WebMemo
Published by The Heritage Foundation
No. 1531
June 29, 2007

Trade Promotion Authority Could Vanish with a Whimper

Daniella Markheim

Two days from now, at the stroke of midnight, the President's trade promotion authority (TPA) is set to expire. Without TPA, the Administration can neither negotiate new free trade agreements (FTAs), nor project a strong leadership role in ongoing trade talks at the World Trade Organization (WTO).

The President, regardless of political affiliation, needs the power to efficiently and quickly negotiate trade deals that expand access to overseas markets and strengthen international trade norms. The Administration has demonstrated a willingness to listen to Congress's concerns about trade policy. Congress should act now to renew TPA and allow the United States to lead and benefit from the global economy.

How TPA Promotes Prosperity. Current law requires Congress to renew the President's TPA every two years. Under TPA, Congress can approve or reject an entire FTA, but it cannot alter specific provisions in the agreement. In return, the President must fulfill certain criteria, as specified by Congress.

Once the Administration decides to pursue a trade deal, it must notify Congress at least 90 days before launching official negotiations. TPA guidelines require the Administration to maintain consultations with Congress throughout the negotiating process.

TPA assures foreign countries that Congress will not amend an agreement after negotiations conclude. By ensuring that U.S. commitments are made in good faith, TPA enhances America's ability to negotiate trade agreements and minimizes the cost and uncertainty associated with the process.

Each element of a trade agreement 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, trade agreements and the TPA legislation that defines them do not weaken U.S. interests; they promote them.

Today's $13 trillion U.S. economy is bolstered by free trade. The United States has the world's largest economy, and in 2005, the latest year for which data is available, the United States was the world's largest trading nation for both exports and imports of goods and services.[1] The value of America's trade in goods and services, including earnings and payments on investment, was 38 percent of U.S. GDP in 2006. U.S. exports of goods and services (including investment earnings) in 2006 were 28-fold greater than in 1970 and 136 percent greater than in 1994.[2]

The service sector accounts for roughly 79 percent of the U.S. economy and 30 percent of the value of American exports.[3] Service industries account for eight out of every 10 jobs in the United States and provide more jobs than the rest of the economy combined. Over the past 20 years, service industries have contributed about 40 million new jobs to the economy.[4]

This paper, in its entirety, can be found at:
www.heritage.org/Research/TradeandForeignAid/wm1531.cfm

Produced by the Center for International Trade and Economics (CITE)

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002–4999
(202) 546-4400 • heritage.org

Freer trade enables more goods and services to reach American consumers at lower prices, giving families more income to save or spend on other goods and services. According to the Peter G. Peterson Institute for International Economics, Americans' annual income increased by $1 trillion from 1945 to the present due to increased trade liberalization. The WTO Uruguay Round and the North American Free Trade Agreement alone have lowered U.S. tariffs and provided an average savings of $1,300 to $2,000 a year for a family of four.[5] Trade liberalization in the last 10 years has helped raise U.S. GDP by nearly 40 percent and has boosted job growth by over 13 percent.

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 the U.S. economy one of the most productive and the wealthiest in the world.

TPA and the Bush Administration. The Bush Administration has championed an aggressive trade policy agenda as a means to advance free trade for the benefit of the United States and the rest of the world. Coupled with TPA, this agenda has resulted in FTAs with Chile, Singapore, Australia, Morocco, the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Bahrain, and Oman. These agreements play a critical role in maintaining American competitiveness and economic prosperity, spreading freedom around the world and fostering economic development in poor countries. Moreover, TPA allows the Administration a leadership role in multilateral trade talks, ensuring that global trade talks move forward and result in meaningful and beneficial trade liberalization.

In the hope that TPA would be reauthorized, the Administration negotiated in good faith for a new template for FTAs that incorporated many of the demands of a more populist and protectionist Congress. The Administration even relinquished the ability granted under the expired TPA to keep recently concluded FTAs with South Korea, Colombia, Peru and Panama from being rewritten with the new compromise rules. Unfortunately, the Administration's concessions appear to have been in vain, remaining inadequate to persuade a hostile Congress to renew TPA.

If TPA vanishes with a whimper, the Administration's overall trade agenda will lose momentum. While the cause of freer trade won't necessarily die on the vine, the United States will be unable to spur rapid trade liberalization—delaying the benefits that freer trade brings to the world's households and businesses.

Conclusion. Renewing TPA is the best way for Congress to demonstrate its commitment to ensuring America's primacy in the world economy and promote global economic development. Given the Administration's proven willingness to listen to Congress on all facets of trade policy, Congress should pass new legislation that would extend the President's authority beyond the typical two-year duration.

On February 14, Representative Jeb Hensarling (R–TX) introduced a bill that would extend TPA an additional five years and then automatically reauthorize it unless Congress passes a concurrent resolution disapproving renewal. Such legislation not only preserves the flexibility of negotiators in bilateral and multilateral trade talks, but also enhances the ability of the President to engage in longer-term

1. World Trade Organization, "2006 Statistical Tables," at *www.wto.org/english/res_e/statis_e/its2006_e/its06_toc_e.htm* (June 26, 2007).
2. Office of the United States Trade Representative, *2007 Trade Policy Agenda and 2006 Annual Report,* at *www.ustr.gov/Document_Library/Reports_Publications/2007/2007_Trade_Policy_Agenda* (June 26, 2007).
3. U.S. Department of Commerce, Bureau of Economic Analysis, "International Economic Accounts," at *www.bea.gov/bea/di1.htm* (June 26, 2007).
4. Office of the U.S. Trade Representative, "Free Trade in Services: Opening Dynamic New Markets, Supporting Good Jobs," Fact Sheet, May 2005.
5. Office of the Unites States Trade Representative, *2006 Trade Policy Agenda and 2005 Annual Report,* at *www.ustr.gov/assets/Document_Library/Reports_Publications/2006/2006_Trade_Policy_Agenda/asset_upload_file151_9073.pdf* (January, 10, 2007).

negotiations. Eliminating the biannual fight to renew TPA would enable negotiators to devote more time and resources to working through complex issues and trade relationships.

At worst, even a temporary one-year extension would enhance the ability of the Administration to advance critical negotiations in the WTO. Free trade is about reducing poverty and expanding economic opportunity—markedly nonpartisan issues. Defending free trade and fighting for new trade agreements are central congressional responsibilities. Congress should act now to fulfill that responsibility and renew TPA before it is too late.

—Daniella Markheim is Jay Van Andel Senior Trade Policy Analyst in the Center for International Trade and Economics at The Heritage Foundation.