



The Rushford Report

THE POLITICS OF INTERNATIONAL TRADE AND FINANCE

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GREG RUSHFORD
EDITOR AND PUBLISHER
261 COMMONS DRIVE
VIENNA, VIRGINIA 22180
TEL: (703) 938-9420
FAX: (703) 938-5417
Greg.Rushford@verizon.net
www.RushfordReport.com

Yankee Trader

Congress does Cafta,
the ugly way

Page 2

Publius

Larry Summers and
other stars praise
Jagdish Bhagwati

Page 2

Players

Hurricane Katrina:
a free trade wake-up call
for George W. Bush?

After Katrina,
Bush calls in
Alan Greenspan.
But will he listen?

Katrina hits shrimpers hard

Page 4

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archives that explain the
politics of international
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and running!

Bill Clinton: “Taking action and making a difference”

When Jimmy Carter left the presidency, he picked up a hammer and got busy building homes for Habitat for Humanity. Now, former president Bill Clinton is busy building — his image. Clinton has hired a Fifth Avenue public relations firm named Worldwide Communications & Television to run a high-powered conference in New York on September 15-17. It's called the Clinton Global Initiative. The idea is to come up with realistic ideas to eliminate worldwide poverty and promote international good governance. The Clinton talkfest is aptly pegged to the United Nations General Assembly's 2005 World Summit, when Manhattan will be conveniently full of world leaders.

Jacques Chirac has signed up to speak, as has Tony Blair. Other participants include the illustrious George Soros, Ted Turner, former Clinton White House top aides John Podesta and Gene Sperling, King Abdullah II of Jordan, Rwanda's president, Paul Kagame, President Olusegun Obasanjo of Nigeria, Richard Parsons, the chairman and CEO of General Electric, and Rupert Murdoch. When I suggested to Clinton press aides that I was interested in covering the conference as an accredited journalist, the former president sent me a flowery letter (with a beautiful autopen signature), in which he suggested that I could elevate my status from that of a lowly reporter. Clinton's letter said that that my own accomplishments in life were such that he would like me to join him and his distinguished guests as a real participant — for only a modest

sum of \$15,000. The money, Clinton's website helpfully explains, would be used to take real action to promote worldwide economic growth and peace.

Clinton is touting his conference as a genuinely novel — and certainly serious — idea. Clinton says that his global initiative will be “emphasizing results” that will truly benefit the world's poorest people. Unlike similar gatherings of pooh-bahs in places like Davos and Aspen, the former president says, the Clinton Global Initiative will insist that all participants make tangible pledges of action to solve the world's most heartrending problems. But when I asked Clinton's press aides, several times, if he would take questions about what he himself might be willing to do by way of restoring America's (much-diminished) claims to international economic leadership, they refused to respond. It was the same story with former Clinton aides Podesta and Sperling. Pointedly, all three Clintonites have declined to lend their endorsement to the views on international trade held by Democratic Party progressives.

Democratic progressives vs. protectionists

The (diminutive) pro-trade wing of the party at Will Marshall's Progressive Policy Institute argues that high U.S. tariffs on clothing and shoes constitute a burdensome tax upon poorer American consumers. The PPI has issued a stream of well-documented studies that explain how the modern tariff system is



Bill Clinton says he is out to save the world.

“America's most regressive tax” that hits poor families that must buy clothes and shoes the hardest. The studies also show that the tariffs also inflict hardships on poor women in countries like Bangladesh and Cambodia who are trying to sew their way out of poverty.

While this would seem to be enough to prick just about anyone's social conscience, and certainly Bill Clinton's, the powers that run what remains of John Sweeney's AFL-CIO are not interested in cutting clothing tariffs (or reducing any other remaining U.S. trade barriers, for that matter). When it comes to liberalizing trade policy, U.S. organized labor is as reactionary in its own way as, say, the social right wing of the Republican Party is in its.

Given the power that the unions hold in the Democratic Party, it was understandable

Continued on page 3

The Yankee Trader

Congress does Cafta, the ugly way

Fair warning: For readers who really understand the benefits of trade liberalization — and who therefore worry about rising protectionist sentiment in America — this article makes ugly reading. But anyone who wishes to see up-close-and-personal how distorted the debate over the direction of U.S. trade policy has become should keep the Congressional Record for July 27, 2005 close by. That day, the House of Representatives narrowly approved by only two votes (217 ayes to 215 nays) the Dominican Republic-Central America-United States Free Trade Agreement. Reading the debate is a study in how poisonous, mean-spirited, uninformed, and just plain demagogic the dialogue has become on Capitol Hill.

The words directly quoted from the mouths of the lawmakers themselves are enough to document the

above. But first, I would ask readers to indulge some reminiscing that might suggest the proper context in which to view the present atmosphere on Capitol Hill. Not so long ago, there were days when the art of politics was (usually) a more sophisticated matter than simply demonizing the opposition.

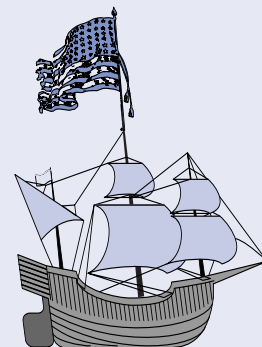
I worked as a young aide for a House Democrat named Clarence D. Long back in 1973-75. Rep. Long was unusual for three reasons. First, he was a politician from Baltimore County, MD who actually was an honest man and never was in danger of criminal prosecution. These were the days of Spiro Agnew, Marvin Mandel, and a host of other lawmakers from both sides of the aisle who were crooks. The Democratic machine had plucked Long out of Johns Hopkins University in 1962, looking for a Mr.

Clean after the law partner of Maryland Sen. Daniel Brewster was indicted and couldn't run for the congressional seat.

Second, "Doc" Long, as he became known, was a PhD in economics. But while he was brainy, Long quickly learned how to use simple — but not simplistic — language. Stay out of the stratosphere, Long would instruct us. Give me arguments that voters in blue-collar Dundalk who don't read the New York Times can understand. But give me honest, well-documented arguments, not just appeals to mindless emotions, Long would add.

The third reason that I often think of Long these days is that although he was a Democrat, he genuinely liked, and worked well with, such Republicans as fellow Appropriations Committee member Bob Michel. And Chairman George Mahon, the very con-

THE YANKEE TRADER



servative Texas Democrat, was marked by his cordiality with, and courtesy to, liberal Democrats as well as his colleagues who were Republicans. Later, in 1975-76, I worked for Otis Pike, a liberal New York Democrat who then chaired the Select Committee on Intelligence. Even though I had been hired by the Democrats, our staff was bipartisan and I spent as much time working with the committee's ranking Republican, Bob McClory as anyone. And of course, when it came to trade, the House Ways and Means Committee — especially

Continued on page 5

Publius

Singing the praises of Jagdish Bhagwati

Last month, renowned trade theorist Jagdish Bhagwati celebrated his 70th birthday at a star-studded two-day conference on economics and law at Columbia University in New York City. The celebration was capped by a gala dinner at the Low Library's Rotunda on August 5. There sure were a lot of big names to help Bhagwati and his wife Padma Desai — also a Columbia professor and a leading authority on Russian economic reforms — mark a life of unusual

accomplishments.

For me — and I believe many others who were present — Larry Summers' own star qualities, as displayed in an extraordinary off-the-cuff tribute to Bhagwati, will linger in memory for a long time. But Summers' intellect was hardly the only one on display.

Among Bhagwati's friends who praised the great economist with prepared remarks at the dinner were Nobel Laureate Robert Solow, New York Times columnist Paul Krugman,

and UN Secretary General Kofi Annan. Outgoing WTO Director-General Supachai Panitchpakdi sent in a congratulatory message, as did another Bhagwati friend and admirer, Indian Prime Minister Manmohan Singh.

Three leading economists organized the events: Robert Feenstra directs the international trade and investment program at the University of California, Davis. Douglas Irwin, of Dartmouth College and author of *Free Trade Under Fire*, is one of America's bright lights in his field. And Arvind Panagariya, who is Bhagwati Professor of Indian Political Economy at Columbia, is another rising star. Panagariya, with mentor Bhagwati, has writ-

ten and spoken clearly about the trade-distorting effects of preferential trade deals (an important warning that the U.S. business community and political leadership on both sides of the aisle have ignored).

Some of the big names in the international trade bar also spoke at the academic sessions: including veteran D.C. trade lawyer David Palmeter, and Merit Janow, a former high-ranking U.S. trade official and law professor who currently serves on the WTO's appellate body.

There were also a few of us scribblers there. I didn't exactly distinguish myself when someone pointed to a man standing next us and asked if I

Continued on page 7

“Bill Clinton” from page 1

that when they were in office, Clinton, Sperling, and Podesta tried to offend the “fair trade” reactionaries as little as possible — “fair trade” being the political code words for protectionist high tariffs, quotas, and other trade barriers as espoused by the party’s supporters in organized labor.

The internal Democratic Party feud over high US clothing tariffs goes to the heart of American claims to credibility in international economic circles. In brief, the issue involves the three biggest success, and also the two greatest failures relating to international trade policy that were associated with the Clinton presidency. The successes were in passing Nafta in 1993, in concluding the Uruguay Round of multilateral trade liberalizing negotiations the next year, and in subsequently negotiating the terms of China’s WTO accession — in each case, overriding the protectionist objections of the AFL-CIO.

The first failure stemmed from Clinton’s unwillingness to go to the mat to oppose organized labor to secure so-called “fast track” trade negotiating authority from 1995 until the end of his second term in 2001. The second failure was the collapse of the World Trade Organization’s 1999 ministerial meetings in Seattle. There, Clinton deeply offended Third World delegates by endorsing U.S. labor’s goal of threatening to inflict economic sanctions upon countries that didn’t toe the AFL-CIO line on labor standards.

Both policy failures greatly diminished U.S. international credibility on trade by the time Clinton left office. And make no mistake: both were directly caused by Clinton’s failure to overcome the AFL-CIO’s protectionist influence on his administration. By his current bobbing and weaving whenever the subject comes up, it appears that Clinton is still making the same mistakes. The former president is running for the role of international statesman, but has yet

to overcome the same parochial waffles that marred his presidential record. Until the Democratic Party gets back to the postwar free trade stance espoused by Cordell Hull, FDR, JFK, and Walter Reuther, it cannot lead on international economics.

Successful spin

At least, the Clinton Global Initiative certainly deserves credit as one of the more successful spin operations of the year. The Worldwide Communications & Television public relations outfit that Clinton has turned to is part of the giant Weber Shandwick Worldwide PR network that polishes corporate images in more than 60 countries. Apart from representing the William Jefferson Clinton Presidential Foundation, the firm’s client roster includes Microsoft, Boeing, Sony, and Pfizer (the latter corporation needed a little PR help in educating consumers on how to obtain Viagra online).

Clinton and his spinmeisters have put considerable vigor into educating the American public about the former president’s heartfelt desire to use his conference as a credible vehicle to fight poverty and promote good governance around the world. “Staging a successful event that flows seamlessly and generates positive media coverage requires precise planning and flawless execution,” WCTV’s promotional literature announces.

In recent months, Clinton has given interviews to tout his hopes for a peaceful and prosperous world to such luminaries of journalism as Greta Van Susteren of Fox News, Jennifer Senior (New York Magazine), and Neal Conan (National Public Radio). All these distinguished journalists basically swallowed Clinton’s story line as posted prominently on the Clinton conference website: “In my life now, I am obsessed with only two things. I don’t want anybody to die before their time. And I don’t want to see good people

spend their energies without making a difference...you can change the reality of human history by systematic action.”

Talk about warm and fuzzies. Intellectually, Clinton’s rhetoric is about on a par with the average oh-so-earnest high-school term paper. But Clinton’s famous charm is such that proffering such puff is about all he has had to do to generate a pile of the “positive” press that his PR team is being paid to generate.

“Optimist with plans for making the world a better place,” announced the headline in a very friendly Financial Times report by Lionel Barber and Paul Taylor. (The FT, Clinton’s website discloses, is one of the sponsors of the Clinton Global Initiative; others include Goldman Sachs, the Rockefeller Foundation, and Citigroup).

“There’s a tangible, almost merciful way that the postpresidency agrees with Bill Clinton,” opined Jennifer Senior in New York Magazine, who recently flew to Africa with Clinton. In Zanzibar, Senior noted how Clinton “loves it” and “lingers” when “two young women in bikinis, each roughly proportioned like Jessica Rabbit, spot him as he wanders by the pool and leap out of their chaise lounges to chat.” The former president is “relaxed, smiling, pink,” she added. Senior also noted with obvious pleasure how Clinton had squeezed her shoulder at the dinner table of a “faded old colonial hotel” in Mozambique, saying “Hey, girl.” As Senior observed, “his appetite is back.”

“If the globe needs a leader, Bill Clinton is volunteering,” wrote Alan Murray in the Wall Street Journal. “Will it work? Well, it could,” Murray concluded about the Clinton’s conference to produce results. But volunteering for precisely what leadership? What results? And what exactly will the former president himself do? Not one of the esteemed journalists who have been favored with Clinton interviews has probed beyond the superficial.

Fighting poverty — finessing substance

So, where to look for this leadership? Clinton says that he knows. Again, the warm and fuzzy words flow.

“Every year, six million children die of malnutrition — that is one child every 3.6 seconds,” the Global Initiative literature laments. “Extreme poverty can be eradicated, and everyone has a crucial role to play — from world leaders upholding aid commitments and negotiating fair trade agreements to corporations launching microfinance initiatives to NGOs and private donors ensuring that aid is used effectively.”

Let’s stop at just one of those fine-sounding phrases. Negotiating fair trade agreements? What could this be? Clinton knows perfectly well that “fair trade” is a codeword for protectionism. And he also knows that while international trade practitioners understand the code, the average American voter doesn’t. When he was in office, Clinton tried to finesse the issue by saying that he was for “free and fair” trade, hoping to balance the different views held by the opposing wings of the Democratic Party. It didn’t work, but there is little sign that Clinton has learned the right lessons. “I still think I’m basically a free trader,” Clinton told his Financial Times interviewers this summer; the reporters did not probe for a more insightful political analysis.

The Greenspan example

This is important. Language matters. Last month, Federal Reserve Chairman Alan Greenspan issued a warning at a Fed symposium in Jackson Hole, Wyoming about the real economic dangers associated with rising protectionist sentiments in America. Greenspan declared: “The developing protectionism regarding trade and our reluctance to place fiscal policy on a more sustainable path are threatening what may well

Continued on page 7

Players

Who's Up To What

Katrina: A free trade lesson for George W. Bush?

To anyone who closely follows international trade, the **Port of New Orleans** has always loomed large. And for those who appreciate American history, **New Orleans'** contribution to our country's strength cannot be overestimated. Just think of what conceivably could have happened if **Thomas Jefferson** had not bought the **Louisiana Territory** from **Napoleon Bonaparte** for about \$15 million in 1803. The **Louisiana Purchase** immediately doubled the size of the **United States**, from beyond the **Mississippi** to the **Rockies**. From that moment, the worries that potential European colonial encroachers might have established permanent western outposts — which could have cut off and even **Balkanized** the U.S. eastern seaboard — never again mattered. And also immediately, the **Port of New Orleans** became a vital cog in the American economy, connecting the **Mississippi River** to the **Upper Midwest** and beyond. Repeat: Without the Louisiana Purchase, anchored by New Orleans and its port, America might not have become a superpower that spanned the **Atlantic** to the **Pacific**. The city is that important.

Now, in the wake of **Hurricane Katrina's** devastation, the basic economic facts of life have hit the front pages of major newspapers — even the usually economically illiterate **CNN**. **Washington Post** reporter **Neil Irwin**, for example, reported on Sept. 1 how “the effects of the monster storm that devastated the Gulf Coast spread through the nation's economy yesterday,

disrupting shipping and rail networks and sending prices for lumber, coffee and other commodities soaring.” Sixty percent of **U.S. grain exports** that farmers in places like **Illinois** and **Iowa** are shipped down the Mississippi River. Much of that corn, soybeans, and wheat goes out on the so-called “backhaul” of ships that have brought in imports that are so important to the health of the U.S. economy. Think about the **steel** that goes into skyscrapers in, say, **Chicago**. And some 25 percent of the **coffee** that Americans drink is warehoused in New Orleans, which also brings in the **sugar** that American consumers put in their coffee cups, the **bananas** that go with their cereal, and so forth. This is Trade Facts-of-Life 101.

Unfortunately, President **George W. Bush** has a pattern of giving New Orleans — where he recently told a television interviewer he had used to party as a young man, “sometimes a bit too much” — the short shrift. And for sure, the president has never used the city and its port as an opportunity to build grassroots support for open markets.

In January, 2002 the president flew to New Orleans and towns northward up the Mississippi, and touted the benefits of trade in what can only be described as intellectually dishonest language. Exports from the port are good, Bush rightly noted — while refusing to talk about imports at all. “I'm on my way to New Orleans, to remind people that much of what we grow and produce in America is shipped overseas, out of that port,” Bush told an audience in **Springfield, Missouri** — pur-

posefully ignoring imports of sugar, coffee, bananas, and steel that find their way to Missouri. “I know we can make the best products in the world,” Bush later declared to an audience in New Orleans. “And therefore, we ought to have free and fair trade around the world.” On the trip, Bush and political operative **Karl Rove** spent their real energies in hitting up some major Republican fat cats for some campaign cash, all up and down the Mississippi.

A year later, Bush hit the Port of New Orleans — and its stevedores, truckers, barge operators, and such — hard, by slapping on tariffs up to 30 percent on the key imports of steel. The president was still betting that nobody would notice that workers in New Orleans unload products like that are good for the U.S. economy from incoming ships, even when foreign steel piled up on the docks. In the city, people grumbled, but what could they do?

It would be nice to imagine that, in the wake of the harsh economic lessons associated with **Hurricane Katrina**, politicians of both parties, beginning with Bush, would start talking about trade in honest terms. If the U.S. role in the international economy is vitally important, and it is, is it too much to ask that presidents talk about it honestly?

After Katrina: Bush calls in Alan Greenspan

At least when Katrina's seriousness became evident, Bush knew enough to turn to advice from a serious man. The president invited **Alan Greenspan**, the **Federal Reserve's** chairman, over to



lunch on Sept. 1 at the White House, where they talked about what to do about Katrina's adverse economic impact

I don't know what Greenspan told Bush, but on August 26, the chairman had explained his concerns about the threat to the U.S. economy from rising protectionism and fiscal irresponsibility (a polite way of fingering Bush and Congress for being their usual irresponsible selves). But it's a good guess that Greenspan reminded Bush of a couple key points he had thought important to make in a major speech in **Jackson Hole, Wyoming** on August 26. Indeed, Greenspan's speech was a wake-up call.

In his speech, Greenspan noted that “significant numbers of our population” feared job losses due to foreign competition, and were increasingly inclined “to resist the competitive pressures inherent in globalization from workers in the major newly emerging market economies.” And the Fed chairman sure crammed a lot of economics in the following two paragraphs that ought to be required reading on Capitol Hill as well as in the White House:

“It is important that these understandable fears be addressed through education and training and not by restraining the competitive forces that are so essential to overall rising standards of living of the great majority of our population. A fear of the

Continued on page 5

“Players” from page 4

changes necessary for economic progress is all too evident in the current stymieing of international trade negotiations. Fear of change is also reflected in a hesitancy to face up to the difficult choices that will be required to resolve our looming fiscal problems.

“The developing protectionism regarding trade and our reluctance to place fiscal policy on a more sustainable path are threatening what may well be our most valued policy asset: the increased flexibility of our economy, which has fostered our extraordinary resilience to shocks.”

Shrimpers in trouble

I first called Louisiana shrimper **George Barisich**, the president of the **United Commercial Fishermen’s Association**, in September, 2002. He took the call on his cell phone from his boat, where he was planning on riding out an incoming tropical storm. “I’m just trying to catch a few shrimp,” Barisich

said. At the time, the struggling American shrimp fleet had become overwhelmed by a flood of imports.

The root of the problem was that the U.S. shrimpers all along the Gulf Coast had been earning their livings by catching wild shrimp the way their daddies had, and had entered the 21st century unprepared to compete with abundant supplies of farmed, foreign shrimp. Since nobody in government or the seafood industry was really much interested in offering economic adjustment assistance to these fine people, or anything beyond lip service, the shrimpers turned to the trade laws. They obtained **antidumping tariffs** on the competition from countries in **Asia** and **Latin America**, hoping that they would offer some relief. But not much really changed, highlighting once again the age-old debate over whether tariff walls ever really work.

Now, the devastation wrought by Hurricane Katrina

has sidelined that debate. There is no longer any doubt that the brave and resourceful shrimpers and their families desperately need more attention from the outside world than they have ever received.

I managed to reach Barisich, again by cell phone, on September 1. He said he had escaped the storm by driving his family from their home in hard-hit **St. Bernard Parish** some 250 miles north to **Grenada**, Mississippi. “My home is underwater, my boat’s gone,” Barisich related. While he said that his home had insurance, the boat that his daddy had built a half century ago didn’t. Insurance policies for boats are simply too high, he explained. “The storm did in 24 hours what the government and imports have been trying to do to us for 50 years,” he said.

Barisich was thinking of setting up a **Fisherman’s Relief Fund**, the idea being that the U.S. shrimp industry’s friends who live on high ground could help shrimpers

directly. But as this issue went to press, the United Commercial Fishermen’s Association’s post office was still under water. Of course, contributions to the **Red Cross** and **Habitat for Humanity** could also help provide relief and rebuild homes for shrimpers in places like St. Bernard County.

Meanwhile, two of the Asian shrimp exporting countries that have been hit by U.S. antidumping tariffs, **India** and **Thailand**, are still trying to recover from last December’s **Indian Ocean tsunami**. While U.S. antidumping authorities have dragged their feet on offering tariff relief to these innocent victims, among the foreign nations who pledged to send to assistance to America in the wake of Katrina were — India and Thailand.

when chaired by the great Dan Rostenkowski — was a far different, and more tolerant, place than it is today.

Enough reminisces. Let’s fast forward to the Cafta vote of 2005 — and into a world where congressional colleagues obviously don’t like, or even much respect, each other. This wasn’t a reasoned debate, just one cheap shot after another. Consider just a few exchanges — and keep on worrying about what will happen when the day comes when the legislation to implement the World Trade Organization’s Doha Round of trade liberalizing negotiations might come to Capitol Hill.

Cafta supporter Rep. Bill Thomas (R-CA, chairman of Ways and Means)

“Words such as ‘shameful,’ ‘disrespectful,’ ‘arrogant;’ accusations about freely-elected people in countries south of our border; someone who is not familiar with the way this place operates would be quite amazed at what has been said. Let me assure you, those of you who are concerned need only turn to the United States Constitution, Article I, section 6. Therein is contained what is often called the Speech and Debate Clause. The Speech and Debate Clause in the Constitution says, ‘And for any speech or debate in either House they, the Senators and

Representatives, shall not be questioned in any other place.’

“In other words, truth, veracity, facts do not apply here if you choose not to use them. If you choose to misrepresent, you are allowed to do that on the floor of the House. If you wish to confuse, if you wish to say black is white or white is black you can.

“But I do think that you ought to at least give minimum respect for people who laid their lives down to have an opportunity to share the blessings of democracy.

“The argument that somehow these people down there do not love their children any more than we do is, in fact,

the words that were used earlier, that argument is shameful, it is disrespectful, and it is arrogant.”

Cafta opponent Rep. Charles Rangel (D-NY, ranking Democrat, Ways and Means), responding to Thomas

“Mr. Speaker, let me join with the handful of Republicans in complimenting the chairman of the Committee on Ways and Means. His attack against arrogance has moved my heart, and those of others in the House, as well as his conversations with the immigrants and the newcomers to find out what should be in the trade bill. It certainly would have worked out a heck of a



Continued on page 6

“Yankee Trader” from page 5

lot better if he had talked with some of the Democrats in the House...

“There has to be some compassion and less arrogance on the other side. We could have talked these things out. And what is wrong with language that protects kids...This administration has taken a bill that could have meant something, a bill we could have been proud of, and has made a political toy out of it. They have excluded Democrats; they have offended some Republicans.”

Thomas, replying to Rangel

“Just let me say that you must be very proud, as you just indicated, to advocate for your side to vote ‘no’ on democracy, ‘no’ to jobs in their own country, ‘yes’ to continued poverty, and ‘yes’ to a threat to fragile democracies, because that is what this vote is. And it really is a sad night for your once proud, aggressive party, which has a lot of words and no action for people in need.”

Rep. Dan Burton (R-IN), in support of Cafta

“Do you remember when we saw the Contras and the Sandinistas fighting and the bodies in the streets of Nicaragua, Managua...The same people that were involved in the leftist movements down there that Fidel Castro was supporting, the Communists down there that Che Guevara was supporting are the same people that are opposing Cafta today because they believe in a different form of government and a different approach to government. The Sandinistas are opposed in Nicaragua to Cafta. The leftists throughout Central and South America are opposed to Cafta because they do not want free enterprise to flourish down there. They do not want trade to flourish.”

Rangel, responding to Burton:

“The gentleman from Indiana is really so entertaining. After he got past Fidel Castro, I was ready for Osama bin Laden and Saddam Hussein. Now that you mention it, I think we ought to have a search for weapons of mass destruction. I do not know how short you are on votes, but I want the gentleman to know, I appreciate his edification of how serious it can be. The Communists can come back.”

Burton, responding to Rangel

“I love you man. You know that. But I have got to tell you, the Sandinistas and the leftists in Central and South America are against this for the reasons I stated. If you really believe in stability in our hemisphere and you do not want to see more conflict and massive immigration, this is a good vehicle to vote for. And I love you, man.”

Rep. Stephanie Tubbs Jones (D-OH), against Cafta

“Mr. Speaker, I rise today against Cafta because the agreement not only lacks significant labor protections for workers in the Cafta countries, but also lacks necessary support for American workers. Charity begins at home. Let us not talk about our neighbors’ workers. Let us talk about our own workers. With international trade comes economic pain.”

Rep. Sherrod Brown (D-OH), against Cafta

“This agreement is about U.S. companies moving plants to Honduras, outsourcing jobs to El Salvador, and exploiting cheap labor in Guatemala. It is not about lifting up standards in the developing world. It hurts our families in this country. It does nothing for the Dominican Republic and the five Central American countries.

“Mr. Speaker, when the

nations’ poor can buy American products, not just make them, then we will know finally that our trade policies are succeeding.”

Rep. Nancy Pelosi (D-CA), House minority leader, against Cafta

“It is a small treaty economically, but it has enormous implications for our country. I oppose Cafta because it is a step backward for workers in Central America and a job killer here at home...

“[W]e are considering a trade agreement that promotes a race to the bottom, that hurts U.S. workers, that turns back the clock on basic internationally accepted worker protections, and fails to protect the environment...”

“Trade alone, devoid of basic living and working standards, has not and will not promote security, nor will it lift developing nations out of poverty. Our national security will not be improved by exploiting workers in Central America.

“Here at home, this Cafta threatens U.S. jobs by making it harder for American businesses and farmers to compete with countries that have excessively low wages and deficient working conditions...We have lost 2.8 million manufacturing jobs since President Bush took office. Cafta does not solve the jobs problem; it only digs the hole deeper.”

Rep. Jane Harman (D-CA), opposed to Cafta

“Free and fair trade can lift living standards both at home and abroad, encourage technological innovation, create jobs and empower individuals...But trade is not fair if desperate people are forced to work in hazardous conditions or communities are forced to bear the costs of environmental degradation. In the context of lax enforcement of labor and environmental regulations, free trade can provide perverse incentives to impose

the costs of production onto workers, communities and the environment. Such incentives serve neither the economic interests of the U.S. nor our trading partners.”

Rep. Mike Michaud (D-ME), opposed

“As a mill worker at Great Northern Paper Company for over 30 years, I rise in strong opposition to Cafta. Two days after I was sworn in as a Member of Congress, I learned that the very mill that I worked at, that my dad worked at for 43 years, filed bankruptcy and was shutting down.

“The reason? Unfair trade policies that have devastated our industry.”

Rep. Dennis Kucinich (D-OH), opposed

“Multinational corporations want trade agreements where they can make a profit by closing factories in the U.S. and moving jobs to places where workers have no rights and work for very low wages.”

Rep. Charlie Melancon (D-LA), opposed

“I represent a sugar area...It is an efficient industry. It is a good industry...I do not see any benefits for workers, for sugar people.

“We have given away textiles. We have given away steel. We have given away fruits and vegetables. Now let us just go ahead and give away everything and be dependent on every other country for our food and our defense.”

“Publius” from page 2

wanted to shake hands with a Nobel Laureate.

“Professor Samuelson, it’s an honor to meet you,” I gushed.

“So you think that Samuelson is the only Nobel Laureate likely to be here?” replied a very much amused Robert Solow. Paul Samuelson, another Bhagwati long-time friend, wasn’t able to be present, but sent in a message of praise.

With such stars and intellectual dazzle on display, still, Larry Summers clearly stood out.

Now, it’s not news that Summers is a very smart man. He is famous for being the youngest economist ever to earn tenure at Harvard, at age 28 in 1983. He took leave from 1991-93 to serve as the World Bank’s chief economist. In 1993, Summers was awarded the John Bates Clark Medal, given by the American Economic Association to the outstanding American economist under the age of 40; one wag has cracked that Summers was the youngest man ever to reach 40.

Summers served in Bill Clinton’s Treasury department from 1993-2001, and succeeded the esteemed Robert Rubin as secretary in 1999. Summers and Rubin were perhaps the only two Clintonites who dared to praise the value of imports as well as exports. Presently, Summers is president of Harvard University.

Unlike the other speakers who had prepared written remarks at the August 5 dinner, Summers simply stood up and offered the following trib-

ute to Bhagwati — speaking off-the-cuff, in perfect sentences, perfect paragraphs, and from his heart as well as his head. The remarks follow:

Remarks by Larry Summers at the August 5, 2005 Bhagwati 70th birthday dinner

“I certainly am not a teacher of Jagdish Bhagwati’s. I did not have the opportunity to be a student of Jagdish Bhagwati’s. I was only very briefly, for one year, a colleague of Jagdish Bhagwati’s. I have been an occasional sparring partner of Jagdish Bhagwati’s. And more than occasionally, I have been an observer and an appreciator of the contributions that this man has made.

“You know, economists believe in markets, and democrats — with a small ‘d’ — believe in the marketplace of ideas, and so do we all. But economists study market failures, and those of us who believe in the marketplace of ideas recognize that the marketplace of ideas has failures as well. Producers will always be much larger contributors to debates than will consumers. Entrenched interests have far more to protect and far more ability to organize than do future interests who may benefit from a change in policy. Large and wealthy nations find it easier to control and shape the global debate than do poorer and less fortunate nations. There are all structural failures in the marketplace for ideas — structural failures that lead the world to have

less wise trade policies, less wise economics policies than it would otherwise have. There is no single individual — and perhaps there are no other ten individuals collectively — who over the last four decades have done as much to correct this distortion in the marketplace for ideas as Jagdish Bhagwati.

“Whether it is in speaking for consumers’ interests in imports as he advocates free trade, whether it is in speaking for the entrepreneurs who don’t yet know they are going to be entrepreneurs, when he speaks to the benefits of the bracing winds of competition to come from economic liberalization and trade, whether it is in speaking on behalf of the interests of nations who do not have the resources to formulate a set of rigorous doctrines around the intellectual property protections that need to be shaped in *their* interest because it is a matter of life and death, Jagdish Bhagwati has been a potent force in this world. No ten special interests have had the influence that he has had on the global debate. There are literally billions of consumers who do not know his name whose real incomes have been higher because of the goods they have been able to purchase at a lower price because of the influence this man has had on the world trading system.

“There are any number of entrepreneurs who have lived their dreams and created thousands if not millions of jobs for their countrymen because of the influence this man has had on our world economic

system. Our world economic system has a long, long way to go towards being more just, more fair, and more inclusive. But it is today fairer, juster, and more inclusive than it would be without Jagdish Bhagwati’s strenuous efforts. The cause of protection, stagnation, and inhumane globalization has tremendous amounts of money and political influence behind it. The cause of economic liberalization overcoming entrenched interests and humane globalization has two great assets. One is the fact that it is the truth. The other is that it has Jagdish — and his pen and his mouth — on its side. And it is going to have Jagdish on its side for many years, and that is enough.

“If I might be so presumptuous as to speak for them, on behalf of so many of your global citizens who owe their higher material standard of living, who owe their livelihoods, and, in at least some cases, owe their lives — through long causal chains — to your very important efforts, Jagdish, I thank you and I thank Padma for all that she has helped you in contributing.”



be our most valued policy asset: the increased flexibility of our economy, which has fostered our extraordinary resilience to shocks.” In his remarks, Greenspan spoke directly, simply, and honestly. Meanwhile, Bill Clinton was still pretending that he could help the world’s poor with “fair trade.” If Alan Greenspan had come out for “fair trade” in Jackson Hole, think of the shock.

Clintonesque Republicans

Of course, Clinton isn’t the only major political figure who regularly touts “fair trade.” Republican George W. Bush — who also knows better — has become a fair trader as well. And when I sent in a written inquiry to U.S. Trade Representative Rob Portman, asking if the USTR agreed with Greenspan that rising protectionism was an economic threat, Portman did not

respond. The USTR was busy trying to please protectionists in the domestic textile lobby and their allies on Capitol Hill by pressing trade restraints on imports of clothing from China — precisely the sort of conduct that Greenspan was warning against. But as disappointing as the Republicans are, this story is about the Democrats, and about whether Clinton’s New York conference will do anything more

tangible than fleece wealthy suckers out of \$15,000.

Ask Jacques...and Olusegun...and Richard

To be sure, the scheduled participants in the Clinton Global Initiative are accomplished people. But viewed through the international trade prism, it is difficult to take some of them as seriously as

Continued on page 8

“Bill Clinton” from page 7

they might wish to be viewed. Just imagine Jacques Chirac — who was hospitalized due to an eye problem as this article went to press — expounding at the Clinton confab on how, in ten years as France’s president, he managed to cut unemployment from just over 11 percent way down to — just over 10 percent. Or Chirac might want to explain the connection between some \$300-billion in annual subsidies that rich Europeans and Americans lavish upon their farmers and distorted global food markets in some of the poorest countries in the world. The French president could also expound upon how the former colonial masters in Europe have successfully kept people in the former colonies desperately dependent — and poor — thanks to a web of rich-country preferential trade schemes that have failed to promote genuine economic growth and independence.

It will be interesting to see what Clinton will ask Chirac to do by way of demonstrating a genuine commitment to helping the world’s poorest. And on the issue of what world leaders might do to promote better governance, Clinton might ask

Nigeria’s President Olusegun Obasanjo what Africa should do by way of ridding itself of the scourge of Zimbabwe’s Robert Mugabe.

This is a game that could become interesting. General Electric’s Richard Parsons may run one of the greatest multinational corporations ever. He may have many worthwhile things to talk about. But when it comes to advocating the virtues of open markets and international trade, GE is usually absent from the debate. In short, GE is resented by Washington insiders for its failure to give more than lip service to promoting genuine trade liberalization. Parsons and his colleagues sure weren’t seen doing very much to pass Cafta, just to cite the most recent example of the company’s difficulties in working with others in the business community.

And when it comes to educating the public about the benefits of trade, GE is well known for its disinterest. Clinton might ask Parsons to help raise a few million dollars to promote genuine trade education to build support at the (presently confused) grass-roots level for the WTO’s troubled Doha Round of trade

liberalizing negotiations. Dream on.

Ask Jimmy

Okay, back to reality.

For anyone wealthy enough to give \$15,000, hoping to do something that would really help someone, there are organizations that are run by people who are really serious about helping the world’s downtrodden: Human Rights Watch, Freedom House, the Salvation Army, and especially Jimmy Carter’s Habitat for Humanity. But these aren’t the sort of people who will be seen schmoozing at the Clinton Global Initiative.

In her recent New York Magazine article on Clinton, writer Jennifer Senior wondered how Clinton might put his considerable talents to make the lasting contribution he says he wants. Senior captured the mindset of the Clinton crowd in a few lines that are worth pondering:

“The Jimmy Carter good-works model comes closest to what appeals to Clinton, but that’s not exactly right; Carter is far less dynamic, and when he first left office, he had little international or domestic clout to exploit. ‘The contrast is interesting, says Harold Var-

mus, the former director of the National Institutes of Health [in the Clinton administration]. ‘Carter’s done great work. Yet it somehow comes across as prissier.’”

I guess that’s true: compared to Jimmy Carter, Bill Clinton is cool. But prissy or not, the Habitat for Humanity has a measurable track record. This month in New Orleans and the hurricane ravaged parts of the Gulf Coast, it’s a safe bet that suffering American refugees will be looking for men and women with hammers and nails in their hands who will ask nothing except the chance to help rebuild their home. Bill Clinton, who has been asked by George W. Bush to lend his talents to the Hurricane Katrina reconstruction effort, might find reason to believe that the Jimmy Carter types really have learned how to make a difference — by helping one person at a time.



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