



Race to the Bottom?

The Presidential Candidates' Positions on Trade

by Sallie James

Executive Summary

In recent weeks the economy has been in the headlines and in the sights of politicians seeking the presidency. Particularly on the Democratic side, the candidates have sought to paint a picture of a doom-and-gloom economy and a convenient culprit: the trade policies of the Bush administration.

Although Sen. John McCain has largely stuck to his free-trade principles, even when it might have been politically expedient to appeal to voters' worst instincts, Sens. Hillary Clinton and Barack Obama have entered into a seemingly escalating war of words over the alleged damage done by trade liberalization. As news about the economy worsened and crucial primary contests in industrial states such as Ohio and Pennsylvania approached, the rhetoric reached a nadir.

As voters consider the mix of policy offerings by the candidates, a look at their records on trade during their time in Congress and their statements during the campaign can give some early guidance as to the direction of the next administration's trade policy. Although trade votes are a necessarily imperfect yardstick with which to measure future policy—packaged as they often are with other, sometimes contradictory, legislation—they seem to be consistent with the campaign pledges of the candidates.

Voters could expect a President McCain to promote freer trade and cuts in market-distorting subsidies, and a President Clinton or a President Obama to view free trade between voluntary actors as something to be restrained, loaded with conditions, or counterbalanced by an expansion of the welfare state.

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Introduction

The 2008 presidential election is the one of the most open since 1952, with no incumbent president or vice president seeking to return to the White House. Many Americans are concerned about the direction of the country, with an Associated Press-Ipsos poll conducted in February 2008 showing that 71 percent of respondents believe that America is on the “wrong track.”¹ A theme of “change” has consequently featured prominently in the campaign, adopted most obviously and early by Sen. Barack Obama (D-IL), but soon followed by the other candidates.

Much of the pessimistic sentiment can probably be attributed to the unpopular war in Iraq, but as the economy slows, and as changes in Iraq policy yield enough progress to remove the conflict from the front page, the candidates’ positions on economic issues will surely come to the fore. And, to the extent that the candidates are willing to blame government policy, including trade liberalization, for the slowdown, the attention may be economically damaging. As long as presidential aspirants claim to be able to “fix” the economy, the potential exists for misguided policy to follow populist rhetoric.

That is a shame, because free trade is a vital component for maximizing economic growth. America’s ongoing commitment to expanding trade—a commitment shared by previous Republican and Democratic administrations—has resulted in lower prices and greater product variety for consumers, job growth for exporters, and higher levels of productivity and innovation that increase prosperity in America and abroad. Accounting for the phases of the business cycle, indicators of American worker and household well-being and prosperity continue to improve. The decades-long decline in manufacturing employment (although not matched by a decline in manufacturing output) has corresponded with an increase in service-sector jobs, with a *net* 26 million new jobs added since NAFTA took effect in 1994, and an increase in real compensation of nearly 23 percent.²

How likely is it that the good news on trade will come to the fore later in the election cycle?

While campaign rhetoric can sound the most extreme during the primary season, a more centrist tone tends to emerge during general elections (not to mention the tempering effect of sitting in the Oval Office) as candidates vie for the allegiance of independent voters. Sen. John Kerry, for example, referred to “Benedict Arnold CEOs” (i.e., those who moved production offshore) during his campaign for the Democratic nomination in 2004 but spoke little of the matter or of trade generally once he’d secured the nomination.³ Candidates’ policy platforms, as indicated through press releases, speeches, and formal issues papers, are therefore an imperfect guide to their thinking on trade (notwithstanding the risk that candidates can be boxed in by their campaign rhetoric). But supplementing that literature with their voting records should provide some clue as to the ideology of the candidates and how they might go about implementing trade policy.

The Importance of Trade Policy in the 2008 Election

The continuing fallout from the subprime mortgage meltdown and some worrying financial indicators suggest a slowing economy. The Federal Reserve Bank recently increased its projection for inflation (forecasting the annual rate to be between 2.1 and 2.4 percent) and unemployment (5.2 to 5.3 percent) in 2008, and lowered its projection for growth (between 1.3 and 2.0 percent).⁴ Sens. Hillary Clinton (D-NY) and Barack Obama have exploited that news, linking the slowdown to what they see as faulty policies of the Bush administration and to global events that they feel have adversely affected the American middle class. They imply that more government management of trade flows will reverse an economic slump.

Thus a clear distinction is emerging between the two major parties. While the likely Republican nominee, Sen. John McCain (R-AZ), continues to support free trade policies and denounce subsidies for agriculture and alternative energy, Clinton and Obama are seemingly in a competition to see who can promote the

most misguided economic populist message in an effort to appeal to their base, which consists of groups such as organized labor that are generally hostile to trade. Whereas foreign policy—particularly the war in Iraq—occupied a large part of the policy debate early in the campaign, the economy has taken center stage as financial news worsens.

That anti-trade dynamic was on full display in the recent Ohio primary. An Ohio poll released in February 2008 showed the economy as the most important issue for likely primary voters of both parties, ahead of the war in Iraq and health care.⁵ The poll didn't ask voters specifically about trade policy (although it may well have featured in the "other" category of issues for Republican voters, which includes all issues cited as the most important by less than 1 percent of respondents), it is reasonable to assume that it was a factor in voters' minds when thinking about "the economy/jobs." That is bad news to the extent that politicians are able to portray trade liberalization as a *destroyer* of jobs or the economy. If proponents of free trade, on the other hand, can make the case successfully that trade liberalization is a way to increase prosperity and economic growth, the prominence of economic issues in voters' minds could see a return to a more economically literate and outward-looking policy.

The Democrats: Courting the Base

After the admirable commitment to trade liberalization demonstrated by Bill Clinton during his presidency, and in a stark reversal of the Democrats' traditional status as the pro-trade party, the current crop of Democratic candidates appear to be spurning their free-trade roots. Former North Carolina senator John Edwards, the least trade-friendly of the three leading candidates in the initial phase of the campaign, has withdrawn his candidacy for the Democratic presidential nomination. However, Senator Edwards's withdrawal (and that of the never-serious challenger, Rep. Dennis Kucinich of Ohio) has not removed protectionist sentiment entirely

from the Democratic nomination process, with both Clinton and Obama taking up that mantle as they continue to battle for the nomination.

In recent weeks the candidates have traded claims about who is least supportive of the North American Free Trade Agreement with Canada and Mexico (a particularly awkward position for Hillary Clinton, whose husband promoted NAFTA and successfully won its passage) because it is unpopular with some blue-collar workers. At the Democratic candidates' February 2008 debate in Cleveland, Clinton was clear about her current position on NAFTA:

It is not enough just to criticize NAFTA, which I have, and for some years now. I have put forward a very specific plan about what I would do, and it does include telling Canada and Mexico that we will opt out unless we renegotiate the core labor and environmental standards—not side agreements, but core agreements; that we will enhance the enforcement mechanism; and that we will have a very clear view of how we're going to review NAFTA going forward to make sure it works, and we're going to take out the ability of foreign companies to sue us because of what we do to protect our workers.⁶

After agreeing with Clinton's proposal to renegotiate NAFTA, Obama followed her remarks with even stronger language, saying, "I think we should use the hammer of a potential opt-out as leverage to ensure that we actually get labor and environmental standards that are enforced."⁷ Unfortunately, this tendency to play on voters' fears may worsen along with economic conditions.

Both of the Democratic candidates base their misguided proposals on the false logic that prosperity derives from manufacturing employment and that trade liberalization has caused the loss of manufacturing jobs. To be sure, losing one's job for any reason can be traumatic, but job churn is a feature of any dynamic economy, and trade accounts for only about 3 percent of total job losses each year.⁸ Far from showing a clear

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link between NAFTA and job losses, moreover, the Bureau of Labor Statistics data demonstrate that although higher than the national average, Ohio's unemployment rate in December 2007 (5.8 percent) was lower than the state's rate of unemployment in December 1993, the month before NAFTA came into effect. The state unemployment rate has fluctuated in the meantime, to be sure, but got as low as 3.9 percent in March 2001, seven years *after* NAFTA came into effect.⁹

In Pennsylvania, too, the Democratic candidates are expected to make political hay out of economic decline and to make much of their plans to implement policies, including trade policies that would supposedly reverse it. But here, too, the facts do not support a pessimistic message: although the unemployment rate has edged up to 4.8 percent in January 2008 (from 4.3 percent in January 2007), that is not statistically different from the national average unemployment rate (4.9 percent in January 2008).¹⁰ And the unemployment rate in the Philadelphia metropolitan area, from where half of the state's delegates will come,¹¹ is a comparatively healthy 4.2 percent in December 2007, up only slightly from 4.1 percent in December 2006.¹²

Despite the evidence, congressional Democrats have been voting against preferential trade liberalization agreements in recent years. Organized labor was instrumental in raising money and turning out voters in the Democrats' 2006 takeover of Congress, and the Democratic candidates are mindful of that. The policy proposals and stump speeches of Sens. Barack Obama and Hillary Clinton have reflected the anti-trade position of trade unions, especially in states where manufacturing jobs have been lost and trade is a convenient scapegoat. Detroit, Pittsburgh and Cleveland have been struggling economically at least since the 1970s and so it is no accident that the worst trade rhetoric emerged as the Ohio and Pennsylvania primaries drew closer (Michigan's primary was largely uncontested by the Democrats because the party stripped the state of its delegates in punishment for moving their primary date forward).

As a reminder to the candidates of where their allegiances should lie, groups connected with

organized labor and other special interests have weighed in. In the weeks before the January Iowa Caucuses, the Iowa Fair Trade Campaign, a coalition of labor, environmental and other activist groups, sent a letter to all nominees asking for their views on trade. Given the nature of the Campaign—"fair trade" is a not-so-secret code phrase used by trade skeptics—it was not surprising that the candidates who responded (only Democrats) expressed doubt about open trade, and a desire to curb its effects.

Of the two Democratic candidates that still remain, Senator Clinton's letter was the less strident. In keeping with her cautious reputation, she pledged to review all existing trade agreements and craft a "comprehensive, pro-America trade policy." Clinton wrote of her many plans, including distributing the economic benefits of trade and a "comprehensive innovation agenda to encourage the development of new products and industries."¹³

In his response, Barack Obama boasted about voting against the Central American Free Trade Agreement and said he wants to add enforceable labor provisions to, among other deals, negotiations in the World Trade Organization, which would surely see the end of any further progress in global trade talks for the foreseeable future. WTO members have consistently rejected the wholesale inclusion of labor standards in trade negotiations, with WTO trade ministers stating unanimously in 1996, "We reject the use of labour [sic] standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question."¹⁴ Obama said he wants to "fix" the North American Free Trade Agreement and "reinvigorate" the U.S. manufacturing sector, which actually saw a record year of outputs and profits in 2006.¹⁵

Although both candidates have respected economists in their advisory teams, supporters expect the candidates to deliver on their campaign promises, especially if Congress is also controlled by the Democrats. The Democratic candidates' pledges to withdraw from NAFTA unless Canada and Mexico agree to insert new requirements for labor and environmental stan-

dards are misguided and send a dangerous signal to current and potential trade partners. An ongoing controversy about whether both campaigns delivered back-channel assurances that the NAFTA rhetoric was merely political posturing has, if anything, made the candidates more stubborn about being seen to keep their word. Neither of the Democratic candidates' trade platforms is consistent with their purported desire to restore America's international reputation.

Barack Obama's Voting Record on Trade

Since he is a newcomer to the Senate, Barack Obama's voting record is relatively sparse. He has cast only 13 major votes on trade barriers or trade subsidies since joining the Senate in January 2005 (out of a possible 16). In those votes, however, Senator Obama has demonstrated support for trade barriers—voting to reduce them only 4 times out of the 11 trade bills presented to the Senate—and subsidies (voting against both bills to reduce trade subsidies).¹⁶ In the current Congress (2007–2008), Obama's votes put him squarely in the “interventionist” camp (the Cato Institute's Center for Trade Policy Studies classifies those who voted two-thirds of the time or more in favor of both trade barriers and trade subsidies as interventionists).

In a February 2008 editorial, the *Washington Post* pointed out that Obama seemed to take up the populist mantle after John Edwards left the presidential stage. Senator Obama has spoken often of “shared sacrifice and shared prosperity,” but the *Post* article points to a new anti-trade skepticism that has crept into his campaign and questioned his apparent linking of trade agreements to “millions of job losses” and even the subprime mortgage problems.¹⁷

Similarly, Matthew Continetti of the *Weekly Standard* draws attention to Senator Obama's conversion to protectionism, quoting Obama's remarks to the Democratic debate in Cleveland, Ohio February 2008:

“When I first moved to Chicago in the early '80s, [Obama] said last week, “I saw steelworkers who had been laid off of their plants,” painful evidence that the

“net costs of many of these trade agreements, if they're not properly structured, can be devastating.” What trade agreements Obama blames for 1980s deindustrialization, he did not say; NAFTA was far off in the future when he showed up on the South Side. And President Reagan had in fact imposed steel tariffs to protect U.S. makers. Productivity gains resulting from improved technology were, however, allowing fewer workers to produce more steel.¹⁸

Continetti, like the *Washington Post*, surmises that Obama is attempting to occupy the space left by Senator Edwards's withdrawal.

Obama's campaign literature reveals a deep distrust of the market in general and unrestricted trade in particular. While his statement on trade opens with a promising line that “trade with foreign nations should strengthen the American economy and create more American jobs,” he then goes on to tout his willingness to get tough with trade partners and to use trade policy as a tool for advancing labor and environmental standards, including through amending NAFTA “so that it works for American workers.”¹⁹ He emphasizes the importance of enforcing trade agreements, and in appealing to the WTO to stop countries (presumably excluding the United States) from “continuing unfair subsidies to foreign exports.”²⁰

Senator Obama touts his support of the Trade Adjustment Assistance program and its expansion to service workers and to providing retraining assistance to workers in “sectors of the economy vulnerable to dislocation” before they are laid off.²¹ There is no evidence that Obama would insist on proof that the workers needed retraining or that their unemployment was imminent or certain or, indeed, linked to trade policy, before spending taxpayers' money on special welfare benefits for favored workers. Nor does Obama link his proposed expansion of TAA to further trade liberalization, as has been the practice with the TAA program since its inception in 1962.

On the positive side, however, Obama has shown pro-trade credentials in his proposal for

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Table 1
Voting Records of Presidential Candidates, selected trade bills and
career voting record (%)

Trade Bill	Clinton	Obama	McCain
CAFTA-DR	N	N	Y
TPA (2002)	N	/	Y
China currency sanctions	N	N	Y
Peru FTA	/	/	Y
Oman FTA	Y	Y	Y
Cuba travel ban	Y	Y	/
Byrd Amendment (subsidies)	N	N	Y
Opposed barriers (%)	31	36	88
Opposed subsidies (%)	14	0	90

Source: Cato Institute Center for Trade Policy Studies, *Free Trade, Free Markets: Rating Congress*, various issues, <http://www.freetrade.org/congress>.

Note: *Y* indicates a vote in favor of free trade. *N* indicates a vote against free trade. */* indicates that no vote was cast.

dealing with Cuba, calling for an end to the failed embargo and a new engagement with Cuban leaders in the light of Fidel Castro's retirement.²² It is a pity that Senator Obama cannot recognize the universal applicability of the pro-trade arguments that obviously swayed his vote on trade with Cuba.

Hillary Clinton's Voting Record on Trade

Like her rival for the Democratic nomination, Hillary Clinton has earned herself the dubious honor of being a career "interventionist" according to her trade votes. As the primary contest drew nearer, Senator Clinton's record became more interventionist in the latest session of Congress, although she was an interventionist in her first two years in the Senate (followed by two sessions as an undefined, although borderline interventionist, trade voter).²³

Although not evident from Table 1, which covers only the period in which all three presidential candidates were in the Senate, Clinton's overall record is better than Obama's on subsidies, but marginally worse on barriers.

During her seven-plus years in the Senate, Clinton has cast only nine votes opposing trade barriers (out of a possible 29) and only one vote out of a possible seven to reduce trade subsidies.²⁴ To her credit, she voted in favor of the free trade

agreements with Australia, Morocco, Singapore and Chile, voted to extend permanent normal trading relations to Vietnam, and, like most Democrats, supports lifting the commercial embargo against Cuba. She, like Senator Obama, failed to vote on the U.S.-Peru Free Trade Agreement (although she said she supported it because of its labor and environmental provisions²⁵) and the 2007 Farm Bill. Both Democratic senators voted against the Central American Free Trade Agreement. Although Senator Clinton represents a state that shares a border with Canada, the United States' largest trade partner,²⁶ that did not prevent her from railing against NAFTA in the run-up to the Ohio primary.

Senator Clinton's campaign pledges on trade are part of her "economic blueprint" to restore the American middle class and, like Senator Obama's plans, emphasize protections for labor and the environment. Not content with promising to address enforcement within the auspices of the WTO, Clinton also proposes creating an "enforcement officer" in the Office of the U.S. Trade Representative and doubling the staff devoted to enforcing current trade agreements. Her campaign literature makes no mention of the importance of continuing to open markets in the United States and abroad, and proposes significant expansion of the TAA program.²⁷ Clinton

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has consistently called for a “time out” from new trade agreements.²⁸ Far from a “time out” on trade, America needs more liberalization and less government intervention in markets.

The Republicans: Uneven Commitment

The Republicans’ commitment to free trade is not unanimous, with regional interests often trumping free-market principles, but at this stage in the race, it appears that a President John McCain, who has an excellent and consistent record on trade, would pursue more trade-friendly policies than would either of the Democrats remaining in the race.

In recent years, Republican members of Congress have generally been more likely to vote to reduce trade barriers and subsidies than have Democrats, with party affiliation the best indicator of how members of Congress vote, even allowing for time in office and regional affiliation.²⁹ Table 2 shows the average percentage of votes cast against trade barriers and subsidies by members of Congress in each party. For example, in the 109th Congress, House Republicans opposed trade barriers on 54 percent of votes compared to 37 percent of Democrats. In the last five full Congresses, Republicans have been generally more trade friendly and more likely to vote against govern-

ment subsidies than Democrats.

On the most important and substantive votes, such as granting trade promotion authority to the executive branch (and thereby allowing the USTR to negotiate trade agreements and submit them to congress under expedited rules and without possibility of death-by-a-thousand amendments), the Republicans are even more reliable. For example, in the 107th Congress, House Republicans voted in favor of TPA by a margin of 87 percent to Democrats’ 12 percent.³⁰ Senate Democrats were slightly more likely to vote for TPA than their House counterparts, with 41 percent of Democratic senators voting for TPA passage, although Republicans again out-voted them, with 90 percent voting to grant TPA. Ending the failed embargo on Cuba is the only issue which consistently gets more Democratic than Republican votes, reversing the partisan divide.³¹ Generally, however, it is fair to say that Republicans have, at least in recent years, been more reliably pro-trade than Democrats.

John McCain’s Voting Record on Trade

John McCain has been a consistent proponent of free trade during his time in the U.S. Senate. He has voted for many bills that reduced trade barriers and increased competition and

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Table 2
Trade Votes by Party Affiliation (%)

Congress		House		Senate	
		Republicans	Democrats	Republicans	Democrats
109th	Barriers	54	37	79	37
	Subsidies	24	16	50	6
108th	Barriers	67	62	71	46
	Subsidies	28	6	53	6
107th	Barriers	60	43	86	31
	Subsidies	31	30	62	26
106th	Barriers	65	62	71	61
	Subsidies	35	11	n/a	n/a
105th	Barriers	43	21	65	62
	Subsidies	42	19	36	24

Source: Cato Institute Center for Trade Policy Studies, *Free Trade, Free Markets: Rating Congress*, various issues.

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choice for consumers, earning him a “free trader” designation from the Cato Institute’s Center for Trade Policy Studies for his career voting record (i.e, John McCain has voted two-thirds of the time or more against both trade barriers and trade subsidies).³²

Although Senator McCain failed to vote on any of the five trade-related bills presented to the 110th Congress so far, his campaign speeches suggest an ongoing commitment to lowering trade barriers and subsidies. Even in Iowa, where the political pressure to support farm subsidies and ethanol mandates is strong, McCain repeatedly indicated that he does not support either.³³ In the *Des Moines Register* Republican debate in December 2007, McCain emphasized:

Subsidies are a mistake, and I don’t believe that anybody can say that they’re a fiscal conservative and yet support subsidies which distort markets and destroy our ability to compete in the world, as well as our ability to get cheaper products into the US.³⁴

He is the only presidential candidate to vote in favor of CAFTA, as shown in Table 2.

Senator McCain has not shied from pro-trade rhetoric, even when it might not be politically expedient, telling voters in Michigan that some lost jobs are not coming back,³⁵ and telling a debate audience before the primary:

Every time the United States has become protectionist and listened to the siren song that you’re hearing partially on this stage tonight, we’ve paid a very heavy price. The Smoot-Hawley Tariff Acts in the 1930s were direct contributors to World War II. It sounds like a lot of fun to bash China and others, but free trade has been the engine of our economy. Free trade should be the continuing principle that guides this nation’s economy.³⁶

Some analysts have suggested that his stance on free trade was at least partially responsible for his losing the Michigan primary. Nevertheless, Senator McCain repeated his pro-trade message

in Ohio, telling a town hall meeting in Rocky River: “The economists that I know and trust and the history that I study . . . says that free trade is the best thing that can happen to our nation. When we have practiced protectionism, it has had devastating consequences.”³⁷

During the rancorous debate between the Democratic candidates over the success of NAFTA, Senator McCain chose to emphasize the foreign policy angle of trade with Mexico and, especially, Canada, pointing out that Canada has been a major contributor to the coalition forces in Afghanistan. While bemoaning his opponents as protectionist and isolationist, McCain stressed the important interconnections between trade and national security, although downplaying the economic benefits of free trade.³⁸

In his campaign literature, McCain professes a commitment to trade liberalization and emphasizes that American exporters benefit greatly from accessing global markets. This mercantilist focus on exports notwithstanding, McCain sees globalization as an “opportunity” and, to the extent that some Americans are net losers from trade liberalization in the short term, wants to address those challenges through educational reform, particularly school choice.³⁹

More worrying from a free-market point of view is McCain’s desire to “overhaul” unemployment insurance, although his campaign literature is vague about exactly how he would change the current system for retraining workers and helping them find new jobs.⁴⁰ For example, he has not indicated whether a revamped program would involve more or less federal spending, or whether the program should be limited to workers who lose their jobs because of competition from imports specifically, or if his changes are an overhaul of the entire system of federal unemployment benefits. More details are needed before a full assessment can be made of whether John McCain’s proposals will reduce the size and scope of the federal government, and increase the freedom and flexibility of Americans to respond to globalization. However, his generally good record on trade should give some comfort to free traders about what his policies will be if he wins the presidency.

Conclusion

The willingness of political candidates—especially on the Democratic side—to advance protectionist rhetoric is troubling from a number of viewpoints. First, it says that trade advocates have more work to do if they are to win the battle of ideas. If the solid case for free trade were made successfully, voters would reject the intellectually sloppy and factually incorrect arguments advanced by politicians seeking power. Seeing their rhetoric failing, politicians would therefore abandon it in favor of facts-based policy proposals for freeing international trade. It is clear that, at least to the Democratic base, pro-trade arguments do not have traction and that Democratic representatives and candidates have, for the most part, failed to consider the costs of protectionism.

Second, far from just a rhetorical device, proposals to increase restrictions on trade—or even just to suspend further liberalization—are economically worrying. After all, tariffs do not create wealth; they are merely a device for protecting special interests by restricting consumers' choices. If politicians were to stay true to their promises of isolation and increased government intervention, a freer trading environment and the prosperity that flows from it will be more difficult to achieve.

Luckily, history suggests that protectionist rhetoric does not seamlessly translate into policy. The checks and balances of the U.S. government, and a necessarily fuller appreciation of America's national interest, typically pull presidents in a more pro-trade direction. If the Democratic nominee—whoever he or she is—wins the general election, American voters must hope that trend continues. Only when the American people are free to exchange goods unimpeded by the often faulty judgment of politicians will freedom and prosperity prevail.

Notes

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21. Ibid.
22. Ibid.
23. "Free Trade, Free Markets" (Sen. Hillary Rodham Clinton), <http://www.free trade.org/Congress?Sen.=23>.
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