



THE INTERNATIONAL  
ECONOMY

THE MAGAZINE OF  
INTERNATIONAL ECONOMIC POLICY

888 16th Street, N.W., Suite 740

Washington, D.C. 20006

Phone: 202-861-0791 • Fax: 202-861-0790

www.international-economy.com

# Meet BY FRED BARNES America's *Trade Czar*

*Bill Thomas, the House  
of Representatives'  
tax chief, has a  
surprising new role.*

**R**ob Portman, a former member of the House of Representatives from Ohio, is the Bush Administration's chief trade negotiator. His influence is enhanced by his longstanding friendship with President Bush. Portman's predecessor as Special Trade Representative, Robert Zoellick, was promoted to deputy Secretary of State in Bush's second term, handpicked for the job by Secretary of State Condoleezza Rice. In his new position, Zoellick carries considerable weight on trade issues.

But there's a new player on trade in Washington these days at least as important as Portman or Zoellick. It's Chairman Bill Thomas (R-CA) of the House Ways and Means Committee. Those in his position in Congress normally concentrate on domestic tax issues, slashing or raising rates depending on who controls Congress. Thomas has a broader agenda, and trade—in his case, free trade—is a major part of it. He has become a self-made trade czar. And for now, he is the last hope for staving off the total collapse of the free trade consensus in Congress that has endured since World War II.

When delegations from countries eager to forge trade pacts with the United States come to Washington, Thomas is the man they clamor to see. Some are steered to him by the trade representative, others come on their own. In recent months, he's talked to groups from South Korea, Saudi Arabia, and the Gulf states, among others. On congressional trips overseas, he's made a point of visiting coun-

---

*Fred Barnes is Executive Editor of the Weekly Standard.*

tries in the Middle East to discuss a possible free trade treaty with as many as eight of them. He wants to “assist the president in moving toward a Middle East free trade structure,” Thomas said in an interview.

On trade agreements, Thomas plays a huge, yet still growing, role. “He writes the implementing language,” said Republican Rep. Paul Ryan of Wisconsin, a member of Thomas’s committee. “He writes the side agreements. He knows every little fact and facet of trade talks and trade policy. He knows more about trade than anybody in the federal government.” And he is ready to use his power to block protectionist measures and spur free trade pacts.

Thomas, along with the president, was responsible for pushing the Central American Free Trade Agreement (CAFTA) through the House in July by two votes. (It had previously cleared the Senate by nine votes.) That relatively insignificant treaty created a free trade zone involving Honduras, Nicaragua, Costa Rica, Guatemala, El Salvador, Dominican Republic, and the United States. More important, though, is Thomas’s role in trade with China and on global trade deals. He is adamantly opposed to tariff restrictions on Chinese goods. In particular, Thomas stands as a formidable barrier to enactment of the popular proposal by Democratic Senator Charles Schumer of New York to slap a 27 percent tariff on exports from China unless the Chinese rescind their policy of pegging their currency to the dollar and let the yuan float.

Thomas told me China is a trade “menace” only if one regards “really good products well made and cheap as a menace. Most consumers don’t.” The Schumer bill, he said, is pure “China bashing,” thus not a serious initiative. On the other hand, China has “signed up for the WTO”—the World Trade Organization—and needs to be held responsible for making its trade behavior meet the WTO rules. And the United States, Thomas said, should be in a position to say “atta boy” when China adopts changes to justify WTO membership.

The emergence of Thomas as an important trade figure comes at an unusual time. The American economy is robust, with nearly 4 percent growth, minimal inflation, low interest rates, and declining unemployment. Yet protectionist sentiment is rising, especially among Democratic members of Congress. Much of this sentiment has been focused on China with its large trade surplus with the United States. “A lot of members want a more pro-active [Bush] Administration on trade with China,” said Rep. Tom Reynolds (NY), a member of the Republican leadership.

What they want, they won’t get from Thomas. He may be the most deeply committed free trader in Washington. When a group of Republicans led by Rep. Phil English of Pennsylvania sought to vote on an anti-

## Will the Real Trade Czar Please Stand Up?



**U.S. Trade  
Representative Rob  
Portman**



**Ways and Means  
Committee Chairman  
Bill Thomas**

**Rob Portman**, a former member of the House of Representatives from Ohio, is the Bush Administration’s chief trade negotiator. His influence is enhanced by his longstanding friendship with President Bush.

*But there’s a new player on trade in Washington these days—Chairman **Bill Thomas** (CA) of the House Ways and Means Committee. When delegations from countries eager to forge trade pacts with the United States come to Washington, Thomas is the man they clamor to see. Some are steered to him by the trade representative, others come on their own. In recent months, he’s talked to groups from South Korea, Saudi Arabia, and the Gulf states, among others. On congressional trips overseas, he’s made a point of visiting countries in the Middle East to discuss a possible free trade treaty with as many as eight of them. On trade agreements, Thomas plays a huge, yet still growing, role.*

—F. Barnes

China bill before taking up CAFTA, Thomas barred them. It wasn’t until a half-dozen Republicans threatened to vote against CAFTA that he agreed to bring up their legislation. As it turned out, it was mild stuff, merely requiring officials to track Chinese commerce to see if China is abiding by its trade obligations. “It’s the old Republican adage, trust but verify,” Thomas said.

And CAFTA passed, but just barely. Majority Leader Bill Frist of Tennessee had expected the treaty to be ratified

*Continued on page 37*

*Continued from page 7*

in the Senate with at least 58 votes. It got only 54 and Majority Whip Mitch McConnell of Kentucky said it took a major lobbying effort to get that many. In the House, the struggle for ratification of CAFTA was even more difficult, mainly because many Democrats call themselves free traders but voted against the treaty. Only fifteen (of 202) Democrats voted for it.

Thomas is disdainful of Democrats, particularly of those who claim to favor free trade. The drop in Democratic support for trade agreements has been both extraordinary and rapid. In 1993, with Democrat Bill Clinton in the White House, 102 Democrats in the House voted for the North American Free Trade Agreement. It passed easily. But only 73 Democrats went along with Clinton in 2000 when he sought to normalize trade relations with China. And when Bush asked for “fast track” authority to speed trade deals through Congress without an endless stream of amendments, only 25 Democrats voted yes.

Some Republicans, too, have lost their free trade zeal. On CAFTA, 27 voted no and the treaty passed only after two Republicans were persuaded to change their votes from nay to aye. When Democrats and Republicans are added together, there is a near-majority against free trade in Congress. One reason for this, Thomas said, is that when claims for free trade agreements are not met and opponents point this out, “you get a little bit of trade fatigue settling in.”

In California, however, there’s another explanation, Thomas said. First elected in 1978, he represents a Southern California district centered around Bakersfield. Because his and California’s other 52 House seats in Congress were drawn after the 2000 Census to be safe for one party or the other, members only have to worry

Of Bill Thomas: “He writes the implementing language,” said Republican Rep. **Paul Ryan** [right] of Wisconsin, a member of Thomas’s committee. “He writes the side agreements. He knows every little fact and facet of trade talks and trade policy. He knows more about trade than anybody in the federal government.”

—F. Barnes



about challenges in their party primary election. Thomas said this has affected three Democratic House members—Zoe Lofgren, Anna Eschoo, and Ellen Tauscher—who used to favor free trade. “Now they have to worry about labor union opposition in the primary,” he noted. All three voted against CAFTA.

Next on Thomas’s agenda are MEFTA—the Middle East Free Trade Area initiative—and the Andean Free Trade Agreement. These are currently being negotiated and Thomas has traveled to both regions to push the talks along. MEFTA would include Egypt, Saudi Arabia, Jordan, Tunisia, and the Gulf States. “We’re doing it on a bilateral basis, country by country,” he said. The same is true for the Andean agreement, which would include Peru, Ecuador, and Colombia. The future of these trade deals is unclear, but their chances of being successfully negotiated and ratified are vastly improved by the fact of Thomas’s strong, personal support.

Thomas, 64, is an independent figure, subservient to neither Republican leaders in the House nor the president. He is smart, tough, and abrasive. He often puts together legislation without informing other Ways and Means members what he’s doing. He has a reputation for trampling on those who disagree with him. In 2003, Treasury Secretary John Snow and then-White House economic adviser Stephen Friedman insisted the tax bill should phase out the tax on stock dividends over three years. Thomas preferred to trim it to 15 percent. He dominated the talks at the White House on the bill and won on the divided tax. So, too, has he dominated his Senate counterpart, Chairman Charles Grassley (IA) of the Finance Committee.

Thomas’s biggest test before he must step down as Ways and Means chairman at the end of 2006 will come if there is an economic downturn. The drive for protectionism in Congress will then be intense. China will no doubt be the target. And many Republicans will join the protectionist camp. Thomas will stand in their way unflinchingly. The smart bet is that he will prevail. ♦

---

*The Schumer bill, Thomas said,*

*is pure “China bashing,”*

*thus not a serious initiative.*

---