



[Small Firms Fight Back on Trade • The sting resulting from eased import barriers has led to a clash with large U.S. corporations. \(TOP\)](#)

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By Evelyn Iritani, Times Staff Writer

American small businesses, tired of being walloped by low-cost foreign competition, are increasingly asserting themselves in U.S. trade policy, leading to a growing rift with big U.S. multinational companies pushing for freer trade.

The latest example of the tension came Tuesday when the National Assn. of Manufacturers released a 2005 trade agenda that calls for getting tougher on China, including more aggressive use of penalties to counter unfair trade practices.

That isn't exactly a revolutionary position. But executives from small U.S. companies said it took a revolt on their part to get the nation's leading manufacturing organization to deviate even slightly from its decades-old stance that opening borders and reducing trade barriers are good for the U.S. economy.

"We wanted to see balance in NAM's trade policy," said David Frengel, director of government relations for Penn United Technology Inc., a 630-employee maker of precision tools in Cabot, Pa. "We don't want to be treated like those who do their manufacturing in the United States are Neanderthals."

NAM is among Washington's most influential lobbying groups. And its new position on trade is certain to make it more difficult for the Bush administration to build support for a controversial trade pact with Central America and for global talks designed to open markets for farm goods and services.

That the business community's opposition to the Bush trade agenda is coming mainly from smaller companies could prove particularly powerful.

"Small business, when it speaks with a unified voice, has historically been quite influential in Congress and in politics generally," said Gary Hufbauer, a trade expert with the Institute for International Economics.

Although the tug of war between protectionists and free traders has always existed, the split within the U.S. business community has widened in recent years because of China's emergence as a global manufacturing force, a steep rise in low-cost imports and the accelerating loss of manufacturing jobs.

Many small companies that hadn't worried about foreign trade suddenly find themselves losing sales to cheaper imports, especially from China. And their major customers are moving overseas, taking orders with them.

Jack Davis, president of I Squared R Element Co., a small Akron, N.Y., producer of silicon carbide heating elements, said he became evangelical about America's trade problems two years ago when a Texas company began selling a competing Chinese-made product for 25% of his price.

"That was eye-opening," said the 71-year-old engineer, who recently founded a lobbying group called Save American Jobs. "The U.S. has the best workers in the world, but they're also the highest paid workers in the world."

Though big multinational corporations such as Boeing Co. and Microsoft Corp. dominate headlines, small businesses are the foundation of the American economy, accounting for 97% of all U.S. exporters, according to the U.S. Small Business Administration. In Los Angeles County, businesses with 500 or fewer employees made up 99.8% of all companies in 2002 and were the major engine of growth in the preceding decade.

As the nation's most trade-dependent state, California has been smack in the middle of these escalating tensions.

Rayne Thompson, director of international trade at the California Farm Bureau Federation, said her organization was caught between the concerns of export-oriented cotton and rice producers anxious to lower tariffs globally, and apricot and peach growers who have been hammered by imports from Latin America and Europe.

"What we're finding as a general agriculture organization is one size does not fit all," she said.

Beyond the small-business lobby, others are also lining up to oppose Bush's trade initiatives.

For instance, U.S. cattle ranchers and sugar producers — faced with the prospect that agricultural imports could outpace exports this year for the first time in nearly half a century — are opposing the Central American Free Trade Agreement and other trade pacts. U.S. textile producers have allied with foreign manufacturers in a bid to keep Chinese imports out of the U.S. market.

For NAM, one of the country's most vocal trade supporters, the battle over this year's trade agenda was unusually contentious, according to Frengel and others.

Though small-business leaders didn't succeed in getting the manufacturing group to consider a total moratorium on new trade agreements, Frengel said, the platform that emerged was a "compromise."

"There's not everything in this document the large companies like and not everything in here the small companies like," agreed Arnold Allemang, executive vice president of multinational giant Dow Chemical Co. and the chairman of NAM's international economic policy committee. "But I can assure you, everybody engaged in the process."

Indeed, NAM on Tuesday threw its support behind negotiations to open up global trade through the World Trade Organization and urged the Bush administration to launch bilateral trade talks with Egypt, India, Malaysia, New Zealand and South Korea.

The biggest victory for small American manufacturers was NAM's recommendation that the U.S. government change its policy to support the use of countervailing duties against China and others considered to have "non-market," or government-managed, economies.

Under WTO rules, a government can impose duties if it finds that another government is subsidizing its exporters. But in the 1980s, the United States decided not to impose countervailing duties on non-market economies, arguing that it was impossible to determine market prices in a managed economy.