

WebMemo



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Reauthorize Trade Promotion Authority Without New Restrictions

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On June 30, 2007, the President's Trade Promotion Authority (TPA) is set to expire, and without it, the Administration will no longer be able to negotiate timely, effective trade agreements. Legislation to re-authorize TPA would continue the system where Congress can vote up-or-down on trade agreements the President secures but cannot amend or filibuster them. Because today's global economy offers unparalleled opportunities for the U.S., it is in America's economic interest to continue to expand trade by lowering trade barriers in goods and services. Moreover, freer trade helps spread freedom globally, reinforces the rule of law, and fosters economic development in poor countries. Congress should renew TPA as it is, allowing America to continue reaping the benefits of good policy.

The debate over whether Congress should renew TPA will be one of the main issues for the first half of 2007—and not just between free traders and protectionists. Within each camp, different ideas for modifying TPA are emerging. Some would leave TPA as it is, some would require additional guarantees and restrictions protecting U.S. workers and firms from foreign trade partners, some would seek to expand the role of Congress in the negotiations process, and, some would do away with TPA all together. Because it would hinder the expansion of freer trade, limiting or ending TPA would be a mistake.

TPA Today

Under TPA, formerly known as fast-track authority, Congress can approve or reject an entire trade agreement, but it cannot alter specific provisions in

the agreement. In return, the President must fulfill certain criteria specified by Congress in each free trade agreement (FTA).

One of these criteria is consultation with Congress throughout the negotiations process. Additionally, TPA rules require that America's free trade agreements go beyond winning lower tariffs on U.S. agriculture, manufacturing, and services exports. FTAs contain provisions that safeguard investors from discrimination and uncompensated expropriation of property, increase regulatory transparency and eliminate excessive red tape, protect and enforce intellectual property rights, combat corruptive practices, ensure nondiscriminatory government procurement, protect labor rights, and strengthen environmental protections. The U.S. negotiates agreements that include transparent dispute resolution and arbitration mechanisms to guarantee that the agreements are upheld, along with the rights of U.S. firms and consumers.

Due to the way TPA is implemented, countries are assured that U.S. trade policy commitments in an FTA will not be amended by Congress after negotiations conclude. Consequently, the TPA enhances America's ability to negotiate trade agreements by

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ensuring that U.S. commitments are made in good faith. This minimizes the cost and uncertainty associated with the negotiations process.

Each element of an FTA strengthens the transparent and efficient flow of goods, services, and investments between member countries. FTAs open markets, protect investors, and increase economic opportunity and prosperity. In short, FTAs—and the TPA legislation that defines them—serve to promote U.S. interests, not weaken them.

A Record of Success

TPA has helped the U.S. negotiate and conclude new free trade agreements in an efficient and timely manner. Over the years, the U.S. has implemented 10 bilateral or regional FTAs with 16 countries. Trade liberalization through these FTAs and multilateral channels has resulted in significant benefits to the American economy.

Today's \$12 trillion U.S. economy is bolstered by free trade, a pillar of America's vitality. The United States is the world's largest economy and largest exporter. Increases in U.S. exports accounted for about 25 percent of America's economic growth in the 1990s and 20 percent in 2005, according to the U.S. Trade Representative. Jobs directly linked to the export of goods pay 13 to 18 percent more than the average U.S. job.

Freer trade enables more goods and services to reach American consumers at lower prices, giving families greater power to save money or spend it on other goods and services. The United States is among the most open markets in the world. According to the USTR, The World Trade Organization Uruguay Round and the North American Free Trade Agreement (NAFTA) alone have lowered U.S. tariffs and provided an average savings of \$1,300 to \$2,000 a year for a family of four.

Freer trade policies have created a level of competition in today's open market that leads to innovation and better products, higher-paying jobs, new markets, and increased savings and investment. The expansion of international trade has helped make American one of the most productive and wealthy economies in the world.

The TPA Debate

The call for TPA reform reflects a growing sense that TPA legislation is the appropriate vehicle to address the perceived costs of globalization on the U.S. economy. But using TPA to redress the alleged costs of trade is a bad idea for a number of reasons.

First, TPA is not designed to address trade or industrial policy concerns that may be different across trade partners. TPA has two primary roles: to define the basic standards of FTAs and to provide the President the legal authority to negotiate and conclude trade agreements quickly and effectively. TPA sets the foundation from which trade talks start. As negotiations move forward, policy concerns that are unique to the bilateral trade relationship are identified and addressed. Not all trade partners are created equal; TPA should retain the flexibility needed to conclude FTAs that are beneficial to all parties.

Second, implementing more restrictive conditions to the structure of each FTA could eliminate the benefits to partner countries of joining into free trade agreements with America—especially developing countries that use U.S. Free Trade Agreements to help promote development and lessen poverty. The idea that forcing more stringent labor and other standards on potential FTA partners will make freer trade more “fair” for America is false. The major economic benefits of free trade are derived from the differences among trading partners, which allow any country embracing world markets a chance to be competitive. Free trade is fair when countries with different advantages are allowed to trade and capitalize on those differences.

Finally, modifying TPA opens the door to protectionist policies aimed at saving jobs in declining industries. But trade is not the key issue with jobs. Exposing uncompetitive companies to the rigor of serious competition, whether domestic or international, is not the cause of lost jobs. A better policy, then, is to redress the factors that lead to uncompetitive firms that should be fixed. High corporate tax rates, a relatively high minimum wage, weak protections of property rights, corruption, and other policy failures are the real threats to American jobs, and erecting trade barriers will not address these

issues. Instead, policymakers should focus directly on these concerns with the appropriate policy tools. America's competitive advantages in the global market would not be served by making FTAs harder to negotiate but would be improved by healthy debates on U.S. tax and regulatory policy.

Conclusion

Trade Promotion Authority is vital to strengthen the hand of the United States at the negotiating table and provide a framework for consultation with Congress at key stages of trade negotiations. The President needs the ability to sign good trade deals that expand U.S. access to overseas markets and strengthen international trade norms. Current TPA rules support the development of effective labor and other economic policies without forcing unrealistic and detrimental regulations on developing econo-

mies or significantly undermining the benefits of freer trade.

Congress should insure that TPA legislation is renewed without substantial, restrictive new provisions that define the content of U.S. FTAs. Legislation resulting in TPA provisions that are too costly for the U.S. or erect new barriers to trade would harm Americans and American interests. Defending free trade and encouraging new trade agreements are central tasks for Congress. Expanding global trade—and America's role in world markets—is fundamental to building a stronger economy at home and promoting better relationships abroad.

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