

Interview: The Man In Charge Of The House Trade Working Group, Rep. Michael Michaud

The House Trade Working Group is gearing up to confront the "free-trade" agenda that has been the dominant policy of the United States for the past 60 years. The organization sent a letter signed by 54 members to President Obama in March, outlining a new trade agenda for the country. They note that President Obama as a candidate proposed a sweeping trade reform agenda, stating that current trade policies "are not sustainable if they favor the few rather than the

many," and now they want to hold him to it.

The House Trade Working Group is headed by Rep. Michael Michaud (D-Maine), who has become a hero among those in the "fair trade" community. *Manufacturing & Technology News* editor Richard McCormack spoke with Michaud about how the House Trade Working Group will proceed in the coming year and the obstacles to achieving a new trade policy. Here is what he had to say:

Q: Will trade policy be discussed in this session of Congress?

Michaud: Absolutely. There definitely will be a lot of discussion in the upcoming year. Hopefully we'll be able to have an honest and open discussion. There are those who will vote for any trade deal that comes along, good or bad. One of our colleagues, Congressman Henry Cuellar [D-Texas], has decided to establish a pro-trade caucus. Well, we are all in favor of trade. It's just what are the rules of trade going to be? That is one of the reasons I established the House Trade Working Group, which is to make sure that we have a say on what is a good trade model.

Q: Is there growing interest in the Trade Working Group?

Michaud: Yes, it has grown. We have other caucuses that have been established since then to deal with trade issues. Bruce Braley [D-Iowa] has created the Populist Caucus. Their philosophy and thinking are about the same as the House Trade Working Group. We will be working very closely with them. If you look at the letter that we sent to President Obama with 54 members of the House signing the letter, it is a very diverse group that includes six [committee] chairs, 17 subcommittee chairs, Blue Dog members, New Democrats, members of the Hispanic Caucus, the Black Caucus, the Populist Caucus and the Progressive Caucus. It sends a strong message that we have a diverse group of the Democratic Caucus that wants to look at trade and globalization issues in a different light.

Q: Doesn't this require a Herculean effort because of the long-term financial and lobbying strength of the opposing forces that favor outsourcing and the protection of investments that have made overseas?

Michaud: It is definitely an uphill battle because no one wants to be portrayed as being anti business. But there are a lot of businesses that are very supportive of what we are doing in the House Trade Working Group: the United States Business and Industry Council, the American Manufacturing Trade Action Coalition, and individual companies such as steel companies. But you have the large multinational corporations that are in favor of any trade deal that comes along because they have operations overseas in India and China. To be quite frank, they contribute a lot of money not only to

the Republican Party but to the Democratic Party. All you have to do is look at the campaign reports for a lot of Democrats and you can see the money they get from a lot of these large multinational corporations. It is not necessarily in the best interest of the United States.

Q: Given the political appointments made so far by President Obama, there are not many people in his administration who agree with you.

Michaud: I have a concern with individuals that he has appointed around him such as Ron Kirk, the U.S. Trade Representative and others.

Q: Would you have voted to confirm Kirk as USTR?

Michaud: No, I would not have.

Q: Why?

Michaud: I had a brief conversation with Kirk and he definitely is a free trader. He talked about how trade has helped his city [when he was mayor of Dallas] and I think it's very important that we have someone in that position who is for trade but is willing to look at it openly. Unfortunately, I don't think he will look at it in an open and fair manner. I could be wrong. If you look at his comments during the Senate Finance Committee [confirmation hearing], he delivered them in such a way that you could read anything into them.

Q: That was a strange hearing. The only thing committee chairman Max Baucus [D-Mont.] wanted to do was to end the hearing. Trade is one of the most important economic issues facing the United States, yet Baucus from Montana and [ranking Republican member] Chuck Grassley from Iowa only asked about cattle and agriculture and the need to get out of hearing room for a vote. It was obvious that the Senate does not want to have a discussion about trade.

Michaud: Kirk talked about his first order of business, which is to have strong enforcement, but at the same time we hear that the President wants to move on the Panama trade deal. I would be very hesitant to move on any trade deal that was negotiated by the Bush administration.

Q: Obama has repeatedly used the word "protectionist" and backed away on the Buy American

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language in the stimulus bill, despite his campaign rhetoric. One member of the “fair trade” community said that the country would have been better off had McCain been elected because that would have galvanized the fair trade community in Congress against the free-trade policies that Obama is now embracing. What do you think about that?

Michaud: President Obama said all the right things on the campaign trail about renegotiating NAFTA, Buy America, being against the Columbia trade deal, enforcement and doing away with the tax haven. Now is the time for him to deliver on the campaign promises that he made. The American people voted for the president because of his message of change. If he goes back on that message of change he could very well be a one-term president.

Q: If you are “pro American” when it comes to economic and trade policy, you are considered to be a “protectionist” and are treated as if you are a Dixie Chick. Which pejorative do you like better to describe yourself, a “protectionist” or “pessimistic populist”?

Michaud: I definitely am pro American, but I am also pragmatic. When you look at these trade deals, they are not fair not only to the United States, but to the countries involved. Janet Reno under President Clinton campaigned for NAFTA. Her whole focus was that Congress had to pass NAFTA because it would solve — solve — two-thirds of our illegal immigration problem by raising the standard of living for everyone involved. She said that illegal immigrants coming over to the United States from Mexico would no longer have to come over here illegally because they would have good-paying jobs in Mexico. But because of the large subsidies in the agricultural area, NAFTA was detrimental to Mexico. More than 1.3-million workers were no longer working on farms. It made our illegal immigration problem worse, not better.

If you look at America’s huge trade deficit on top of its budgetary deficit, if we’re going to get out of this downward economic spiral, we can’t tax our way out of it. One of the few ways we can get out of it is to make sure we have a vibrant manufacturing base here in the United States, which means we have to look at trade.

Q: Is there a legislative vehicle to do this?

Michaud: I will reintroduce in this session — with some changes — the Trade Act, which lays out what a good trade model will look like. We will also have the comptroller general conduct a review of all the existing trade deals and analyze the economic impact they have had on workers here in the United States and determine if they are consistent with our new trade policy. If they’re not, then we will require the president to renegotiate them: NAFTA, CAFIA and the WTO.

Q: For well more than a century, duties funded virtually all of the operations of the federal government. Now that the United States is facing massive budget shortfalls, is there any chance the

United States could raise duties in order to raise revenue? Or would there be too much opposition from people who will say that duties are a tax increase on the poor people who shop at Wal-Mart and who would be hit the hardest?

Michaud: The bottom line is the people are losing jobs left and right and they’re not going to be shopping. Wherever they will be shopping, they will be shopping with food stamps.

You also have to consider the national security issues. There is a good book out there by Pat Choate, *Dangerous Business*, that talks about our national security issues and the risks of globalization for America. The book describes how China bought a GM subsidiary that made components we need for our military. Once they bought the company, they closed it down and moved it to China. Then they bought four or five other companies that made the same type of components, closed them down and now everything is in China. These are components we need for our military that we have to buy from China.

We have to get our head out of the sand and focus on these issues and stop taking for granted that whatever the free traders want is best for this country. Quite frankly, if you look at the makeup of the companies that are in support of any trade deal that comes along, you have to look at the makeup of those companies and whether or not China owns a big portion of the corporations that we’re dealing with. I can’t reiterate enough that I’m for trade, that we have to have trade, but it has to be fair trade. I feel confident that we can move forward on fair trade deals if the president follows what he said during the campaign.

Q: Do you feel that because of the need to borrow money for the massive \$800-billion stimulus bill and the trillions needed to cover the failure of the U.S. financial sector that the geo-political equation has changed — that China is our primary banker and holds America’s fate in its hands?

Michaud: Oh, yeah. China has a huge influence on what the United States does. The fact that Secretary [of State Hillary] Clinton went over there encouraging them to buy more of our debt said something — that China is actually really concerned. They need us because they are selling everything over here. We have to be cognizant of the fact that we will be making decisions based on whatever China wants the United States to do. They are pretty much going to control how we operate as a nation.

Q: So will a currency manipulation bill be considered in this session of Congress?

Michaud: A lot of members of Congress are talking about it. Candidate Obama talked about it when he was running for president. But if China doesn’t want the United States to do anything, then it’s going to be very difficult for the United States to say we are going to get tough with China since they own so much of our debt. We can talk a little tough to them, but it doesn’t mean much because they are financing pretty much everything we do nowadays.

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Q: I have been writing for years about currency manipulation and in looking back at my coverage I see that one of the reasons given a few years ago for the "let's talk about it" approach with China was there was fear that China's banking system was fragile and could fail if the United States forced China to float its currency. Little did any of our government economic policymakers realize that China's manipulation of its currency was going to be one of the reasons the American banking system would fail. The whole thing blew up in everybody's face.

Michaud: China does very well manipulating the United States and everybody else. That is how they got into the WTO. They are continually doing that today.

Q: What is motivating you?

Michaud: I have seen way too many families and communities destroyed because of trade deals. When I hear my colleagues on both side of the aisle who are in favor of trade argue that we will pass Trade Adjustment Assistance so workers can get retooled and do better for themselves the problem is this: what jobs are going to be available for them? At one point in time there was a lot of talk about technology being the wave of the future, but those jobs are also going overseas to India and China. I also have a very big concern about national security issues. Having a strong manufacturing base here in the United States is what made this country strong. We are losing that manufacturing base because elected officials are so short-sighted or unwilling to get into the details of what is happening. Quite frankly, I doubt if very many members sit down and read these trade deals. They take only what is told to them. Then you have reporters editorializing about trade deals who claim to be experts on trade issues and they admit they haven't even read any of these agreements. That's the problem.

Q: Why haven't the Democrats put trade on the legislative agenda? Is it because the Ways and Means Committee members have been bought off by big money from big companies?

Michaud: All of these bills are tied up in the Ways and Means Committee and it's very unfortunate. When Speaker [Nancy] Pelosi [D-Calif.] and [House Majority Leader] Steny Hoyer [D-Md.] were lobbying me on the automobile bailout package, I told them my concern about addressing the fundamental problem of why the automobile industry is in the situation it is today, which is value added taxes [that are being levied by foreign nations on U.S. automobiles]. They both agreed that it would be addressed. I haven't seen any further discussion of that issue since the automobile bailout. The value added tax impacts about \$400 billion a year in U.S. exports. How is that fair? It is not fair.

Q: You can make these arguments. They all sound logical, but they don't go anywhere.

Michaud: The good news is if you look at the 2006 election cycle, we had a freshman class here in Congress that ran on fair trade and changing the rules of how

trade is negotiated. When it came to vote on the Peru trade deal 73 percent of the freshman class voted against the Peru trade deal. The majority of the new freshman class [of 2008] campaigned on fair trade during the last election cycle. Hopefully, we'll be able to start moving forward to make sure we get fair trade deals.

Q: How is trade impacting your district?

Michaud: It has devastated my district. Ever since NAFTA came along we have lost over 23 percent of our manufacturing base alone in Maine that is all trade related. They have all been able to get Trade Adjustment Assistance, but the bottom line is the jobs just aren't there. When Great Northern Paper Co., the mill where I worked, filed bankruptcy, we were able to get Trade Adjustment Assistance. But we had a lot of other businesses in the region that were hurt dramatically because they had to close. On the community side, the senior class at Schenck High School [in East Millinocket, Maine] did not know whether they would be able to graduate because the mill paid 80 percent of the tax base in that municipality. When you lose that tax base, it affects everything.

Grant \$ Available At DOE, NIST

The Department of Energy is seeking proposals for an \$84-million grant program for research into geothermal energy to heat buildings and generate electricity. The agency's "Enhanced Geothermal Systems" program will fund component R&D and support new demonstration projects. It expects to make between 29 and 30 awards for a total of \$35 million for engineering management and utilization of geothermal energy. Another aspect of the program will spend \$49 million on five to 10 demonstration projects that produce at least five MWe of electricity per year per project. Information on the program is located at <http://www.grants.gov>, and typing "geothermal" into the search box.

The Technology Innovation Program at the National Institute of Standards and Technology has opened competitions for research into advanced materials in manufacturing, and civil infrastructure. The agency has \$15 million for 25 new R&D projects in technologies for nanomaterials, composites, superalloys, alloys and smart materials. The program is seeking proposals for "new technologies for predictive modeling to enable improved material properties and better process design tools; and for improved methods to scale up advanced materials production from laboratory processes and to integrate advanced materials into products."

Another \$10 million is allocated for projects involving civil infrastructure, sensor and sensor-network technologies for non-destructive testing and monitoring of major infrastructure components. The agency will award funds to develop technologies that "do a better job repairing and upgrading existing structures." Information is located at http://www.nist.gov/public_affairs/releases/20090326_tip_2009_comp_announce.htm.