nearby Kennedy airport (by agreeing in writing to increase employment if NAFTA passed) the Clinton Administration promised Rep. Flake special Small Business Administration (SBA) funding for his district. Rep. Flake supported NAFTA. The Administration did nothing on the promise for three years. The SBA special investment project it did finally approve has funded only one project, but in another Member's district. (A clinic in Rep. Serrano's district.) Indeed, small business investment in Rep. Flake's old district has lagged. (See full report on this case in report text.)

Many Americans turn a cynical eye towards pork barrel politics. However, given the recent Harris poll found that 79% of the American public oppose China PNTR until China's government improves its conduct on human rights and religious freedom. Members of Congress face even greater peril than usual by trading their China PNTR vote for pork or programs which are unlikely to materialize.

Trade has become a politically dangerous issue in American politics. In 1994, the Democrats lost control of the House after turnout amongst labor households and non-unionized working class families declined. Polling found that upset about NAFTA's passage and specifically about local representative's support of NAFTA moved many traditional Democratic party voters to stay home on election day. The 1994 elections were remarkable in that low turnout -- not swings from Democratic to Republican party support -- decided many of the seats which switched parties on margins of fewer than 1000 votes.

Political fall out from trade votes and trade deals continues. In March 2000, 10-term veteran House Member Matthew Martinez (D-CA) lost his southern California seat in a primary challenge by Democrat Hilda Solis. Ms. Solis was recruited by labor and community activists in Martinez' congressional district who were furious about his support of President Clinton's "free" trade policies, such as Fast Track, which would cost the district jobs. Solis ran her campaign on trade, promising that unlike Martinez, she would represent the district's interests. Martinez had traded his Fast Track vote in exchange for Clinton Administration support for an exit ramp off a freeway running through his district. Three years later, the ramp is not under construction and indeed the project remains stuck over the same environmental and community impact issues that halted it in 1997. Now, the cautionary tale of vote-trading and supporting unpopular trade votes circulating Congress is one of Democrats facing primary challenges and losing.

The examination of the actual follow through of the deal-making necessary to secure NAFTA votes reveals that promises on China PNTR also are unlikely to come to fruition. Short of votes to pass China PNTR on its merits, the Administration is now finding its record on delivering on trade vote promises and its lame duck status is limiting its ability to make new pork barrel deals on China PNTR.

#### **Examples of the hollow NAFTA promises now haunting the China candy store include:**

**Promised Small Business Administration Investment In Rep. Flake's District** Former Representative Floyd Flake committed to voting for NAFTA after receiving directly from the President in a personal meeting a commitment for a special Small Business Administration program to increase private sector investment in his district. (The Administration promise came after businesses claiming NAFTA would increase traffic at nearby Kennedy airport refused to commit in writing to increasing investment and jobs relating to the airport.) For four years nothing was done on the Administration promise. Then the Clinton Administration announced the creation of the Bronx Initiative Corporation, designed to foster investment with federally-backed lending.

The Bronx Initiative Corporation made its first and only loan in February of this year. However, the funded project is not in Flake's former district, but in the district of Rep. Jose Serrano.

No Enforcement of Tomato Surge Protection Promised Florida and California Reps. The Administration convinced many in the California and Florida delegations to support NAFTA by including language in NAFTA's enabling legislation to monitor for import surges from Mexico and to recommend remedies under NAFTA and U.S. trade law to protect American growers. The International Trade Commission monitored tomato imports and found: declining tomato acreage in Florida and California, Mexican imports have nearly doubled between 1995 and 1999, and U.S. exports to Canada (formerly the biggest U.S. tomato market) and Mexico have declined significantly. Yet, despite the dramatic findings, no recommendation was made to safeguard U.S. growers. The number of Florida farms has fallen from 320 before NAFTA to 100 in 1999. This example provides a cautionary tale to members who might believe that the Levin side deal which contains surge protection terms could provide them with cover politically or policy-wise.

No Funding for Plutonium Lab in Amarillo for former Rep. Sarpalius (D-TX) Funding promised for a new lab to expand a Dept. of Energy nuclear weapons site never materialized. Later, funding for an academic research lab earmarked in 1999 was shifted over to the weapons site and then canceled in 2000. Now, ironically, the entire facility is getting downsized with DOE cutting funding that will require elimination of 70% of the facility's work force over the next few years. Examples such as this one has led senior House Members who observed their former colleagues tribulations on NAFTA deals who now are being offered China deals by the White House to demand delivery in full before the imminent vote.

Massachusetts Maritime Disaster for former Rep. Studds (D-MA) Senior Democrat Studds was targeted by both sides. Pres. Clinton intervened to get the Maritime Administration to finance a loan to re-open a Massachusetts shipyard. The pork laden project never was completed. Not one ship was built or one job created. In early May 2000, the Maritime Administration began bankruptcy proceedings to recapture the more than \$50 million in federal funds that have been lost. Meanwhile, the state of Massachusetts has suffered significant NAFTA job loss.

### **Methodology**

Public Citizen has conducted extensive monitoring of many aspects of U.S. trade policy and policy-making. We began tracking White House trade-vote deal-making after the 1993 NAFTA vote. In three studies since 1993, we have documented the promises and deals offered by the Clinton White House to secure votes for NAFTA. This work is an update of these ground-breaking studies.

In conducting this analysis we examined archived Administration letters of commitment to Members, media coverage, House floor statements, and press releases to determine and define the original NAFTA deals. We then conducted a systematic examination of the media accounts and primary source federal documentation, and conducted interviews to discern whether the promises were kept.

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