



House Policy Committee
Congress of the United States
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Policy Statement

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Trade Promotion Authority and American Prosperity

America's taxes on foreign imports are already near zero. But foreign taxes on the products of U.S. workers are often prohibitive—killing American jobs and opportunity. Cutting or eliminating foreign taxes on American exports is thus the key to expanding America's global economic leadership.

At home, trade expansion through lower foreign taxes will help increase economic growth, raise living standards through higher wages, and increase employment. Already, the growth in foreign markets is helping create jobs for Americans: one in three U.S. farm acres is planted for export. And 12 million American jobs have been generated by exports to the rest of the world.

In order to achieve meaningful reductions in foreign taxes on U.S. exports, the executive branch of our government must have the specific authority from Congress to negotiate trade agreements with other countries. This authority—known as Trade Promotion Authority—lets America speak with one voice, and achieve solid and binding results in international trade negotiations. It is the key to opening foreign markets to American farmers, workers, investors, and businesses.

Consistently, the Republican leadership of Congress—and Presidents of both parties—have supported this essential tool of American leadership and prosperity. Unfortunately, the President has been without Trade Promotion Authority since 1994. In the last Congress, the bipartisan consensus supporting trade expansion was destroyed when congressional Democrats succeeded in blocking an extension of Trade Promotion Authority to former President Clinton.

This year, Congress and the President will work together to restore the consensus for trade expansion and Trade Promotion Authority. The Republican leadership of Congress, which has consistently provided the critical support for both Trade Promotion Authority and a whole array of vital trade agreements such as the General Agreement on Tariffs and Trade, the North American Free Trade Agreement, and the African Growth and Opportunity Act, is determined to forge a bipartisan majority for Trade Promotion Authority.

Trade Promotion Authority is also one of President Bush's highest priorities. The President understands that the most prosperous periods in American history have been when free trade was expanding: from 1873 to World War I; the 1920s; the Reagan boom from 1983 to 1990; and the post-NAFTA and GATT prosperity that we now enjoy. By contrast, protectionism in the 1930s contributed enormously to the spread and duration of the Great Depression, as it did

to the decline of England from 1914 to the Thatcher era. Moreover, closed markets set the stage for the financial crisis of the late 1990's in Asia.

Free trade promotes sustained prosperity in a number of ways:

Controlling inflation. Keeping inflation in check has been a central pillar of America's economic growth, consumer confidence, and financial market strength. Free trade leads to more competitive businesses, more choices of goods, and lower prices for consumers.

Accelerating Innovation. Advances in high technology, and the productivity growth that high technology has helped bring about, are strongly encouraged by free trade. Free trade not only reinforces the discipline of competition and promotes the rise of efficient companies, but it also provides expanded markets for new products, thereby rewarding investment in innovative technologies, goods, and services.

Replacing Government with Markets. Worldwide deregulation is producing economic efficiency and opening markets around the globe. Nothing has given a greater boost to deregulation than free trade. Competition undermines inefficient state-run industries and has led to across-the-board deregulation in areas such as transportation, telecommunications, and financial services.

Reducing Conflict. Free trade can break down political divisions. European unity, unthinkable fifty years ago, is increasingly apparent as the Common Market matures. Historical rivals including Argentina and Chile, Japan and South Korea, and Russia and Turkey have built cooperative bilateral relations on a foundation of common economic interests. Trade expansion will encourage economic development, reduce poverty, and promote democratic principles throughout the world.

Giving America the Edge. Free trade opens up overseas markets to U.S. products and services where America has a comparative advantage over foreign producers: for example, in high tech, banking, insurance, intellectual property, entertainment, and a variety of manufactures. In this way, expanded trade will create and sustain millions of high-paying American jobs.

Trade Promotion Authority: The Key to Trade Expansion

Without Trade Promotion Authority, America will lose the opportunity for significant trade gains that would otherwise flow to U.S. workers and businesses. That opportunity will be seized by America's trade competitors. For example, the European Union has already concluded 27 preferential or special customs agreements with other countries, and is negotiating 15 more. For the first time ever in our own hemisphere, the EU has signed a free trade agreement—with Mexico, our second-largest market. The EU is also aggressively seeking trade agreements with South American nations. Japan is negotiating a free trade agreement with Singapore, and is considering agreements with Mexico, Korea, and Chile. Overall, there are over 130 preferential trade agreements in the world today—and the United States is a party to only two of them.

Trade Promotion Authority does not mean that Congress gives carte blanche to the President and the Executive Branch. However, because our trading partners cannot negotiate separately with 535 Members of Congress, it is an essential prerequisite to winning meaningful

international trade agreements. Just as labor contracts are negotiated between designated representatives, rather than among all union members and all members of the corporate board, so too the United States must speak with one voice in trade negotiations. And just as labor agreements are subject to the ultimate approval of both the union's membership and the company's board, so too each and every trade agreement negotiated under Trade Promotion Authority will continue to remain subject to congressional approval.

President Bush has stressed that he plans to take full advantage of the market-opening opportunities that present themselves in the coming years, while maintaining the closest possible consultation and collaboration with Congress. The President understands the essential executive-congressional partnership on trade, and will work with Members of Congress and congressional committees.

Long-term economic growth is a key element of stable, free, and democratic societies. The lapse of Trade Promotion Authority hurts American leadership in building a prosperous and free world as much as it injures our economic interests. Republicans in Congress will move quickly to reinstate the authority that has promoted free trade year after year, delivering significant progress from the Tokyo Round in 1979 to the Uruguay Round in 1994.

Trade Promotion Authority is the essential precondition for expanding America's export markets. It is time to reassert America's leadership in the world, and extend Trade Promotion Authority now.