

Executive Memorandum

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Congress Should Support Extension of TPA

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Of the many trade issues that Congress has on its agenda for 2005, extending the President's trade promotion authority (TPA) may well be the most important. TPA augments the President's ability to negotiate trade agreements with other nations by restricting Congress to an up-or-down vote on trade agreements. It is important because nations are reluctant to enter into protracted, often politically difficult trade negotiations if Congress can change the final terms of the agreement.

Since Congress approved TPA, the Administration has made significant progress in negotiating free trade agreements that will benefit the U.S. economy both by opening up foreign markets to American goods and services and by lowering prices for American consumers. However, progress made in other ongoing trade negotiations could be threatened if Congress does not allow extension of TPA.

Under current law, the President has trade promotion authority until July 1, 2005. TPA is automatically extended for an additional two years if the President requests an extension and neither the Senate nor the House of Representatives passes a resolution disapproving the extension before July 1, 2005. The importance of TPA to America's trade agenda demands that Congress support its extension.

The Importance of Trade. International trade is an increasingly vital and beneficial part of the U.S.

economy. Despite occasional protectionist tendencies, America has been a proponent of free trade, including helping to found the General Agreement on Tariffs and Trade (GATT) after World War II and driving the major efforts to liberalize global trade. During the 50-plus years under GATT and, more recently, the World Trade Organization (WTO), trade barriers have been reduced substantially, with

a commensurate increase in global economic growth in both developed and developing countries that embraced trade liberalization. The United States and its citizens have overwhelmingly benefited from this policy, which has paved the way for six decades of economic expansion and higher standards of living.

It is in America's economic interest to expand trade by lowering barriers to goods and services in the U.S. and other countries. Tariffs and other trade barriers amount to hidden taxes on consumers and producers. These trade barriers harm the American economy by allocating resources inefficiently, thereby reducing growth and costing jobs in the long run. They also raise prices for every consumer,

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- Armed with TPA, the Administration has made significant progress in negotiating free trade agreements that benefit the U.S. economy.
 - Ongoing trade negotiations could be threatened if Congress fails to allow extension of TPA for two additional years.
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reducing the purchasing power of each paycheck. The Office of the U.S. Trade Representative has estimated that in 2001 alone, “hidden import taxes cost American consumers \$18 billion.”

The Importance of TPA. The U.S. has been lagging behind other countries in negotiating free trade agreements (FTAs). According to the WTO, “Over 170 RTAs [regional trade agreements] are currently in force; an additional 70 are estimated to be operational although not yet notified. By the end of 2005, if RTAs reportedly planned or already under negotiation are concluded, the total number of RTAs in force might well approach 300.”

The United States has only six FTAs in force with seven countries: Australia, Chile, Israel, Jordan, Singapore, Canada, and Mexico. The FTA with Morocco will soon enter into force, but the U.S. remains woefully behind other nations. The number would be even lower if Congress had not approved trade promotion authority for President Bush in 2002. In the two and a half years since TPA was approved, the Administration has negotiated and Congress has approved FTAs with Australia, Chile, Morocco, and Singapore. The U.S. has also announced, begun, or concluded negotiations on another seven FTAs with 19 countries and has kept alive hopes for the Free Trade Agreement of the Americas and the Middle East Free Trade Area.

Although the terminology is new, TPA actually has a long history as “fast track” authority dating back to the Trade Act of 1934. Through TPA or fast track, Congress observes special procedures designed to speed up consideration of legislation implementing trade agreements. Chief among these procedures is a limit on debate and a prohibition on amendments to the bill implementing the trade agreement.

TPA enhances America’s ability to negotiate trade agreements by strengthening America’s position in trade negotiations. Through TPA, other nations are assured that commitments to changes in U.S. law will be honored and not be overturned by an amendment in Congress. Congress can approve or reject the entire agreement, but it cannot alter specific provisions in the agreement. In return, the President must meet objectives established by Congress.

Prospects for TPA. Failure to extend trade promotion authority would undermine America’s ability to open foreign markets to U.S. goods and services and lower costs for U.S. consumers. The Trade Act of 2002 (amended by the Miscellaneous Trade and Technical Corrections Act of 2004) authorizes TPA for the President until July 1, 2005, and permits an extension of TPA until July 1, 2007, if the President requests it and neither house of Congress passes an “extension disapproval resolution” before July 1, 2005. The President must request the extension and submit the documents and statements to Congress by April 1, 2005.

Once the President meets these requirements, TPA will be extended automatically unless the Senate or House prevents it by passing an extension disapproval resolution. The Trade Act requires that any extension disapproval resolution be reported out by either the Senate Committee on Finance or the House Committee on Ways and Means and House Committee on Rules. These committees generally support trade and are unlikely to block an extension. In the unlikely event that an extension disapproval resolution goes to the House or Senate floor, it should be rejected.

Conclusion. Whether trade liberalization is pursued multilaterally, regionally, or bilaterally, the President’s ability to negotiate trade agreements is strongly enhanced by trade promotion authority. Since Congress approved TPA, the U.S. has made rapid progress in concluding new free trade agreements and negotiating others. Congress should support the extension of TPA, both to ensure that progress made in ongoing trade negotiations is not squandered and to signal America’s trade partners that the U.S. will continue to champion trade liberalization that brings economic benefits to consumers and producers around the world.

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