

# ISSUE BRIEF

No. 3912 | APRIL 17, 2013

## Advancing Trade Freedom: Key Objective of Trade Promotion Authority Renewal

By *Bryan Riley and Anthony B. Kim*

Trade Promotion Authority (TPA) has been a critical tool for advancing free trade and spreading its benefits to a greater number of Americans. TPA, also known as “fast track” authority, is the legislative power Congress grants to the President to negotiate reciprocal trade agreements. Provided the President observes certain statutory obligations under TPA, Congress agrees to consider implementing those trade pacts without amending them.

More than a decade has passed since TPA was last renewed in 2002, and its authority expired in 2007. Reinstating TPA may well be the most important legislative action on trade for both Congress and the President in 2013 given the urgency of restoring America’s credibility in advancing open markets and securing greater benefits of two-way trade for Americans. As the case for timely reinstallation of an effective and practical TPA is stronger than ever, the quest for renewing TPA should be guided by principles that enhance trade freedom, a vital component of America’s economic freedom.

**Emerging TPA Renewal Debates.** Both House Ways and Means Committee chairman David Camp (R-MI) and Senate Finance Committee chairman Max Baucus (D-MT) have announced plans

to pursue TPA legislation. However, many lawmakers have correctly pointed out that a proactive push from President Obama is critical, given that trade bills have been a thorny issue for many Democrats in recent years.

Historically, it has been common practice, although not formally required, to have the President request that Congress provide renewed TPA. In fact, except for President Obama, every President since Franklin Roosevelt has either requested or received trade negotiating authority.<sup>1</sup>

After four years of informing Congress it would seek TPA at “the appropriate time,” early this year the Obama Administration finally indicated its interest in working with Congress to get TPA done. The President’s 2013 trade agenda offered the Administration’s most forward-leaning language yet, specifying that “to facilitate the conclusion, approval, and implementation of market-opening negotiating efforts, we will also work with Congress on Trade Promotion Authority.”<sup>2</sup>

In the 2002 Bipartisan Trade Promotion Authority Act, Congress—whose role in formulating U.S. trade policy includes defining trade negotiation objectives—made it clear that

[t]he expansion of international trade is vital to the national security of the United States. Trade is critical to the economic growth and strength of the United States and to its leadership in the world. Stable trading relationships promote security and prosperity.... Leadership by the United States in international trade fosters open markets, democracy, and peace throughout the world.<sup>3</sup>

---

This paper, in its entirety, can be found at  
<http://report.heritage.org/ib3912>

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

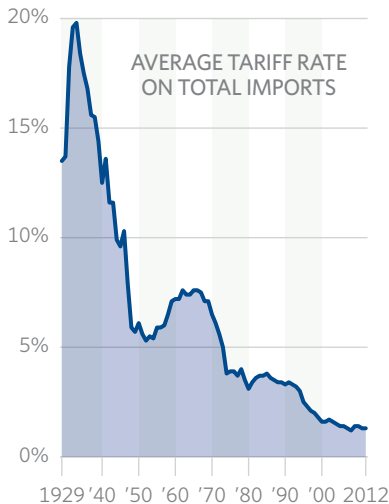
**The Heritage Foundation**  
214 Massachusetts Avenue, NE  
Washington, DC 20002  
(202) 546-4400 | [heritage.org](http://heritage.org)

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

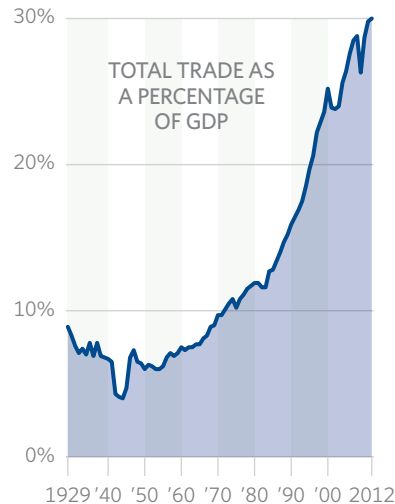
CHART 1

## The Benefits of Free Trade in the U.S.

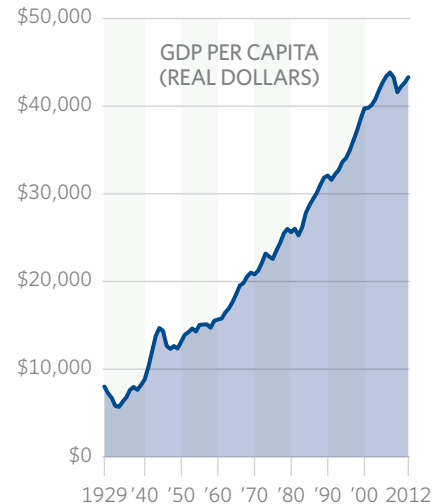
*As America has removed its trade barriers ...*



*... two-way trade has made increasing contributions to the U.S. economy ...*



*... which has fueled America's prosperity.*



**Sources:** U.S. Department of Commerce, Bureau of Economic Analysis, "National Income and Product Accounts Table," <http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=1&isuri=1> (accessed April 12, 2013); White House, "Economic Report of the President," February 2013, Table B-34, <http://www.gpo.gov/fdsys/pkg/ERP-2013/pdf/ERP-2013-table34.pdf> (accessed April 12, 2013); and U.S. International Trade Commission, Interactive Tariff and Trade DataWeb, [http://dataweb.usitc.gov/scripts/user\\_set.asp](http://dataweb.usitc.gov/scripts/user_set.asp) (accessed April 12, 2013).

IB 3912 heritage.org

**Foster Trade Liberalization, Not Protectionism.** The Obama Administration often seems to regard trade as a zero-sum game of capturing value that would otherwise go elsewhere. However, trade liberalization is about creating and adding value, capitalizing on competitive advantages, and further harnessing the power of freedom and choice. Trade has been an integral part of America's extraordinary economic progress over the past decades. Since 1929, trade volume has increased from less than 9 percent of U.S. gross domestic product (GDP) to around 30 percent, while real U.S. GDP per person increased from \$8,000 to more than \$43,000.

This progress faces continuing threats, mainly from special-interest groups that malign free trade in an attempt to seek protection from competition at the expense of everyone else. Some lawmakers have even viewed TPA legislation as a vehicle to address the perceived costs of free trade for the U.S. economy. However, using TPA renewal to redress the suspected costs of trade is an ill-advised idea.

TPA is an instrument that not only enables America to secure increased access to overseas markets but also provides the unique opportunity for the U.S. to reduce its own barriers and advance economic freedom. Congress and the President can help the American economy by removing barriers

1. J. F. Hornbeck and William H. Cooper, "Trade Promotion Authority (TPA) and the Role of Congress in Trade Policy," Congressional Research Service Report for Congress, August 9, 2012, Appendix A, <http://www.fas.org/sgp/crs/misc/RL33743.pdf> (accessed April 16, 2013).
2. U.S. Trade Representative, "The President's 2013 Trade Policy Agenda," March 2013, <http://www.ustr.gov/sites/default/files/AnnualReport%20Final2013.pdf> (accessed April 16, 2013).

that limit its competitiveness. With open trade and investment ensured, the interplay of low tax rates and efficient regulations could effectively enhance America's economic freedom. Entangling TPA with a protectionist agenda, on the other hand, would not serve America's interests in the global market.

**Imports Do Support American Jobs.** The TPA renewal debate in Congress should reflect the fact that both exports and imports are job-supporting activities. In other words, the debate should focus on how to deliver greater trade freedom to Americans that advances the benefits of trade in both directions.

It is a common misperception that importing goods to America comes at the cost of American jobs. In fact, imports contribute to job creation on a large scale. The increased economic activity associated with every stage of the import process helps support millions of jobs in the U.S. As shown by a recent Heritage Foundation study, for instance, over half a million American jobs—in fields such as transportation, wholesale, retail, construction, and finance—are supported by imports of clothes and toys from China alone.<sup>4</sup>

Highlighting the dynamic and value-adding role played by imports in the U.S. economy, an empirical analysis published in the *Federal Reserve Bank of St. Louis Review* presents strong evidence that “policies to bolster exports at the expense of imports would significantly harm U.S. manufacturing,” adding that “imports have played a critical positive role in boosting manufacturing output in the United States—much more so, in fact, than exports.”<sup>5</sup> Indeed, intermediate goods imports and capital goods imports are the lifeblood of U.S. manufacturing. Without them, manufacturing output is impossible.

**What Congress Should Do in Reauthorizing TPA.** While working constructively with the Obama Administration, Congress should:

- Grant long-term (at least five years or even permanent) renewal of TPA so that America's credibility in pursuing free trade can be effectively restored;
- Insist on negotiating parameters that promote actual increases in international trade flows and guarantee reductions in tariff and non-tariff barriers to trade and investment;
- Oppose any emphasis in TPA legislation on the promotion of exports over imports in recognition of the importance of both in increasing American jobs and prosperity; and
- Resist imposing any special sectoral or industry-specific requirements on negotiators, including in areas such as environmental and labor standards.

**A Unique Opportunity.** The threat to U.S. prosperity comes not from free trade but from the decline in economic freedom. In the process of working on TPA reauthorization, Congress has the unique opportunity to become an effective advocate for advancing economic freedom and help America reap the rewards that accrue from such policies. It should not let the opportunity pass.

—*Bryan Riley is Jay Van Andel Senior Analyst in Trade Policy and Anthony B. Kim is a Senior Policy Analyst in the Center for International Trade and Economics at The Heritage Foundation.*

---

3. Bipartisan Trade Promotion Authority Act of 2002, 19 U.S. Code § 3801, <http://www.law.cornell.edu/uscode/text/19/3801> (accessed April 16, 2013).

4. Derek Scissors, Charlotte Espinoza, and Ambassador Terry Miller, “Trade Freedom: How Imports Support U.S. Jobs,” Heritage Foundation *Backgrounder* No. 2725, September 11, 2012, <http://www.heritage.org/research/reports/2012/09/trade-freedom-how-imports-support-us-jobs>.

5. Kevin L. Kliesen and John A. Tatom, “U.S. Manufacturing and the Importance of International Trade: It’s Not What You Think,” *Federal Reserve Bank of St. Louis Review* (January/February 2013), <http://research.stlouisfed.org/publications/review/13/01/Kliesen.pdf> (accessed April 16, 2013).