



# ROB PORTMAN'S TRACK RECORD ON TRADE AND HIS SUDDEN SHIFT ON TPP

INNOVATION  
**OHIO**

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April 2016

**14 TRADE-RELATED DEALS,  
OVER 400,000  
OHIO JOBS LOST**



## PORTMAN'S TRACK RECORD ON TRADE

Rob Portman has supported every trade-related deal that has come across his desk. **Not one of those deals addressed the harmful practice of currency manipulation, even with countries that are known currency manipulators.** Now, Portman claims to oppose the Trans-Pacific Partnership based on its lack of currency manipulation practices.

- The infographic displays 14 trade agreements, each in a colored box with a number, title, and status. The boxes are arranged in a grid-like fashion. The colors of the boxes are: 1 (dark blue), 2 (dark blue), 3 (dark blue), 4 (orange), 5 (dark blue), 6 (dark blue), 7 (dark blue), 8 (dark blue), 9 (dark blue), 10 (dark blue), 11 (dark blue), 12 (orange), 13 (dark blue), 14 (dark blue). The status is indicated by a green box with 'VOTED YES' or 'OVERSAW CONGRESSIONAL PASSAGE AS USTR' or 'OVERSAW NEGOTIATIONS AS USTR'.

Number	Trade Agreement	Status
1	NORTH AMERICAN FREE TRADE AGREEMENT	VOTED YES
2	CHINA PERMANENT MOST FAVORED NATION STATUS	VOTED YES
3	JORDAN-U.S. FREE TRADE AGREEMENT	VOTED YES
4	SINGAPORE-U.S. FREE TRADE AGREEMENT	VOTED YES
5	CHILE-U.S. FREE TRADE AGREEMENT	VOTED YES
6	AUSTRALIA-U.S. FREE TRADE AGREEMENT	VOTED YES
7	MOROCCO-U.S. FREE TRADE AGREEMENT	VOTED YES
8	BAHRAIN-U.S. FREE TRADE AGREEMENT	OVERSAW CONGRESSIONAL PASSAGE AS USTR
9	OMAN-U.S. FREE TRADE AGREEMENT	OVERSAW NEGOTIATIONS AS USTR
10	PERU TRADE PROMOTION AGREEMENT	OVERSAW NEGOTIATIONS AS USTR
11	CAFTA-DR FREE TRADE AGREEMENT	OVERSAW CONGRESSIONAL PASSAGE AS USTR
12	SOUTH KOREA	OVERSAW INITIAL TALKS AS USTR, VOTED YES
13	PANAMA	OVERSAW NEGOTIATIONS AS USTR, VOTED YES
14	COLOMBIA	OVERSAW NEGOTIATIONS AS USTR, VOTED YES

## TRADE PROMOTION AUTHORITY ("FAST TRACK") FOR TPP

**VOTED  
YES**

## TRANS-PACIFIC PARTNERSHIP

Portman claims to oppose TPP based on the lack of protection against currency manipulations.

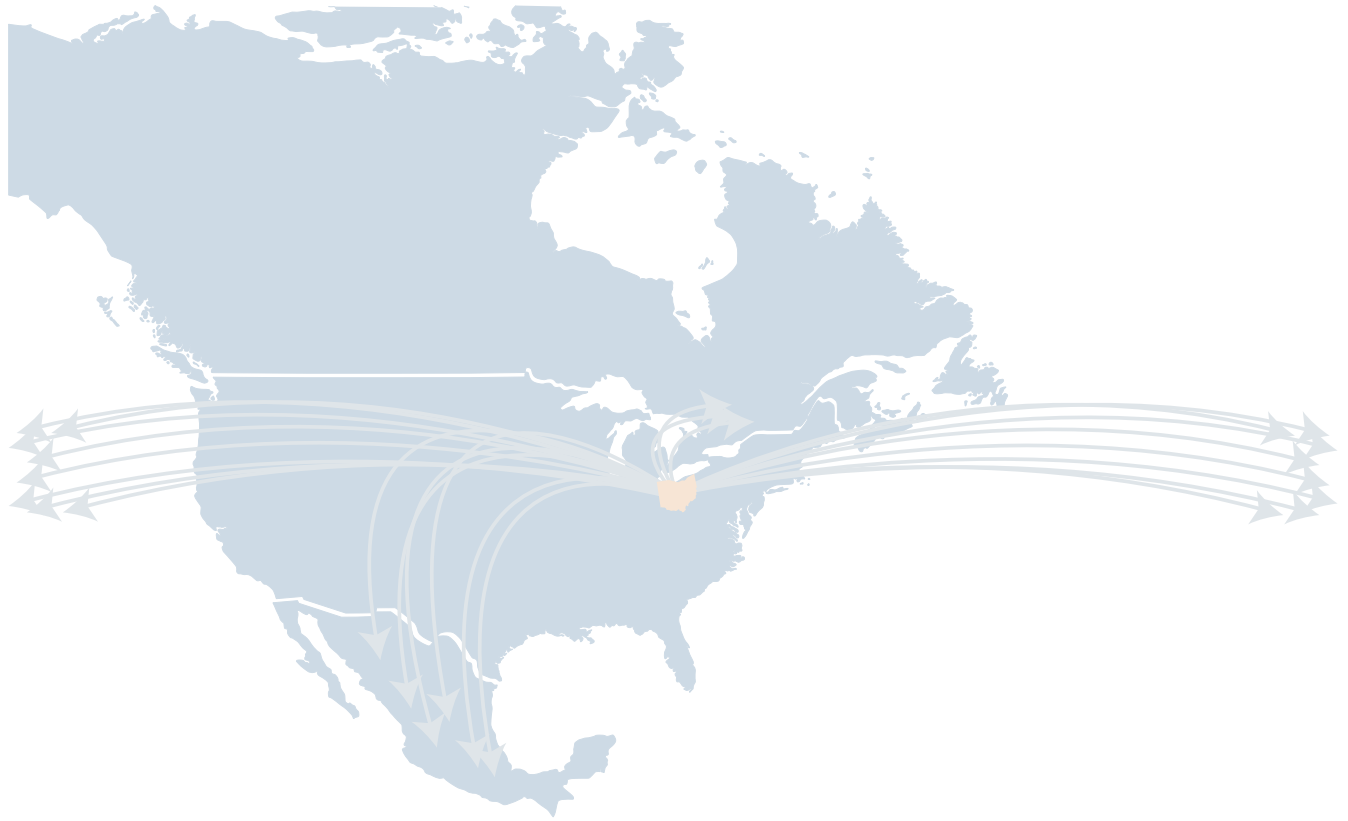
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★ 2016 ★  
**ELECTION**  
Y ★ E ★ A ★ R ★

 Deal with known currency manipulator

*Note:* The vote on TPP is not expected until after the election.

**GIVEN HIS TRACK RECORD ON TRADE,  
CAN WE REALLY TRUST THAT SENATOR PORTMAN WILL VOTE WITH  
OHIO WORKERS AND OPPOSE TPP?**



## INNOVATION OHIO ANALYSIS:

# ROB PORTMAN'S TRACK RECORD ON TRADE AND HIS SUDDEN SHIFT ON TPP

Recently, Rob Portman announced his opposition to the pending 12-nation free trade agreement known as the Trans-Pacific Partnership (TPP). This position comes after Portman voted to “Fast Track” negotiations by the Obama administration in pursuit of the deal. The 12-nation free trade deal is the latest in a series of U.S. trade pacts, beginning with NAFTA in 1994, to be embraced by Presidents of both parties. TPP brings together nations on both sides of the Pacific that represent 40 percent of the world’s economy. Proponents of the deal see it as an opportunity to gain access to the lucrative Japanese market, where tariffs make U.S. imports uncompetitive in many product categories. The deal would also update aspects of the NAFTA agreement, as both partners to that pact – Canada and Mexico – are part of the TPP bloc.

**But TPP has opponents, including, these days, Senator Portman.**

One of the key reasons Portman gives for opposing TPP is the deal’s failure to address currency manipulation, the practice by which certain nations purchase foreign denominated currency to distort the value of their home currencies, creating advantages in international trade.

**Given Senator Portman’s long record of supporting – and in some cases, overseeing the implementation of – global trade deals that contained no meaningful protections against currency manipulation, his current position requires further examination.**

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# PORTMAN HAS SUPPORTED EVERY TRADE DEAL THAT HAS COME ACROSS HIS DESK

Rob Portman's new-found opposition to TPP is sharply inconsistent with his past support for 14 different U.S. trade-related deals that did not include protections against currency manipulation.

As a member of Congress, Portman voted for every major trade deal that came forward, including the North American Free Trade Agreement (NAFTA). He also voted to grant permanent *Most Favored Nation* status to China, the necessary precursor to its entry into the World Trade Organization (WTO). As a member of Congress in 1993, Portman voted for NAFTA, which liberalized trade with Mexico and Canada. That vote came despite warnings of its potential impact on Ohio's manufacturing job base. Two of Ohio's nine Republican House members opposed the bill.<sup>1</sup> NAFTA is the framework on which future trading agreements are based. Since its passage, the U.S. has enacted free trade agreements with seventeen other nations, most of them with similar terms.

**“No single Ohioan has had more influence or involvement on trade deals that have shipped jobs overseas than U.S. Senator Rob Portman.”**

Keary McCarthy  
Innovation Ohio

Portman's trade-friendly positions and closeness with the Bush family won him the appointment as U.S. Trade Representative (USTR) in the administration of George W. Bush, where he oversaw further expansion of global trade on behalf of the President. In that role, Portman facilitated trade negotiations with Bahrain, China, Columbia, Ecuador, Peru and Russia and worked to get the CAFTA-DR agreement passed by Congress.

As U.S. Trade Representative in 2005, he told Congress that currency manipulation was better addressed through the Treasury Department, and should not be a part of trade negotiations. Later, both in his role as U.S. Trade Representative and then as Senator, Portman spent considerable effort doing what amounts to damage control, seeking remedies to address the lack of protections against currency manipulation in place in the country's existing free trade agreements.

Since joining the Senate, Portman has voted in favor of three more trade deals: with Colombia, Panama and South Korea, and voted to give the President fast-track negotiating authority on the upcoming TPP agreement, **none of which contained any protections against currency manipulation.**

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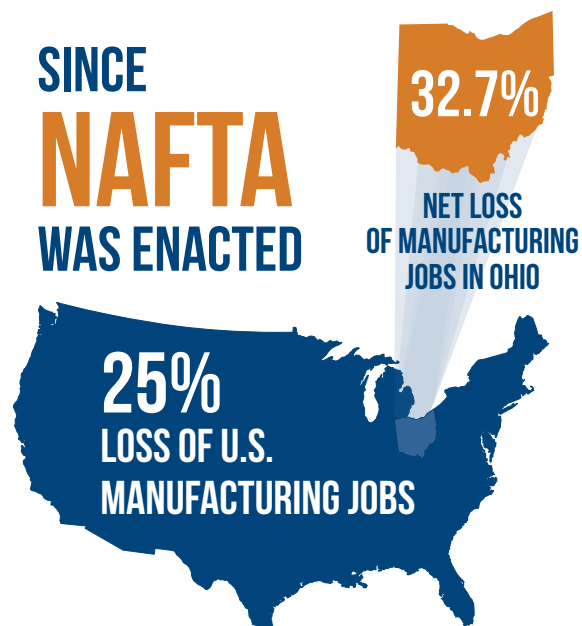
<sup>1</sup> H.R. 3450 (103rd): North American Free Trade Agreement Implementation Act. GovTrack House Vote #575 in 1993. November 17, 1993. <https://www.govtrack.us/congress/votes/103-1993/h575>.

# ECONOMIC IMPACTS OF PORTMAN'S SUPPORT FOR PAST TRADE DEALS

Global free trade agreements have led to increased trade deficits, lost jobs and growing income inequality. As expected, NAFTA led to an increase in trading between the U.S., Mexico and Canada, but **imports from Mexico have far outpaced the expansion of U.S. exports, leading to a growing trade imbalance.** The trade deficit in the top 10 products that Ohio exports to Mexico and Canada has nearly quintupled in the last 17 years, rising 476 percent.<sup>2</sup> When the amount of goods being imported significantly exceeds the amount of goods being exported, domestic manufacturing jobs suffer. That's because these jobs are being shifted to other countries where the goods that the U.S. is importing are being produced.

The U.S. trade deficit with Mexico across all product categories was \$61 billion in 2015, but the picture is even worse for Ohio's top exports. Among just the top 10 product categories exported overseas from Ohio, the U.S. trade deficit with Mexico is \$65 billion. Ohio's economy is greatly reliant on the production of goods that are under threat from global imports.<sup>3</sup>

The Economic Policy Institute (EPI) estimates that nearly 1 million jobs were lost as a result of NAFTA in its first 10 years,<sup>4</sup> including 700,000 as a result of trade with Mexico alone.<sup>5</sup> In total, over **2.9 million U.S. workers, including approximately 150,000 Ohioans, have been declared eligible for assistance under Trade Adjustment Authority as a result of trade related job displacements.**<sup>6</sup> There is no denying that **one in four of the nation's manufacturing jobs have been eliminated since 1994.** In Ohio, taking into consideration both the jobs created by increased exports and lost because of imports, **the state has lost 323,308 manufacturing jobs (or 32.7 percent) since NAFTA.**<sup>7</sup>



## OHIO JOB LOSSES

**323,308** DUE TO NAFTA  
**+ 106,400** DUE TO CHINA'S ENTRY INTO THE WTO  
**429,708** OHIO JOBS LOST

NOT TO MENTION THE 12 OTHER TRADE-RELATED DEALS THAT ROB PORTMAN HAS SUPPORTED

THE TRADE DEFICIT IN  
**THE TOP 10 OHIO EXPORTS**  
TO CANADA AND MEXICO

**↑ 476%**  
 IN THE LAST 17 YEARS

<sup>2</sup> "Ohio: Lost Jobs, Surging Deficits, Rising Inequality under 'Free Trade' Deals." Public Citizen Ohio TPP Brief. Accessed March 4, 2016. <http://www.citizen.org/documents/OH.pdf>.

<sup>3</sup> International Trade Center. "Trade Map." 2015. <http://www.trademap.org/Index.aspx>.

<sup>4</sup> Scott, Robert E., Carlos Salas, Bruce Campbell, and Jeff Faux. "Revisiting NAFTA Still Not Working for American Workers." Economic Policy Institute Briefing Paper #173. September 28, 2006. <http://www.epi.org/files/page/-/old/briefingpapers/173/bp173.pdf>.

<sup>5</sup> Scott, Robert E. "Heading South U.S.-Mexico Trade and Job Displacement after NAFTA." Economic Policy Institute Briefing Paper #308. May 3, 2011. <http://www.epi.org/files/page/-/BriefingPaper308.pdf>

<sup>6</sup> Trade Act Program: Data on Petitions. United States Department of Labor Employment and Training Administration. Accessed March 4, 2016. [https://www.doleta.gov/tradeact/taa\\_reports/petitions.cfm](https://www.doleta.gov/tradeact/taa_reports/petitions.cfm).

<sup>7</sup> "Ryan, Colleagues Dispute Administration Trade Data." Business Journal Daily. March 20, 2015.

But NAFTA is not the sole culprit in the loss of Ohio's manufacturing base. In addition to NAFTA, the U.S. has seen production shift from North America to lower-wage countries like China, who joined the World Trade Organization in 2001 with the support of Rob Portman. **EPI estimates that 106,400 Ohio jobs were lost as a result of trade with China from the time after it joined the World Trade Organization in 2001 until 2013.**<sup>8</sup>

NAFTA became the framework for all future free trade agreements – enabling U.S. companies to invest capital in overseas production facilities where labor is cheaper and environmental and labor regulations are less stringent. As a result, workers in the U.S. were often forced to choose between wage concessions or see their jobs offshored. Over this time period, U.S. worker productivity growth has far outpaced wage growth.

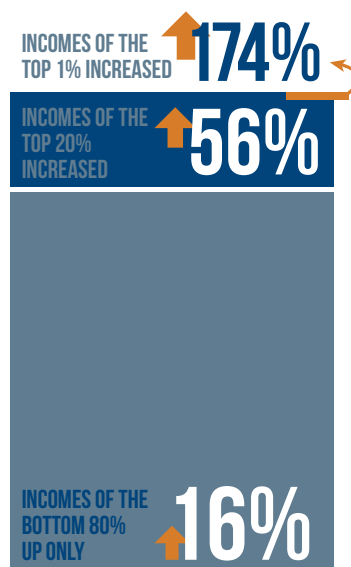
Growing trade deficits also result in wage suppression. EPI found that jobs in industries that compete with Mexican exports actually paid 14% more than export jobs. So, as the U.S. began to import more, even as employment shifted from production of goods that are now imported to goods destined for exports, the net effect has been an overall shrinking of wages. Indeed, government data shows that three of every five manufacturing workers displaced by international trade were rehired into lower-paying jobs.<sup>9</sup>

Wage stagnation since the time of NAFTA has only worsened income inequality in the U.S. According to the Congressional Budget Office, incomes of the bottom four-fifths of households grew by just 16 percent from 1979 to 2011, compared to 56 percent for the top one-fifth. Among those in the top one percent, incomes grew by 174 percent over the same period.<sup>10</sup>

Many studies have shown that increased global trade, particularly with low-wage countries, has made a substantial contribution to the growth in U.S. income inequality. EPI estimates that global trade was responsible for 93.4 percent of the growth in the gap between the wages of college-educated American workers and those without a college degree from 1995 to 2011. Notably, the study found that over half of that impact came from trade with China.<sup>11</sup> Other studies have found that global trade is responsible for as much as half of the growth in overall income inequality in the U.S.<sup>12</sup>

Trade proponents and opponents continue to argue over the impact of free trade deals on the nation's economy. But no one argues that currency manipulation is a practice that can distort the balance of trade and worsen trade deficits, leading to real threats to U.S. jobs and exports.

## 1979-2011 INCOMES PER HOUSEHOLD



EPI ESTIMATES THAT  
**GLOBAL TRADE**  
IS RESPONSIBLE FOR  
**93.4%**  
OF GROWTH IN THE  
**WAGE GAP**

<sup>8</sup> Kimball, Will and Robert E. Scott. "China Trade, Outsourcing and Jobs." Economic Policy Institute Briefing Paper #385. December 11, 2014. <http://www.epi.org/publication/china-trade-outsourcing-and-jobs/>

<sup>9</sup> "Ohio: Lost Jobs, Surging Deficits, Rising Inequality under 'Free Trade' Deals." Public Citizen.

<sup>10</sup> Perese, Kevin. "The Distribution of Household Income and Federal Taxes 2011." Congress of the United States Congressional Budget Office Report No. 49440. November 2014. <https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/49440-Distribution-of-Income-and-Taxes.pdf>.

<sup>11</sup> Bivens, Josh. "Using Standard Models to Benchmark the Costs of Globalization for American Workers without a College Degree." Economic Policy Institute Briefing Paper #354. March 22, 2013. <http://s3.epi.org/files/2013/standard-models-benchmark-costs-globalization.pdf>

<sup>12</sup> Rosnick, David. "Gains from Trade? The Net Effect of the Trans-Pacific Partnership Agreement on U.S. Wages." Center for Economic and Policy Research Report. September, 2013. <http://cepr.net/documents/publications/TPP-2013-09.pdf>

# PORTMAN'S SUDDEN SHIFT ON CURRENCY MANIPULATION

Monetary policy expert and former Federal Reserve official Joseph Gagnon explains that the practice of manipulating currencies can create trading advantages by holding “down the values of developing-economy currencies against those of advanced economies, making developing-economy exports cheaper to advanced-economy consumers and making advanced economy exports more expensive to developing-economy consumers.”<sup>13</sup> The result is more foreign imports, paired with reduced demands for U.S. exports, leading to trade deficits and the loss of jobs as U.S. producers struggle to compete with artificially cheap competition.

Currency manipulation is a real and growing threat to both the U.S. and Ohio economies. Another analysis by Mr. Gagnon published by the pro-free trade Peterson Institute suggests that as a result of the practice, as many as 5 million American jobs have been lost in the last decade.<sup>14</sup> And the Economic Policy Institute projects that ending currency manipulation and the resultant reduction in the trade deficit could add 103,200 to 254,600 Ohio jobs over three years.<sup>15</sup>

Over the past decade currency manipulation has been more common among developing or recently industrialized economies, particularly those in Asia. Gagnon’s research identifies the twenty worst offenders, and three of these – Japan, Singapore and Malaysia – are parties to the TPP.<sup>16</sup>

*Table 1:*  
**20 WORST CURRENCY MANIPULATORS**

<b>Algeria</b>	<b>Bolivia</b>	<b>Israel</b>	<b>Malaysia</b>	<b>Singapore</b>
<b>Angola</b>	<b>China</b>	<b>Japan</b>	<b>Philippines</b>	<b>Switzerland</b>
<b>Argentina</b>	<b>Denmark</b>	<b>Korea</b>	<b>Russia</b>	<b>Taiwan</b>
<b>Azerbaijan</b>	<b>Hong Kong</b>	<b>Libya</b>	<b>Saudi Arabia</b>	<b>Thailand</b>

Countries with which Portman has previously supported a free trade relationship
  Parties to the TPP

There is little recourse for nations to address currency manipulation by trading partners. Countries can seek sanctions through the World Trade Organization (WTO), and, if successful, levy surcharge tariffs on imports from offending nations to address the imbalance. Portman did attempt to do this as U.S. Trade Representative, but he never opposed an entire trade deal over a lack protections for currency manipulation. The U.S. Treasury is also empowered under U.S. law to declare that a country is manipulating its currency to gain a trade advantage, but the definition sets the bar so high that it has not done so since 1994.<sup>17, 18</sup>

<sup>13</sup> Gagnon, Joseph E. “Combating Widespread Currency Manipulation.” Peterson Institute for International Economics Report no. PB12-19. July 2012. <http://www.iie.com/publications/pb/pb12-19.pdf>

<sup>14</sup> Bergsten, C. Fred, and Joseph E. Gagnon. “Currency Manipulation, the US Economy, and the Global Economic Order.” Peterson Institute for International Economics Report no. PB12-25. December 2012. <http://www.iie.com/publications/pb/pb12-25.pdf>

<sup>15</sup> Scott, Robert E. “Stop Currency Manipulation and Create Millions of Jobs.” Economic Policy Institute Report. February 26, 2014. <http://www.epi.org/publication/stop-currency-manipulation-and-create-millions-of-jobs/>

<sup>16</sup> Gagnon, “Combating Widespread Currency Manipulation.”

<sup>17</sup> Bivens, Josh. “The Trans-Pacific Partnership Is Unlikely to Be a Good Deal for American Workers.” Economic Policy Institute Briefing Paper #397. April 16, 2015. <http://www.epi.org/publication/tpp-unlikely-to-be-good-deal-for-american-workers/>

<sup>18</sup> “Semiannual Report on International Economic and Exchange Rate Policies.” U.S. Department of Treasury Resource Center. Accessed March 4, 2016. <https://www.treasury.gov/resource-center/international/exchange-rate-policies/Pages/index.aspx>.

Countries can also combat the effects of currency manipulation by not entering into trade deals with known currency manipulators without first including provisions to protect against the practice. But Portman as USTR oversaw the implementation of trade deals, and in Congress voted for trade deals with known currency manipulators without the inclusion of such provisions. In fact, no trade deal has ever included enforceable provisions to address currency manipulation. Yet, Portman has made a sudden shift in his position on trade and currency manipulation and has now stated that he will oppose TPP if it does not include protections against currency manipulation.

*Table 2:*

## PORTMAN'S SUPPORT FOR TRADE DEALS WITH NO CURRENCY MANIPULATION

*Even with countries that have a record of currency manipulation*

Free Trade Agreement	Currency Protection?	Portman Position
NAFTA	No	Voted Yes (H.R. 3450, 11/17/93)
<b>China Permanent Most Favored Nation Status</b>	<b>No</b>	<b>Voted Yes (H.R. 4444 5/24/00)</b>
Jordan-U.S. Free Trade Agreement	No	Ratified by voice vote (7/31/00)
<b>Singapore-U.S. Free Trade Agreement</b>	<b>No</b>	<b>Voted Yes (H.R. 2739, 7/23/03)</b>
Chile-U.S. Free Trade Agreement	No	Voted Yes (H.R. 2738, 7/24/03)
Australia-U.S. Free Trade Agreement	No	Voted Yes (H.R. 4759, 7/14/04)
Morocco-U.S. Free Trade Agreement	No	Voted Yes (H.R. 4842, 7/22/04)
Bahrain-U.S. Free Trade Agreement	No	Oversaw congressional passage as USTR.
Oman-U.S. Free Trade Agreement	No	Oversaw negotiations as USTR.
Peru Trade Promotion Agreement	No	Oversaw negotiations as USTR.
CAFTA-DR Free Trade Agreement	No	Oversaw congressional passage as USTR.
<b>South Korea</b>	<b>No</b>	<b>Oversaw initial talks as USTR; Voted Yes (H.R. 3080, 10/12/11)</b>
Panama	No	Oversaw negotiations as USTR; Voted Yes (H.R. 3079, 10/12/11)
Colombia	No	Oversaw initial talks as USTR; Voted Yes (H.R. 3078, 10/12/11)

 *Known currency manipulator*

Prior to his nomination as U.S. Trade Representative, no contemporaneous press coverage suggests that Portman had ever expressed concern about currency manipulation despite voting for a series of free trade pacts. In 2005, after over a decade in Congress and a record of support for free trade deals that contained no currency protections, Portman responded to Congressional calls to get tough on China in trade enforcement by saying that it was the role of the U.S. Treasury Secretary to address trading partners' currency practices. Also in 2005, Portman called legislation to impose tariffs on currency manipulating trading partners "counter-productive," saying it could "likely not be legal" under the World Trade Organization.<sup>19</sup> (Also in 2005, then Treasury Secretary John Snow indicated that if nothing changed, his agency would designate China a currency manipulator later in the year, but ultimately did not do so.)<sup>20</sup>

<sup>19</sup> "US trade chief rejects tariffs on China over currency row." The World Trade Review. Vol. 5, Issue 11, June 1-15, 2005. <http://www.worldtradereview.com/news.asp?pType=N&iType=A&iID=108&siD=22&nlD=21360>

<sup>20</sup> "Breathing Fire at the Chinese Dragon," Business Week, June 13, 2005.



Later, in Portman's role as USTR, Portman pursued currency cases at the WTO, but did not pursue protections against currency manipulation in the trade deals negotiated on his watch. The three trade deals Portman voted for in the Senate contained no protections against currency manipulation, despite the fact that one of the three partners in these deals – South Korea – is among the worst culprits of this unfair trading practice.

**It is only now, as a Senator facing a tough reelection fight, that Portman has taken the position that the U.S. should include currency protections in trade deals, citing it as one of the primary reasons he now opposes TPP.**

## CONCLUSION

Rob Portman's track record of supporting trade deals without protections for currency manipulation stands in direct contradiction to his current stated position on TPP. Noting the reversal, the libertarian CATO Institute remarked that Portman's stated positions for opposing the deal are "at odds with his strong voting record on trade in Congress."<sup>21</sup> The conservative Wall Street Journal called it "reelection politics."<sup>22</sup>

**Portman's stated positions for opposing TPP are "at odds with his strong voting record on trade in Congress."**

CATO Institute

Given the potential consequences of bad trade deals for the Ohio economy – lost jobs, suppressed wages and growing income inequality – voters need to be certain that Portman will stick to his guns and not return to his longstanding habit of voting for every free trade deal that comes along. Particularly now that Congressional leaders have indicated they intend to delay a final vote on TPP until after November elections, the specter of facing voters will not be an issue and it may be difficult for Portman to ultimately pass on a deal that is supported by major corporate lobbying groups given his long history of favoring such deals.

<sup>21</sup> Watson, K. William. "Former USTR Rob Portman Opposes TPP for the Worst Reasons." Cato Institute: Cato at Liberty. February 5, 2016. <http://www.cato.org/blog/former-ustr-rob-portman-opposes-tpo-worst-reasons>.

<sup>22</sup> Raju, Manu. "Portman Takes Friendly Fire from GOP." Politico Trade. May 18, 2015. <http://www.politico.com/story/2015/05/rob-portman-gop-senate-trade-currency-118038>.

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