

Will Obama Slam the Door on Oregon's Export Economy?

By Mark Ellis

With the exception of Iraq, nowhere is the difference between John McCain and Barack Obama more profound than on economics, especially on the issue of global trade. As 2008's interminable primary season unfolded across a nation, which many feel has been adversely affected by the realities of the global marketplace, those differences came into striking relief.

The usual contextual duality applies. Unrepentant free traders claim that U.S. citizens experience net economic gains as a result of our participation in international trade. Voices on the other side proffer dire anecdotes that demonstrate we are losing to competitor nations on an uneven playing field.

One hostage to the drama is the Columbia Free Trade agreement, which President George Bush claims would help the U.S. economy and "advance America's national security interests in a critical region. It will strengthen a courageous ally in our hemisphere."

Congressional Democrats, led by House Speaker Nancy Pelosi — with the blessing of Hillary Clinton — have held up a vote on the deal, stating that they must first take up separate legislation that would help protect American workers who might lose their jobs.

Strange bedfellows

Given the stark contrast in the positions of the two nominees, it may behoove Oregon voters to ask what the upcoming election might portend for trade policy in their home state.

One of the narratives deployed by Obama is that free trade agreements have too often left Americans with the short end of the stick. In his stump speeches, including one last May before 75,000 attendees at Waterfront Park in Portland there are none-to-subtle references and rallying cries about American jobs and products jeopardized by outsourcing, confiscatory tariffs, sky-high trade deficits, and tax incentives for U.S. firms in search of everything from cheap labor to eased environmental restrictions. He's too smart to utter freighted terms like protectionism, but Obama voted no on the Central American Free Trade Agreement (CAFTA) and wants to amend the North American Free Trade Agreement (NAFTA). "We have the goods, services, skills, and innovation to compete anywhere in the world," he said, "but we need to get a handle on free trade agreements that send American jobs overseas."

Obama has some strange bedfellows on trade; one-time GOP candidate Ron Paul has gotten traction appealing to a broad sense that America needs to mind its own business with regard to sovereignty, trade deals and wars. Pat Buchanan has been the dissenting GOP voice on free trade for decades, and legions of left- and right-leaning independents want the U.S. to start giving as good as it gets in terms of trade policy. Even the most ardent global trade advocates agree that import/export imbalances and displacements that may have been absorbable during the eras of American economic boom times spell trouble in leaner, meaner times for individuals and companies who do not adapt.

Enter John McCain, 2008's unapologetic globalist. "Globalization creates opportunity," he has said. "We must reduce barriers to free trade."

His voting record on the issue — pro NAFTA, pro CAFTA down the line — reads like a shopping list for multi-national concerns. "Every time the U.S. went protectionist, we paid a heavy price," he said. That about sums up the Arizona senator's position.

"A lot of these jobs aren't coming back," he told a rally of supporters from Middle America.

One of Obama's most receptive audiences has been the Oregon Democratic Party. If his primary plurality is any indication, comparisons between him and McCain on free trade or anything else might be moot. Even some GOP strategists concede that whatever happens, the Beaver State will go big for Barack.

But for Oregon voters of all political stripes, there's a squeaky wheel on the Obama bandwagon.

Trade and economic experts have called the protectionist tone deemed politically expedient by Obama (and Clinton for that matter, who called for a "time-out" on trade deals) spurious, counterproductive and, at times, irresponsible. *Investor's Business Daily* spoke for an alarmed international marketplace when it editorialized in October 2007 that tinkering with existing free trade agreements would be disastrous "and would create the perception that a treaty with America is not really the gold standard anymore."

American Enterprise Institute (AEI) Resident Scholar and high-profile political analyst Michael Barone was reached for comment just as Hillary Clinton was suspending her campaign. "The Democrats this year were moved to take protectionist stands by the labor unions," says the *U.S. News & World Report* senior writer. "Yet almost half of union members are public employees whose jobs are not threatened by foreign competition."

Barone provided some historical perspective on Obama's position: "The last time a visibly more protectionist candidate was elected president was in 1928, when Herbert Hoover beat Al Smith. Hoover did increase trade barriers and raised taxes as well. We know how that turned out."

How would it turn out in 2008? Oregon is a net export state. Should any existing agreements be fundamentally altered or new agreements blocked, Oregon's economy would surely suffer.

By the numbers

Oregon's export economy is churning along in high gear and contributing billions to local economies.

Perusal of United States Census/Department of Commerce (DOC) statistics reveals that a healthy \$2.6 billion flowed into the state economy in 2007 from our top export products. Seven of the top 14 of the state's total exports are highly technical products very much tied to the global marketplace. Intel alone employs as many as 16,000 people in jobs directly generated by participation in international markets.

In second place on the list is wheat, a commodity that speaks to the wide-ranging breadth of Oregon exports and to the stake rural communities have in international trade. Huge percentages of Oregon-grown wheat are sold to countries such as China and India. Barley also shows in the top two dozen, generating \$114 million in 2007. Fertilizer and other crude materials sold to foreign markets tallied a whopping \$358 million that same year, and 2007 census data show that Oregon's miscellaneous grain, seed and fruit sold to China brought home \$74.8 million, a 34 percent of total exports share increase over 2006. Of that increase, \$56 million was soybeans, a new export to China from Oregon.

Though Oregon recently saw an 18 percent decline in sales to the China footwear market, such products yielded more than 113 million export dollars in 2007, down from \$137 million-plus in 2006.

Remember Oregon's wood products industry? Wood sales to China racked up an almost 15 percent of total exports increase between 2006 and 2007. We've moved into value-added secondary wood products such as paper, pulp, composites, veneers, and moldings, which totaled almost \$108 million in 2007 sales to China alone.

DOC census statistics show that Oregon's cereal sales internationally jumped from \$1.1 billion to \$1.7 billion dollars between 2005 and 2007.

For all the talk about outsourced manufacturing, Oregon heavyweights like Gunderson Inc., Freightliner and Precision Castparts Corp. generate billions in export dollars. Oregon saw a percentage share of total exports increase of more than 50 percent in the markets for aircraft and spacecraft, which includes parts and heavy-lift helicopters, another testament to the diversity of Oregon's for-export products. Oregon's net receipts from world plastic sales, for example, grew from \$87 million to \$118 million in three years.

The export pie is expanding, and Oregon's exports are following suit. Contrary to blaming current U.S. economic woes on globalization, many trade experts say that the health of the export market for Oregon — indeed the entire nation — depends upon *mitigating* the current economic downturn. Without these vibrant and expanding national export marketplaces things would be a lot worse.

Who are we hurting?

In the conference room of his offices at Portland's World Trade Center, Scott Goddin is far from the sound and fury of the ongoing election, and he is measured in his observations about the free trade hue and cry.

“Policy outcomes of protectionist pronouncements will be limited by the legislative process,” says the director of the Portland office of the U.S. Commerce Department's Export Assistance Center, “due to the fact that affected parties including Oregon and U.S. firms have created their global business structure models under existing trade agreements.”

Goddin, who earned his master's degree in international affairs from Georgetown University, explains two mechanisms which reflect the trade policy spectrum: Trade Promotion Authority (TPA) and Trade Adjustment Assistance (TAA). TPA is a procedure adopted by Congress at the request of President Richard Nixon in 1974 which allows for the consideration of trade agreements without amendment as long as the president adheres to certain timetables and other procedures. TAA is a program of adjustment assistance to workers and firms in industries that have suffered from competition with imports. Between these poles lie the challenges of implementing sound trade policy. "It's not about free trade," says Goddin, "but fair trade."

Goddin understands that certain trade practices, such as product dumping, ineffective labor or environmental laws, and domestic-centric tax structures are a concern inasmuch as they can lead to an unfair trade advantage for countries with no such constraints. Among the solutions the U.S. can incorporate into our trade agreements are "integrated labor and environmental standards and stronger protections for labor." Another measure to level the playing field, says Goddin, "is more effective international trade policy enforcement mechanisms, currently being sought through the U.S. government and the WTO."

Goddin advocates investment in workforce development, training programs, re-education, living-wage provisions, and the availability of affordable, portable healthcare as means to easing transitional suffering. "But when talk turns to reviewing and possibly changing successful trade agreements," he says, "we have to ask, 'Who are we hurting?'"

"The fix is not Oregon-centric," he stresses, "but we have the diversified and globalized agriculture and industrial base to enable us to contribute to a meaningful discussion."

He mentions Oregon's prominent congressional representation on the issue: Sens. Ron Wyden and Gordon Smith, who sit on the Senate Finance Committee, Subcommittee on Trade, and Congressman Earl Blumenauer, who sits on the House Ways and Means Committee, Subcommittee on Trade. Like McCain and Obama, two of Oregon's trade policy triumvirate, Smith and Blumenauer, will face the electoral gauntlet in November. Both are favored to keep those seats.

Goddin understands that the climate may be right for a dose of global trade fear-mongering, but he's not buying any of it. When the brutal 2007 layoffs at Roseburg's Dell Call Center come up, he's sympathetic, but says, "Even if the call centers don't come back, we have to ask, what new jobs we can bring in?"

Choose wisely

Goddin wasn't deliberately channeling John McCain with that statement, but the similarity in sentiments is inescapable. It is a message borne out by partisan and officially neutral trade experts alike: We can't turn our backs on global trade opportunities.

"Democrat candidates in recent history have talked up trade policy nationalism in primary campaigns and then swung back to a more internationalist line after they were elected," says

international trade expert and AEI Resident Scholar Claude Barfield, whose comments came just as McCain and new nominee Obama engaged in an economic dust-up. Barfield remembered how Bill Clinton criticized Bush 41 on NAFTA, then worked to get it passed, and later signed it. “Obama has painted himself into a narrower corner with his protectionist stance, and it may be harder for him to pivot for the general election,” says Barfield.

“It’s interesting,” he continues, “that while Democrats have accused Bush 43 of acting unilaterally on Iraq, a protectionist unilateralism is just what Barack Obama is threatening.”

Closer to home, Tammy Dennee of the Oregon Wheat Growers Association weighed in with definitive stats that show 85-90 percent of Oregon wheat is destined for export each year. Wheat is the number one bulk crop shipped from the Port of Portland. Japan, Thailand and the Philippines, among other countries, depend on Pacific Northwest wheat.

“The numbers speak for themselves,” says Dennee.

“Nothing happens in a vacuum,” says Pacific Northwest International Trade Association Executive Director Doug Badger. “Whether the U.S. decides to sit out the Doha Round or suspend negotiating bilateral trade agreements, the rest of the world will go on without us.

“Not negotiating further market access agreements would particularly hurt the Northwest, which is the gateway to Asia,” says Badger, a Portland-based consultant who also sits on the Export Council of Oregon.

The chorus against de-liberalized trade concluded with Philip Levy, Claude Barfield’s trade policy colleague at AEI. “Blocking the Colombia and South Korea free trade agreements and stirring up resentment of NAFTA will do nothing to bring jobs back to Michigan or Ohio,” says the Stanford University Ph.D. in economics. “Some of Senator Obama’s proposals, such as the Patriot Tax plan, would directly undercut the kind of international investment that supports American exports.”

Levy flatly countered the notion of tweaking our trade agreements, saying, “The United States has attracted investment from around the world in part because of its policy of open engagement. Shaking these pillars of the U.S. economy could threaten real harm.”

Perhaps nowhere would that economic shaking cause more harm than here, where day in and day out the ships leave port with Oregon products aboard.