AMERICAN TRADE POLITICS:
From the Omnibus Act of 1988
To
The Trade Act of 2002

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Introduction: In 1988, the Congress passed the Omnibus Trade and Competitiveness Act of 1988 with broad bipartisan support. Unlike most post-World War II trade legislation, the Omnibus Act originated with the Congress rather than with a proposal from the Administration. Despite continuing Administration objections, final passage came in 1988 by wide margins in both the House and the Senate.

In addition to a comprehensive competitiveness or productivity growth strategy, the Omnibus Act included negotiating objectives and fast track authority. Under fast track procedures, the Congress agreed to an up or down vote on future trade agreements without the possibility of adding any amendments. Neither the fast track procedures nor the bill's negotiating objectives were particularly controversial at the time.

Fast track authority (for completing negotiations) lapsed on June 1, 1993. President Clinton unsuccessfully sought to renew fast track authority in 1997. He tried again in 1998 only to lose decisively in the House of Representatives.

In 2001, a new Administration made securing Trade Promotion Authority (TPA), a new name for fast track, an early Administration priority. Yet despite a newly elected Republican President, George W. Bush, in the White House, Republican control of the House and initial Republican control of the Senate, TPA had a perilous journey to final passage in 2002.

In the course of a decade, trade negotiations had gone from overwhelming support to a razor thin majority in the House of Representatives. What happened? What were the political and economic factors, the domestic and international considerations that made trade negotiations and, perhaps, trade agreements more problematic? A variety of factors can be at play including the state of the economy, the international value of the dollar, and the partisan nature of the political debate. As trade agreements went beyond reducing tariffs to encompassing domestic regulations, intellectual property, and rules governing foreign investment, trade legislation has inevitably attracted a new and broader set of interests.

International trade has also become a proxy for forces associated with globalization or greater international economic integration. New technologies, shifting patterns of consumption, or increased immigration can bring change, sometimes disruptive change to workers and their communities. For the most part, these changes are not easily addressed in the political arena. Trade negotiations are different. The Constitution explicitly gives Congress the authority to "regulate commerce with foreign nations."[1] Delegating that authority to the President, setting negotiating objectives or agreeing to fast track procedures requires congressional action. The open debate in Congress creates an opportunity for many individuals or groups to express concerns that may range from lost jobs at home to human rights abroad.

In 1988, trade became a vehicle for thinking about America's place in the global economy. The initial impetus of the Omnibus Act of 1988 grew out of the stagflation of the 1970s and the intensifying international competition of the 1970s and 1980s. Fifteen years later, the United States had regained its economic leadership. But the widening ambit of trade negotiations triggered interests that went beyond industry or even labor to include the environment, human rights, and economic prospects in the developing world.

Trade and trade negotiations will become even more complex in the 21st century. In part, our negotiating partners around the world have become more knowledgeable and more assertive. What were U.S. innovations – unilateral sanction to open closed markets (Section 301) or regular reports on trade barriers – have been emulated in Europe and Japan. U.S. trade remedy laws – particularly anti-dumping legislation – have been adopted and used in industrial as well as developing countries. New groupings of nations have emerged to assert their own demands for market opening or new rules for international commerce.

Even broader challenges face the United States and other major countries in the 21st century. Over the course of the 20th century, the United States, Europe, and other parts of the industrial world struggled to find the right balance between markets and regulation and between public and private investments. Driven by crises and an industrializing economy, the United States and other countries developed rules governing everything from banking to workplace safety. In the second half of the 20th century, the industrial world also turned its attention to environmental protection.

Worker security and environmental protection will remain priorities in the 21st century. But there will be other challenges. Starting in the 1980s, United States analysts became more aware that there were several versions of market-based capitalism. As economies become more intertwined, the different systems will need to develop policies and practices that will allow them to compete on the proverbial level trading field. For instance, during and after World War II, the United States developed a private-sector based welfare system with companies promising health care and pensions to retired workers. Now a mix of new technologies and international competition have some industries struggling to meet promises that, in Europe or Japan, would largely be met through the public sector. Even more fundamental is the growing sense that in a world of instant communications, easy travel, and extensive immigration, a world of haves and have nots is morally unacceptable and politically dangerous. Finally, the same technologies that contribute to growing global commerce also can contribute to the proliferation of weapons of mass destruction or simple terrorism.

The Omnibus Trade and Competitiveness Act of 1988

After World War II, the American economy experienced a period of seemingly effortless and endless growth. Suddenly, in the 1970s, the economy seemed to be all problems and no solutions. Rising prices, intermittent recessions and slow productivity growth brought a combination of stagnation and inflation – the word stagflation was born. Without paying much attention, the United States had gone from a net exporter of petroleum products after World War II to depending on oil imports for a considerable portion of its energy. The reality of dependence was brought home painfully when the supply of imported oil was disrupted in 1973 and, again, in 1979.[2] By the 1970s, Europe and Japan had fully recovered from the devastation of World War II and had become a competitive force in industries that America had dominated in the post-World War II era. The Omnibus Trade and Competitiveness Act of 1988 was the product of ideas, economic trends, and political forces that grew out of the 1970s experience.

The 1980s Economy: The 1980s had started with the country's severest downturn since the Great Depression of the 1930s. Inflation, interest rates, and, in some states, unemployment reached double digits. Unlike past recessions, the downturn in 1981-82 involved significant industrial restructuring – instead of temporary layoffs some industrial jobs were simply eliminated.

By the election of 1984, the recession was over, the economy was growing again and unemployment was falling. President Reagan was reelected by an overwhelming Electoral College margin, carrying every state except Minnesota, the home state of his opponent, former Vice President Walter Mondale. Two clouds still hovered above the economy – record trade and budget deficits. Both influenced the economic and political debate throughout the 1980s and the trade deficit as both symbol and substance of international competition would provide a major impetus for legislative action.

Geopolitics and the International Economy: In the 1980s, the Cold War between the United States and the Soviet Union was a part of every international debate and many that focused principally on domestic policy. During the 1980s, U.S. industry faced increased international competition for the U.S. as well as overseas markets. In particular, Japan was becoming a force in one market after another. By the 1960s, Japan had become a serious competitor in textiles. In the 1970s, Japan challenged American steel and auto producers and, by the end of the decade, dominated the consumer electronics field. For a period, some American political leaders had talked confidently of a moving from smokestacks to an economy built on services and high technology. Japanese industry had other ideas. By 1985, Japan was poised to dominate the American market for memory chips. Suddenly, the semiconductor, often described as the crude oil of the 1980s, was an endangered species.

The Making of the Omnibus Act Trade and Competitiveness Act of 1988: Even more than the large and persistent budget deficits, it was the trade deficit that became the focus of congressional action. The combination of President Reagan's expansive fiscal policy and the restrictive monetary policy of the Federal Reserve Board had helped drive up the international value of the dollar. The strong dollar made imports more attractive and acted like an added tax on U.S. exports. U.S. manufacturers found themselves caught between the recession at home and rising international competition.

When Democrats gathered for their policy conference at the Greenbrier resort in anticipation of the 99th Congress (1985-86), House Majority Leader Jim Wright was ready to start down the path of what, four years later, would become the Omnibus Trade and Competitiveness Act of 1988 (hereafter the Omnibus Act). Working with Speaker O'Neill's approval, Wright established a task force on trade and asked Congressman Don

Bonker of Washington to be its chair. Bonker, however, was not a member of the House Ways and Means Committee – the traditional home of trade legislation. By going outside Ways and Means, Wright created the possibility of taking a much broader approach to trade.

While pressures on trade grew, the Reagan Administration did little to reduce them. The 1985 Economic Report of the President essentially dismissed concerns about the competitive impact of the dollar.[3] On March 1, 1985, the President announced that he would not extend the voluntary auto agreement with Japan,[4] and later, on August 27, 1985, the President rejected an International Trade Commission recommendation to provide temporary trade relief to the shoe industry.[5]

In mid-July 1985, Congressmen Dan Rostenkowski, (D-IL) and Richard A. Gephardt (D-MO) and Senator Lloyd Bentsen (D-TX) introduced legislation imposing an import surcharge on imports from countries that "…maintained both a large bilateral trade surplus with the United States and unfair barriers to imports."[6] With significant revisions, the surcharge bill became a stand-alone Gephardt amendment that was part of the debate on the Omnibus Act until almost its final passage in 1988.

Rostenkowski, Bentsen, and Gephardt were all leading figures in the Congress. Rostenkowski chaired the House Ways and Means Committee and Bentsen was the ranking Democrat on the Senate Finance Committee, the two committees that were the prime drafters of trade legislation. As chair of the House Democratic Caucus, Gephardt was a part of the House leadership and was generally viewed as a rising star.

In early September 1985, President Reagan moved decisively to take the trade debate back into his own hands. He set a December 1, 1985 deadline for Japan to lower its barriers to shoe and leather imports and for the European Union to end its subsidies on canned fruit. For the first time, the President used his authority to initiate cases against unfair trade practices rather than waiting for a petition from industry. He picked three targets: a Brazilian law limiting the sales of imported computers, Japanese restrictions on the sale of U.S. cigarettes, and a Korean Law prohibiting the sale of life and fire insurance by foreign based firms.[7]

Two weeks later, the President and the Administration moved even more boldly. The dollar came first. On September 22, 1985, Secretary of the Treasury James Baker and the finance ministers of France, Germany, Japan, and the United Kingdom agreed on the need for further dollar depreciation. They issued the "Plaza Accord" (they had met at the Plaza Hotel in New York), a communique stressing the need for some coordination in economic policies and joint intervention in currency markets to bring down the value of the U.S. dollar.[8] The following day, President Reagan delivered a major trade policy speech announcing further trade initiatives, indicating support for major trade legislation and establishing a multi-department trade strike force.[9]

When the Congress had returned from their August recess, some observers thought trade was such a 'red-hot issue' that the Congress might have passed the 1930

Smoot-Hawley tariff had it been proposed. The Reagan initiatives did deter any precipitous action on trade, but did not stop congressional progress on the trade front. House Republicans took the first step, unveiling their trade proposal on October 8, 1985. Nine days later, Rep. Don Bonker's Democratic Trade Task Force outlined their own set of principals for trade legislation. In early November, Senate Democrats led by Senator Lloyd Bentsen introduced their trade bill; Senate Republicans led by Senator John Danforth responded with their own bill later in the same month.

In early March 1986, Speaker O'Neill appointed Majority Leader Wright to coordinate the work of House Committees in crafting a trade bill. What started with a focus on trade law evolved into an embryonic competitiveness strategy. Wright had set a timetable for subcommittee action and turned to the Rules Committee to package seven separate bills into a single piece of legislation. The result was H.R. 4800 that, in addition to traditional trade provisions, included initiatives on export promotion, exchange rates, and education. The House Passed H.R. 4800 on May 22, 1985 by a margin of 295 – 115, more than enough to override a presidential veto.[10] Then action stalled. The Senate Finance Committee was consumed with its work on what would become the Tax Reform Act of 1986. Trade would have to wait until the next year.

In 1987, Jim Wright became Speaker of the House. Even before formally becoming Speaker, Wright indicated that trade would be a priority. On January 6, 1987, one hundred Democrats joined Wright in introducing H.R. 3 – essentially the same bill that had passed the House in 1986 as H.R. 4800. The Senate was not far behind. With Democrats having regained control of the Senate, the new Majority Leader, Senator Robert C. Byrd (D-WV) indicated that trade legislation would be a priority. Byrd instructed Senate Committees to finish their work by May 1, 1987 when he would "…meld the bills in one omnibus measure…"[11]

By this point, the focus on trade had been broadened to include the competitiveness of U.S. industry. The congressional interest in trade was not lost on the Reagan Administration. By mid-February, the Administration responded with its 1600 page Trade, Employment and Productivity Act. For the most part, however, the Administration's proposal was written "off as a grab bag of previous initiatives on which Congress had refused to act."[12]

Work progressed swiftly in the House with committees finishing their work by mid-1987. For the most part, the House bill had broad bipartisan support. The principal debate centered around a modified version of the Gephardt amendment that was only adopted by a very narrow margin. In the Senate, Senator Fritz Hollings (D-SC) took the lead in adding a technology policy title to the omnibus bill. As in the House, the bill generated strong, bipartisan support and was adopted on July 21, 1987 by a 71-27 margin.[13]

After passing distinct versions of similar bills, the relevant House and Senate committees routinely meet in conference to iron out their differences. The conference on H.R. 3, however, was anything but routine. By any measure, the conference was one of the largest and most complex ever convened. By the time the conference was seriously underway in the fall of 1987, it included 18 House and 8 Senate committees and a total of 199 conferees, 155 from the House and another 44 from the Senate.

As the Congress returned to work in early 1988, the trade and competitiveness bill remained a top priority. For the most part, the broad elements of the competitiveness strategy fell easily into place. The conference committee, however, continued to wrestle with some controversial proposals that sought to regulate America's dependence on foreign capital and to respond to violations of the embargo on exports to the Soviet Union. In the end, the conferees dropped one reporting requirement for foreign investors and narrowed the second to apply only to acquisitions of American companies that affected national security. The amendment targeting the Japanese firm Toshiba and the Norwegian firm Kongsberg (their subsidiaries had sold key technology to the Soviets that allowed them to quiet the propellers of their submarines) was narrowed to apply only to the subsidiaries involved and not the overall corporation.

Prospects for the Gephardt amendment faded, as his campaign for the Democratic presidential nomination faltered. In the end, the conferees agreed on a Super 301 provision that had been proposed by Senator John Danforth. Some of the Gephardt language and approach was retained, but the focus shifted to trade barriers rather than trade deficits, and there was no prescribed formula for reducing a bilateral trade deficit.

The remaining controversy involved a proposal to give workers advance notice of layoffs or plant closings. Although not originally a labor priority, plan closing grew in prominence as labor backed trade and investment provisions were softened or, in some cases, dropped altogether.

By late April 1988, the conferees had finished their work on the massive H.R. 3 that still included two controversial proposals: the provision on plant closing notification and a provision restricting the export of oil from an Alaskan refinery. On April 21, the House passed the measure by a veto proof margin of 32 to 107. The Senate approval followed six days later by a margin of 63-36 – three votes shy of the margin needed to override a veto.

A month later (on May 24), the President vetoed the bill emphasizing his objections to the plant closing provision and the restriction on exporting Alaskan oil. The House reacted within hours by overriding the President's veto. Voting after the Memorial Day recess, the Senate sustained the President's veto by a margin of 61-37.[14] Wright responded by reintroducing the trade bill (most of H.R. 3 reemerged as H.R. 4848) but to leave the provision on plant closing notification to a separate bill. The provision on Alaskan oil was simply dropped. He left the first step on the separate plant closing legislation to the Senate, which passed a free standing plant closing notification bill by a veto proof margin of 72-32. The House acted a week later. Although the recorded House vote fell short of a veto override, observers and the Administration agreed that by recalling absent members they would be able to prevail against the presidential veto. On August 2, the President announced that he intended to allow the plant-closing bill to become law without his signature – a mild and largely symbolic form of protest.[15]

The House passed H.R. 4848 by an overwhelming 376-45 margin and Senate followed suit by an equally strong 85-11 vote. On August 23, 1998, President signed the Omnibus Trade and Competitiveness Act of 1988.

The Omnibus Act was a broad response to the economic challenges that arose in the 1970s. By time of passage, a large, bipartisan majority in the Congress wanted concerted action by the Administration on competitiveness as well as trade. The business community had worked closely with the Democratic majority and the Republican minority. In extending trade negotiating and fast track authority, the Omnibus Act established the legislative basis for negotiation that led to the North American Free Trade Agreement and a successful conclusion of the Uruguay Round. Much of the trade portion of the bill was designed to force the Administration to use trade provisions that were already on the books.

Trade negotiating objects are always taken seriously. The Omnibus Act spells out several pages of objectives but included only the general promotion of workers rights. The environment was not mentioned.

The Trade Act of 2002

The Changing Economy: In 1988, the country had left the recession of 1981-82 behind. The economy was growing with unemployment falling to 5.7% by the end of 1987 and trending downward throughout 1988, reaching 5.3% by the end of the year. Productivity growth, however, had not recovered and for millions of workers, perhaps as much as half the population, wages had fallen since the prosperous year of 1979. Despite relatively comfortable times, there was wide spread anxiety about the country's future. People feared that Germany and particularly Japan were the wave of the economic future.

By 2001, the economic landscape had changed dramatically. During what some now refer to as the "Roaring Nineties"[16] the United States experienced the longest, continuous period of growth in its history. Unemployment fell below 4% and the country was adding millions of jobs every year. Inflation was low and GDP was up. Productivity growth recovered and, by the second half of the decade, most Americans experienced rising incomes. Even the political press was writing about the "Goldilocks" (after the Grimm Brothers fairy tale) economy where everything was just right.

Then the three bears returned with a vengeance. The air began to come out of the financial bubble in the spring of 2000. Over the course of the next three years, trillions of dollars of financial wealth simply vanished. In March of 2001, the country slipped into a recession. While a recovery started in fairly short order, it remained a "job loss" recovery until positive job growth returned in the fall of 2003.

On September 11, 2001, the country was stunned and, in some sense, transformed by the tragic, terrorist attacks on the World Trade Center and the Pentagon. For the economy, September 11 added to a climate of uncertainty and brought to the fore the human as well as the financial cost of terrorism.

September 2001 also brought the first reports of financial difficulties in energy giant Enron. By the end of the year, Enron, one of the country's largest companies, had collapsed under the weight of financial irregularities, possibly illegal deception, and allegations of criminal fraud. Over the next three years, one corporate or financial scandal followed another. It proved to be a system-wide failure that engulfed companies, government regulators and event the financial press.[17] While hard to quantify, the scandals made it more difficult to rally support for trade legislation as a priority of a business community that had been cast under a cloud of doubt and suspicion.

The International Economy: Deficits and the Dollar: Some of the leading students of the politics surrounding trade point to the potential for a strong (relative to foreign currencies) dollar and large trade deficits to influence congressional action on trade related legislation.[18] It is far from a hard and fast rule. From 1995 the dollar and the trade deficit rose steadily but without precipitating popular pressures either to open markets overseas or to restrict access to the American market.

In more difficult times, however, Administration action to make the dollar more competitive has slowed congressional efforts to restrict imports. In 1971, President Nixon ended the commitment to exchange gold for dollars at a set price and in 1973 formalized the move to flexible rather than fixed exchange rates.[19] The new currency regime reduced pressure on U.S. industry, contributed to the passage of the Trade Act of 1974 and blunted the congressional drive to restrict imports. It was the Trade Act of 1974 that first created the fast track procedures that were used in 1979 to implement the results of the Tokyo Round of trade negotiations.

In 1985, trade pressures were again rising, in part in reaction to the challenge posed by Japanese competition. As noted above, in September, then Secretary of the Treasury held a secret meeting with the Finance Ministers from France, Germany, Japan, and the United Kingdom. Together, they agreed to a cooperative program that would reduce the international value of the dollar and the trade deficit of the United States.[20]

As the economy soured in 2001, key interest groups turned their attention to the overvalued dollar and the trade deficit. The National Association of Manufacturers and the AFL-CIO formed a coalition to press for currency realignment as a way of reducing pressure on manufacturing. While Administration policy did change in 2003 – leading both Secretary of the Treasury John Snow and President Bush to press for currency adjustments during separate trips to Asia, this action came after TPA had been (narrowly) restored in 2002. Still, reducing the size of the trade and current account (which includes royalties, foreign assistance, remittances and other factors) deficits will improve the climate for trade negotiations and eventual passage of legislation needed to implement any future agreement.

The International Context: In the almost fifteen years since passage of the Omnibus Act, the international context had changed dramatically. In 1989, the Berlin Wall fell -- torn down by jubilant Berliners from East and West Germany. By the end of 1991, the Soviet Union fell and splintered into more than a dozen, independent states. Then and today, the United States stood alone as the sole remaining military superpower.

Absorbing the former Germany Democratic Republic into a unified Germany proved to be a financial burden that contributed to the eventual slowing of the German economy. While the Soviet Empire was falling, Japan was in the midst of a late 1980s speculative boom that drove land and stock market values to unsustainable heights. Japanese investors were making "trophy" acquisitions in the United States that included such icons as Rockefeller Center and the Pebble Beach golf course.[21] Then the Japanese bubble burst.[22]

While Germany and Japan were entering a decade of economic difficulties; the United States was about to enter the most prosperous decade in its history. Even more striking, sustained U.S. growth was fueled by and symbolized by the rapid spread of information technologies including the Internet. The United States emerged as the world's dominant economy with a technology that was defining the future.

In 1988, proponents of trade negotiations and agreements could play both a Cold War card and a competitiveness card. They could argue that we needed further negotiations as part of a geopolitical strategy that maintained close ties with NATO, Japan, and a host of other countries. Other proponents could emphasize the need to open markets in Japan and elsewhere as a necessary step in fostering American economic strength and long-term productivity growth.

Despite the spring 2000 bursting of the U.S. financial bubble, a recession in 2001, and a rising unemployment until the fall of 2003, the U.S. remained the world's dominant economy. Productivity growth remained strong throughout the period and, in the third quarter of 2003 rose at an astounding 8.1% annual rate.[23] It was simply not credible to seek new trade negotiating authority as a response to an external economic challenge or the slow pace of productivity growth.

The threat of the Soviet Union had been an element in securing congressional support for the Administration's international initiatives including trade agreements. The collapse of the Soviet Union had left any Administration with one less lever to use in situations where every vote counts.

Then, early in the 21st century the United States was stunned by the tragic attacks on New York's World Trade Center and the Pentagon. The post-Cold War era was over. A sense of peace and prosperity had suddenly given way to a global struggle against terrorism with no clear end in sight. At the time of the Trade Act of 2002, the United States had toppled the Taliban regime in Afghanistan, and was pressing the regime of Saddam Hussein in Iraq to give up all weapons of mass destruction.

It is not yet clear whether the war on terror will, over time, have the same impact on trade and international economic policy as the Cold War. The attacks on September 11, 2001 had rallied much of the world to America's side. It was almost certainly an element in the decision of the World Trade Organization to launch a new round of multilateral trade negotiations in November 2001. However, when Ambassador Zoellick, the U.S. Trade Representative, attempted to link the war on terrorism with the need for the President to have fast track or Trade Promotion Authority,[24] there was a swift, negative response by key Members. Some objected to the specifics of the Administration's proposal and others had reservations about further reductions in domestic barriers to trade.[25] Neither group wanted their patriotism questioned.

In 2003, several months after TPA had been granted to the President, the United States had entered Iraq, toppled Saddam Hussein, and brought an end to his Baathist regime. As of November 2003, the United States was working to bring stability, prosperity and democracy to Iraq. On November 6, 2003 in an address before the National Endowment for Democracy, the President announced "a forward strategy for freedom in the Middle East."[26] The President had already, on May 9, called for a ten-year program to create a Middle East Free Trade Agreement.[27]

No one suggests that there is a neat correlation between global poverty and global terrorism. If poverty were the cause of violence, much of the world would be in flames. But, after 9/11, there is a renewed awareness that a world of poverty, stagnant economies and failed economic experiments is not likely to be a world of peace. The President's ambitious vision for spreading democracy and the ongoing war and terrorism may yet translate into needed votes on controversial trade initiatives. When the President calls for action as the Commander and Chief, he usually carries added weight and wields added influence.

<u>Domestic Politics:</u> Over the past two decades, journalists, students of Congress, and Members of the Congress have all commented on a rising tide of partisanship. At least in the recent past, there has been a sharp increase in congressional voting along strictly party lines.[28] The 2000 presidential election showed the nation so closely split that the electoral college victor, President George W. Bush, lost the popular vote by a margin of a half million. It took the Supreme Court to end the fight over recounting the vote in Florida – a decision that left many Democrats saying that President Bush had won the election 5 to 4. Following the example of the close presidential race, the Senate was evenly divided between Democrats and Republicans. As one more measure of an evenly divided electorate, the Senate was evenly divided between Democrats and Republicans. It took Vice President Cheney's vote as President of the Senate to break the tie and allow the Republicans to organize the Senate.

Television coverage on election night colored states won by Bush red and those by Gore blue. Since the election, reporters frequently use the blue-red distinction to refer to sharp policy differences, a cultural divide, or a battle of values. With echoes of the

Civil War between the blue and the gray, the blue and the red have become shorthand for a country at political war.

Having campaigned on a commitment to “change the tone” in Washington and winning a narrow victory, the President might have chosen a course of consultation and cooperation. The model that he had followed in Texas. Instead, the President proposed and successfully pursued a major, ten-year reduction in taxes. The political landscape shifted when Senator James M. Jeffords (R-VT) changed his party affiliation to Independent, caucused with the Democrats, and agreed to vote with them on organizational questions – putting Democrats in the position to lead the Senate and chair its committees.

It was into this closely divided, increasingly partisan Congress that President Bush proposed the renewal of Trade Promotion Authority in early 2001.

<u>Impact of Trade Agreements Since 1988:</u> Following the Omnibus Act, there were a series of trade pacts that would significantly change the landscape for future negotiations.[29] In 1993, the Clinton Administration finished negotiations for the Uruguay Round and secured congressional approval in a lame duck session in late 1994. In addition to further reductions in tariffs, the Uruguay Round moved trade law and policy in new directions by adding protection for intellectual property, services trade, and establishing a new World Trade Organization. The Uruguay Round also planted the seeds for future disputes – mandating future negotiations over agriculture and promising to phase out the Multi-Fiber Arrangement (which allowed the establishment of quotas restricting imports of apparel by the industrial world) in ten years.

There was already a World Intellectual Property Organization and other international agreements covering intellectual property. But the owners of intellectual property wanted the added protection that would come with the ability of the WTO to allow the imposition of trade sanctions where intellectual property rights had been violated. Over time, other communities with other concerns – labor rights, protecting the environment, preserving human rights – asked why trade sanctions could not be used to achieve their goals as well.

Many of the poorest countries came to see the Uruguay Round as more burden than benefit. While most economists continue to emphasize the contribution of international trade to development and the reduction in poverty, many agree that the Uruguay Round created obligations that proved onerous for many developing countries.[30]

In 1993, President Clinton sought and secured passage of the North American Free Trade Agreement (NAFTA) that had essentially been completed by President George Bush. During his campaign, President Clinton had conditioned his support for NAFTA on adequate protection for labor rights and the environment. After his election, the President and his team negotiated side agreements to protect worker rights and the environment. The NAFTA implementing legislation also established the North American Development Bank and the Border Environment Cooperation Commission.[31] The side agreements and the commitment to improve environmental and social conditions on the border raised expectations that were not fulfilled. The sense of disappointment would make future trade action – especially TPA more difficult.

There were other trade agreements that affected the context for the coming battle over the renewal of TPA. In 2000, Congress granted Permanent Normal Trade Relations to China. Absent Congressional action, China needed to secure an annual waiver of the provisions of the Jackson-Vanik amendment. Adopted as part of the Trade Act of 1974, Jackson-Vanik was initially targeted at Soviet restrictions on emigration but worded so as to apply to any communist country. Without a waiver of Jackson-Vanik, a communist country's exports to the United States would be subject to tariff rates that were based on the prohibitive Smoot-Hawley tariffs adopted in 1930. Throughout the 1980s, Administrations regularly waived Jackson-Vanik, a Member of Congress would introduce a resolution disapproving the waiver, and the Congress would defeat the resolution.

Emigration was not a question for China. When Deng Xiaoping first encountered the emigration requirement of Jackson-Vanik, he is reported to have asked, "how many million do you want?" But the debate over China did not stop there. The resolution opposing Jackson-Vanik became a vehicle for a broader debate over U.S. trade and foreign policy toward China. Human rights, civil rights, and, as trade with China grew, the trade deficit became Jackson-Vanik issues. The 2000 debate was intense and put future Administrations and the trade community on notice that the debate over trade, international economic integration, and globalization could to be expected to part of future attempts to secure TPA.

Intellectual Climate During the 1990s, the intellectual climate surrounding international trade began to change. For much of the post-World War II period, professional economists and editorial writers agreed on the virtues of free trade. Students who struggled through an introductory economics class would generally leave with a clear grasp of supply and demand and a sometimes vague memory that comparative advantage meant that trade was a good thing.

Economists and the economics profession still point with pride to the thousands of economists who told President Hoover that the Smoot-Hawley Tariff of 1930 was a bad idea. Smoot-Hawley is still associated with the depression that affected much of the world, and helped create the conditions that gave rise to Fascism and Nazism. Post-World War II discussions of trade policy took on a special quality. Opposing free trade raised questions about one's morals as well as one's intellect.

Politicians, labor leaders, concerned citizens. and economists recognized that there were winners as well as losers from international trade. But the general posture in the economic profession was to suggest that adjustment costs were limited, the gains to the nation large, and that winners would have ample funds to compensate the losers. The idea of providing trade adjustment assistance rose during the Kennedy Round of trade negotiations and has been part of trade law ever since.

Over the past decade, however, economists and other social scientists are thinking more about the impact of trade agreements on different segments of the population. The demonstrations against globalization that started in Seattle in 1999 and continued at subsequent international economic gatherings have occasionally pushed the question of trade and related questions onto the evening news. Analysts interested in the impact of trade on different groups and social stability have taken a variety of approaches. In her *World on Fire*,[32] Amy Chua emphasized how simple market opening can favor market dominant ethnic minorities in a way that fuels hatred and instability. The 2000 report of the Trade Deficit Review Commission split along party lines except when it came to the need for a more expansive and imaginative approach to trade adjustment assistance.[33] Professor Murray Weidenbaum, who served as the chair of the Commission, has presented his own views on the costs as well as the benefits of globalization.[34] Stiglitz, in his *Globalization and Its Discontents* raises many of the same adjustment questions from the viewpoint of the developing world.[35] Adjustment would be something that a future grant of TPA would almost surely have to deal with.

Beyond Economics: The Emergence of New Interests: In their discussion of the new politics of trade, Destler and Balint note the growing importance of labor rights and environmental concerns.[36] In the past, economic interests have been the dominant feature in battles over trade legislation – with the focus on export interests while recognizing the importance of import competing industries. They viewed trade negotiations themselves as a kind of "benign mercantilism" as export oriented industries in various countries sought greater access to each other's markets.

Organized labor has long been a part of the economic equation. Original members of the post-World War II free trade coalition, Labor broke with the coalition in the 1960s. By 1971, they were supporting the Foreign Trade and Investment Act, better know as the Burke-Hartke bill after its main sponsors, Senator Vance Hartke of Indiana and Congressman James Burke of Massachusetts.[37] What had changed was that Labor was now an ardent supporter of requiring that future trading partners agree to the adoption of certain well defined labor rights – usually the core labor standards of the International Labor Organization.

The modern environmental movement has been split over its approach to international trade. For some environmentalists, trade and overseas investment allow companies to evade stricter environmental laws adopted in the industrial world. There are organizations with an antipathy to market-based growth and a suspicion that many governmental organizations have been co-opted by business interests. Others see a link between rising incomes and popular willingness to adopt higher environmental standards. Environmentalists can also view trade agreements as an opportunity to strengthen environmental standards – including the use of trade sanctions to enforce them.[38]

The 1990s highlighted the tensions between the current rules governing international trade and the environmental community. To protect dolphins, the United States precluded the importation of tuna caught with nets that also caught and drowned dolphins. Mexico objected, arguing that the U.S. injunction violated the General Agreement on Tariffs and Trade (GATT)* rule that imports could not be excluded because of "production processes and methods." In 1991, the GATT panel ruled in Mexico's favor. A similar dispute developed over a U.S. requirement that shrimp sold in the United States had to be caught in nets that included a turtle-excluder device. In 1998, the WTO appellate body again decided against the United States although on different grounds.

The environmental community split in their approach to NAFTA with some groups being adamantly opposed and others seeking to work with the Bush and then the Clinton Administrations. But the side agreements on the environment (and labor) have had little impact and the North American Development Bank proved a disappointment. For the groups that had worked to shape NAFTA, it has left them with a 'once burned, twice cautious' approach to international trade.

<u>The Business Community:</u> Since the passage of the Omnibus Act, the U.S. economy, major American manufacturers, and many services had become much more integrated into the international economy.[39] With manufacturing plants around the world, major companies have applied the 'just-in-time' approach to inventory on a global basis. For them, tariffs, trade barriers, and differing standards generally slow the move to a truly global economy. Not every business has the same view. At the beginning of the 21st century, tensions over trade with China have developed between major manufacturers and small or medium sized firms. Large manufacturers, already global in scope, saw China as a major market and an export platform to supply the world. For many smaller firms, China posed an almost unbeatable competitive threat. For the smaller firms, support for Trade Promotion Authority would probably take second place to survival.

<u>The Battle over TPA:</u> TPA or fast track dates back to the Trade Act of 1974. When U.S. trade negotiators started the Kennedy Round, some tariffs were based not on the price of imports but on the price of goods sold in the United States. In the Kennedy Round, U.S. trade negotiators had agreed to eliminate the 'American Selling Price' approach but Congress rejected that portion of the implementing legislation. The Nixon Administration and the trade community generally feared that other countries would not bargain seriously if agreements could be subsequently overturned by congressional action.

To avoid congressional second-guessing, the Nixon Administration proposed a fast track procedure that precluded amendments, limited the time for debate and called for a simple yes or no answer.[40] John Jackson, then the General Counsel at the Special Trade Representative[41] and now a professor at Georgetown School of Law is credited with crafting the fast track procedure.

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* The GATT was the predecessor organization to the World Trade Organization created by the Uruguay Round of multilateral trade negotiations.

Clinton Fails to Secure Fast Track: The Clinton Administration sought to extend fast track in the implementing legislation for the Uruguay Round. When the implementing legislation was finally adopted in late 1994, however, fast track procedures were not included. In no small measure, the Administration had not been able to find a formula that would include protecting labor rights and the environment as major negotiating objectives and still satisfy the opposition of the business community and key Republican leaders.[42]

President Clinton again sought fast track authority in the 104th Congress (1995-96) and again foundered on the debate over how to treat labor rights and the environment.[43] In 1997, Clinton waited until "after Labor Day (September 16, 1997) to submit a [fast track] proposal to Congress."[44] Neither Republican nor Democrats were happy with the way in which labor and the environment had been treated. The Senate Finance and House Ways and Means Committees took action but neither made labor or the environment principal negotiating objectives. "Clinton pressed the House hard for his fast track legislation,"[45] but failed to garner much support among Democrats. The President and Speaker Gingrich agreed not to press for a vote in the House.

In 1998, the Senate Finance Committee (On July 1) adopted S 2400 by a margin of 18-2. The committee kept the same version of fast track that they had adopted the previous year but added provisions granting trade preferences to Africa and the Caribbean and renewing the Generalized System of Preferences.[46] By this time, however, Clinton had "publicly cooled to the idea of reviving fast track in " the 105th Congress (1997-98).[47] Three weeks later (on July 23) Gingrich announced his intention to vote on the House Ways and Means proposal (H.R. 2621) that included only the provision renewing fast track. Gingrich "suspected the issue would put many Democrats in the uncomfortable position of trying to stand by labor unions…without casting a vote against well-heeled businesses."[48] The vote was set for September 25, 1998 – less than six weeks before the November elections.

When the vote came, the proposal to renew fast track was soundly rejected by a 180 to 243 margin. David Hosansky, writing in the *Congressional Quarterly* referred to a "partisan meltdown" and saw the vote signaling a United States that was "turning away from its 50-year pursuit of global free trade."[49] In a subsequent article, Hosansky saw several factors at play: "labor and environmental groups, protectionist sentiment among many conservatives, a reluctance among some Republicans to give any more power to Clinton, and mixed feelings about the 1993 North American Free Trade Agreement."[50]

Proponents of fast track renewal in 1997 had thought they were just a handful of votes from success. Before the 1998 vote, however, "members on both sides agreed that fast track support had slipped."[51] Not everyone thought the fast track vote translated into a general lack of support for trade agreements. In looking over the 1990s, Lael Brainard, who served on President Clinton's National Economic Council, dismissed the 1998 results as "a political vote" with "no concerted effort to build support."[52] For Brainard, the lesson of the 1990s was that trade success was linked to concrete agreements with concrete benefits such as the Uruguay Round or granting PNTR to China.

Clinton did not seek fast track renewal in either 1999 or 2000. But the years were eventful, perhaps even precedent setting, for trade none-the-less. The World Trade Organization had scheduled a ministerial meeting for November-December in Seattle, Washington. The Uruguay Round had committed the WTO to further negotiations on agriculture and services and Clinton had hoped to build on that narrow agenda to launch a Seattle (or perhaps even a Clinton) Round of multilateral trade negotiations. Instead, the meeting in Seattle was disrupted by tens of thousands of demonstrators expressing their concern about the impact of trade and globalization on the world's poor, the American worker, and the environment. Inside the WTO, there were sharp disagreements among the major trading powers, the emerging market countries, and the developing world. WTO members had entered negotiations with a draft agreement that was as much brackets (indicating disagreement) as it was settled text. In the end, the prospects for a Seattle Round were derailed by sharp disagreements among the WTO members.[53]

The demonstrators and the disagreements with the WTO had lessons for future trade negotiators. Many of the demonstrators were active "globalizers" that wanted to extend overseas environmental protection and the assurance of labor rights – just the issues that had stalled fast track legislation in 1998. Many of the demonstrators from organized labor were also concerned about the impact of trade on their members and their future. They wanted to add or at least protect jobs but they could also be seen as a sharp reminder that trade adjustment assistance had become something of the neglected step child of trade policy. In part, the failure in Seattle emphasized the successes of past Rounds. Further initiatives to facilitate trade would involve deeper changes in domestic policy and the painful prospect of opening agriculture to international competition. Seattle also marked an increase in the assertiveness of the emerging market countries and developing countries in general.

<u>President Bush Seeks Renewed Authority:</u> To be his U.S. Trade Representative and chief trade negotiator, President Bush nominated Robert B. Zoellick, a protégé of James Baker, former Secretary of State in President George Bush's Administration. Zoellick had served with Baker in Ronald Reagan's White House, at Reagan's Treasury and at Bush's State Department. He had also been a member of the Trade Deficit Review Commission and had joined in its recommendations for an expanded approach to trade adjustment assistance.

Even while making courtesy calls on Capital Hill in anticipation of his confirmation, Zoellick was pressing for a rapid enactment of fast track or, as he called it, Trade Promotion Authority. In his conversations on the Hill, Zoellick "sought to play down comments made by Bush during the campaign indicating that he would not consider addressing labor and environmental concerns in trade agreements."[54] In President Bush's first State of the Union address on February 27, 2001, the President gave clear support to Zoellick by calling on the Congress to "give me the strong hand of presidential trade promotion authority, and to do so quickly."[55] Where Senator Max Baucus (D- MT), the ranking Democrat on the Senate Finance Committee had suggested support for a narrow fast track targeted at a Free Trade Area of the Americas,[56] the

President wanted TPA (or fast track) to cover multilateral, regional and bilateral agreements.[57]

In early March, speaking before the Center for Strategic and International Studies (CSIS), Sander M. Levin of Michigan and the ranking Democrat on the Ways and Means Trade Subcommittee said that presidential trade authority "cannot and should not be considered in a vacuum."[58] Levin specifically urged the President to seek ratification of the U.S.-Jordan Free Trade Agreement that had been signed by the Clinton Administration in 2000. The Jordan pact committed both parties to enforce their own labor and environmental standards. It was the first time that the United States had included labor or environmental standards in the text of a trade agreement as opposed to the side agreements adopted as part of the NAFTA accord. Levin also urged passage of the U.S-Vietnam trade agreement (of 1999) and action to respond to "the plight of the U.S. steel industry."[59]

On May 10, President Bush sent his proposal for renewed TPA to the Congress. In his proposal, President Bush included workers rights and environmental protection as trade negotiating objectives to be sought "in a manner consistent with U.S. sovereignty and trade expansion."[60] From the start, the Administration sought alternatives to trade sanctions for improving the environment and protecting workers' rights. In anticipation of the President's May 10 proposal, Zoellick talked about using "aid programs, multilateral development bank financing, and preferential trade treatment" as examples of possible incentives. Cal Dooley of California and a leader of the New Democrat bloc in the House made a similar call for parallel action in a speech to the Council of the Americas.[61]

In early June, the President took two of the "confidence building" steps that Sander Levin had suggested in his March speech to CSIS. On June 5, the President asked the International Trade Commission to initiate an investigation to see if steel imports were injuring U.S. steel producers. Three days later, on June 8, the President sent the Congress the U.S.-Vietnam trade agreement, another one of Levin's confidence building measures. In response, Levin expressed general Democratic support for quick action on Vietnam but wanted an Administration commitment to include "labor provisions in future negotiations with Vietnam including a textile and apparel agreement."[62]

The battle over how to treat environmental protection and workers' rights continued in June. Working with 61 original cosponsors, Congressman Phillip M. Crane, a Republican from Illinois and chair of the Ways and Means Committee's Trade Subcommittee, introduced his own proposal (H.R. 2149) that did not include any provision for the protection of labor rights or the environment.[63] Later that month, in June 21st testimony before the Senate Finance Committee, Zoellick indicated his support for the Jordan Free Trade Agreement "as it is" that is with the protections for labor rights and the environment.[64]

Ways and Means Committee Chairman Bill Thomas had been working on a proposal with a small number of Democrats, including Cal Dooley. On October 3, Thomas introduced H.R. 3005, which supporters said broke new ground by "incorporating traditionally Democratic concerns about labor rights and the environment."[65] The Thomas proposal made it a principal negotiating objective for the President that he "seek assurances that the countries involved effectively enforce their existing labor and environmental laws."[66] The next day, Rangel and Levin countered by introducing H.R. 3019 which, they said, had differed significantly from the Chairman's proposal.[67] Intent on moving quickly, Thomas scheduled a committee mark-up for October 5 and then delayed it until October 9. On a largely party line vote, the Ways and Means Committee rejected the Rangel-Levin bill (12 to 16) and approved the Chairman's bill (H.R. 3005) by a 26 to 13 margin.

The next ministerial meeting of the WTO was scheduled for the end of November in Doha, Qatar. An island in the Persian Gulf, the choice of Qatar offered the prospect of meeting without the distraction of major demonstrations. Zoellick had hoped to attend the Doha Ministerial with TPA in hand. Even without TPA, however, Zoellick and his European counterpart, Pascal Lamy, were able to forge an agreement with the members of the WTO to launch a new round of multilateral trade negotiations. By naming the negotiations the Doha Development Agenda, the United States, Europe, Japan, and the other industrial democracies recognized the growing importance of the developing world in a consensus-based organization.

The House leadership was working to schedule action on the Thomas bill (H.R. 3005) but delayed a final vote until December 6, 2001. As the vote approached, President Bush began "to personally pressure lawmakers" and the Administration focused its attention on "Republican lawmakers from states with strong citrus, textile and steel industries."[68] Thomas needed all the help he could get. When the votes were counted on December 6, Thomas and the President had prevailed by a one vote margin, 215 to 214. Maneuvering continued even during the vote as Rep. Jim DeMint (R-S.C.) secured a promise from the Republican leadership that "any trade bill coming back to the House would have to ensure that Caribbean and Andean garment imports would use fabric that was finished and dyed in the United States."[69] At one point Chairman Thomas "waved a red 'no vote' card and threatened to bring down the bill,"[70] relenting only after four reluctant members voted aye. Ambassador Zoellick had spent much of the afternoon with one of the four, Robin Hayes (R-NC) who was still saying no to TPA until the vote on the floor.[71] During the vote, lawmakers reported that Hayes actually had "tears in his eyes."[72]

Following House action, the Senate Finance Committee turned to consideration of TPA and, on December 12, approved a slightly modified version of the House passed H.R. 3005. There was less controversy over labor rights and the environment but two other issues became very controversial. Prior to action on TPA, the Senate Finance Committee had already approved a reauthorization (or continuation) of the Trade Adjustment Assistance (TAA) program. The Senate version included several new provisions including a 75% subsidy of health care premiums for up to a year for dislocated workers, extension of benefits to secondary workers (who supply parts to the firm affected by imports) and adding provisions for farmers and fisherman.[73]

Maneuvering over the exact configuration of the TAA would continue during the debate over TPA.

While the Senate was considering TPA and other trade related measures, President Bush, in March 2002, imposed tariffs that ranged up to 30 percent on a wide variety of steel imports. The President acted with one eye on TPA and the other on the electoral votes of key steel producing states. The decision on steel proved to be a complicated, even a mixed blessing. Speaking in South Carolina, Senate candidate and current Representative Lindsey Graham, asked if the President would provide similar protection for the textile industry. In Louisiana, Republican Rep. David Vitter indicated that he was reconsidering his vote for TPA, saying that the President had "protected one industry at the expense of others doing business through the Port of New Orleans."[74] The European Union responded by adopting their own tariffs on steel and joined other countries in arguing that the U.S. action was in violation of the WTO.[75]

The final vehicle for action on TPA proved to be H.R. 3009, a bill to reauthorize the Andean Trade Preference Act (ATPA). Finally, on May 1, 2002, the Senate invoked cloture to end debate on the Andean bill by a margin of 77-21. On the same day, Senator Daschle introduced a manager's amendment that included several proposals including a provision that would provide health care benefits for retired steelworkers.[76] Struggling to pay the pension and health care costs of retired steel workers, a number of steel companies had declared bankruptcy, sold their assets, and left the retirees without their promised benefits. Most steelworkers were covered by insurance with the Pension Benefit Guarantee Corporation (PBGC) which would provide a percentage of their promised pension. There was, however, no similar program to provide health care benefits.

Different Senators objected to the TAA provision on the grounds of cost and for setting the precedent of adding health care. There was a particularly strong reaction to the Daschle proposal. At one point, Daschle, as majority leader, threatened to pull the bill off the floor. Then, on May 9, Senators Baucus and Grassley, Chairman and Ranking Member of the Senate Finance Committee, reached an agreement on TAA that included a 70 percent credit for health care and covered secondary workers but did not provide legacy-cost health care coverage for steelworkers. [77] The Baucus-Grassley compromise also included a pilot program that provided wage insurance to workers over fifty – an idea that had also been advanced by Zoellick and the other members of the Trade Deficit Review Commission.[78]

Senators Baucus and Grassley introduced their compromise along with other trade related provisions as a Senate Amendment (S 3401) that would substitute for the current text of H.R. 3009. The Amendment became the subject of debate and further amendment on the floor of the Senate. It was a proposal by Democratic Senator Mark Dayton of Minnesota and Republican Larry Craig of Idaho. The Dayton-Craig amendment (S Amendment 3408) would deny TPA or fast track consideration for any provision of a future trade agreement that "altered U.S. anti-dumping or other trade remedy laws."[79]

An attempt to table the Dayton-Craig amendment failed and it was added to the Baucus-Grassley amendment by voice vote.

"After a sprawling 18-day debate," the Senate approved TPA, TAA, and several other provisions on May 23, 2002 by a solid margin of 66-30.[80] The Senate and House turned their attention to the conference. In approaching the conference, the Senate had passed H.R. 3009 with a number of provisions while the original, House passed version dealt only with an extension of Andean Trade Preferences. Ways and Means Committee Chairman Thomas sought to strengthen the House (and his own) bargaining position by proposing a rule (H. Res. 450) that "essentially included the language for a new comprehensive trade bill.[81] After some delay to garner the needed votes, the proposed rule finally passed on June 26, 2002 by another one vote margin – 216 to 215.

After further disagreement over who would chair the House-Senate Conference, Chairman Thomas was chosen as conference chair. The conferees made labor rights and protection of the environment principal negotiating objectives for trade and agreed on a 65 percent health credit (splitting the difference between the House and the Senate) for dislocated workers. The conference dropped the Dayton-Craig amendment barring TPA for modification of trade remedy laws (the President had threatened a veto) but required presidential consultation before agreeing to any modification.

Again the vote was perilously close in the House. Voting at 3:30 in the morning of July 27, the House passed the conference report including TPA by a slender 215 to 212 margin. When the Senate returned from recess, it approved the conference report on August 1, 2002 by a vote of 64-34. The President signed the measure on August 6, 2002 and H.R. 3009 became Public Law 107-210.

<u>Lessons from the Struggle Over TPA::</u> The President first sought TPA in his inaugural State of the Union message. From the start, it was identified as a presidential priority. Yet, more than seventeen months passed before the President had the negotiating authority in hand. When TPA did pass, it included other trade bills, expanded Trade Adjustment Assistance, negotiating objectives that included labor rights and protection of the environment, and a new Congressional Oversight Group.

Despite their difference in size and scope, there are some important similarities between the Omnibus Trade and Competitiveness Act of 1988 and the Trade Act of 2002. In each case, the Congress was imposing its own sense of national priorities on a reluctant administration. In the Omnibus Act, the Congress crafted a competitiveness strategy focused on long-term productivity growth and economic strength. In the trade arena, Congress pressed for more decisive action by the Administration in using trade measures designed to open markets overseas.

In the Trade Act of 2002, the Congress insisted on making labor rights and environmental protection principal negotiating objectives. In effect, they wanted future trade agreements to follow the example of the bilateral trade agreement with Jordan – with both parties committed to enforce their labor and environmental laws. In looking ahead, Congress sensed even more economic disruption coming from future trade agreements and expanded the Trade Adjustment Assistance Program to secondary workers, health insurance, and a pilot program of wage insurance.

The protracted battle in 2001-2002 over TPA suggests a number of lessons. Lael Brainard was right to suggest that pushing for negotiating authority in the abstract is much more difficult then building support for specific agreements where concrete benefits can be more readily identified. The battle over TPA should be a clear sign that labor rights and environmental protection will only grow in importance in future trade agreements. Finally, congressional involvement in setting trade priorities and vetting prospective agreements will continue to grow. The sheer number of negotiating objectives and the establishment of the Congressional Oversight Group are two clear indications of growing congressional interest in the details of trade agreements.

There were hints of other issues as well. Senator John Kerry (D-MA) proposed a measure that would have limited the ability of foreign investors to assert rights unavailable to domestic firms. His proposal would have dealt with some of the controversy surrounding Chapter 11 of NAFTA and is likely to surface in future trade debates. Senator Daschle’s proposal to provide health care benefits to retired steel workers was a small step to facing the legacy cost problem that affects many established American firms and millions of workers. That too is a problem that will return in the future.

In the course of the battle over TPA, the Administration made compromises with agricultural, steel, and textile interests. Steel and textiles have long sought trade protection and they are likely to do so again. Both the Doha Development Agenda and the Free Trade Area of the Americas promise new opportunities for American agriculture but also threaten certain protected or heavily subsidized sectors. The debate over agricultural adjustment has just begun.

While the concerns over American competitiveness faded during the prosperity of the 1990s, they have returned as the country faces intense competition in manufacturing and a growing challenge in the service sector as India, China, and others offer a growing array of services via the internet. To competitiveness concerns, Doha and the war on terror have added the importance of helping foster prosperity in the developing world.

In the battle over TPA, Ambassador Zoellick and others proposed parallel action outside of the trade arena to encourage respect for workers’ rights and to protect the environment. The same kind of thinking is swirling around the Doha Development Agenda as real development will depend on the rule of law, effective institutions, currency adjustments, foreign investment, and new technologies. For the United States, future trade agreements may require a multi-agency approach, the cooperation of international economic institutions, and the active involvement of our major trading partners.

We are passing from an era of trade relations to one of thorough going global engagement in the 21st century.

Endnotes

[1] U.S. Constitution, Article I, Section 8(c).
[2] In 1973 the Organization of Petroleum Exporting Countries (OPEC) imposed an embargo on oil exports to the United States. Egypt had failed to conquer Israel with arms in 1973 so the Arab countries turned to the oil weapon. In 1979, world oil markets were disrupted after the fall of the Shah of Iran.
[3] *Economic Report of the President 1985*, as quoted in *Congressional Quarterly Weekly Report*, February 9, 1985, p. 266.
[4] Nancy Green, "Senate Urges U.S. Retaliation Against Japan," *Congressional Quarterly Weekly Report*, March 30, 1985, p. 609.
[5] Capitol Box Score "Reagan Rejects Shoe Quota," *Congressional Quarterly Weekly Report*, August 31, 1985, p. 1738.
[6] Susan Schwab, *Trade-Offs: Negotiating the Omnibus Trade and Competitiveness Act*, Harvard Business School Press, Boston, 1994, p. 69.
[7] Harrison Donnelly, "Members Seek the Initiative on 'Trade Fever,' *Congressional Quarterly Weekly Report* September 14, 1985, p. 1795.
[8] Schwab, *op. cit.*, p. 79. See also I.M. Destler, *American Trade Politics*, second edition, Institute for International Economics, Washington, DC, 1992, p. 124.
[9] The text of the President's remarks can be found in *Congressional Quarterly Weekly Report*, September 28, 1985, pp. 1948-1949.
[10] Steve Pressman, "Over Reagan's Protest, House Votes Trade Bill," *Congressional Quarterly Weekly Report*, May 24, 1986, p. 1154.
[11] Steven Pressman, "Democrats off Starting Blocks in Effort to Enact a Trade bill," *Congressional Quarterly Weekly Report*, January 10, 1986, p. 82.
[12] Schwab,(1994), *op. cit.*, p. 84.
[13] John Cranford, "Trade Bill Passes Senate, Heads for Conference," *Congressional Quarterly Weekly Report*, July 25, 1987, p. 1636.
[14] Elizabeth Wehr, "Senate Sustains Trade Bill Veto," *Congressional Quarterly Weekly Report*, June 11, 1988, p. 1568.
[15] Elizabeth Wehr, "Reagan Bows to Politics on Plant-Closing Bill," *Congressional Quarterly Weekly Report*, August 6, 1988, p. 2216.
[16]Alan B. Krueger and Robert Solow, editors, *The Roaring Nineties: Can Full Employment Be Sustained?*, The Russell Sage Foundation Press and The Century Foundation Press, New York, 2001 and Joseph E. Stiglitz, *The Roaring Nineties: A New History of the World's Most Prosperous Decade*, W.W. Norton & Company, New York, 2003.
[17] The scandals have not yet ended. In the Fall of 2003, Elliot Spitzer, the Attorney General of New York, uncovered allegedly illicit practices among mutual funds that had long been touted as a relatively safe home for the average investor.
[18] See for instance, I.M. Destler, *American Trade Politics* (second edition), International Institute for Economics and The Twentieth Century Fund, Washington DC and New York, 1992, pp. 57-60.

[19] Robert Solomon, *The International Monetary System: 1945-1981*, Harper & Row, New York, 1982, pp. 176-234.
[20] Robert Solomon, *Money on the Move: The Revolution in International Finance since 1980*, Princeton University Press, Princeton, New Jersey, 1999, pp. 21-23. And Yoichi Funabashi, *Managing The Dollar From the Plaza to the Louvre*, Institute for International Economics, Washington, DC, 1988, pp. 9-42.
[21] Daniel Burstein, *Turning the Tables: A Machiavellian Strategy for Dealing with Japan*, Simon and Schuster, New York, 1993, p. 28.
[22] See Richard Katz, *Japan: The System That Soured: The Rise and Fall of the Japanese Economic Miracle*, M.E. Sharpe, 1998, pp. 221-222.
[23] Productivity figures refer to the non-farm business rate of productivity growth in the third quarter of 2003 and are from the Bureau of Labor Statistics. See www.bls.gov/News.release/prod2.nro.htm
[24] Ambassador Robert Zoellick as quoted in E.J. Dionne Jr., "Trade and Terror," *The Washington Post*, October 2, 2001.
[25] *Ibid.*
[26] President George W. Bush, Address to the National Endowment for Democracy, November 6, 2003.
[27] See www.USTR.gov
[28] Sarah A. Binder, *Stalemate: Causes and Consequences of Gridlock*, Brookings Institution Press, 2003.
[29] Kenneth F Scheve and Matthew J. Slaughter, *Globalization and the Perceptions of American Workers*, Institute for International Economics, Washington, DC, March 2001. Scheve and Slaughter provide a brief overview of several key trade agreements. See pp. 3-6.
[30] See for instance, Joseph E. Stiglitz, *Globalization and Its Discontents*, W. W. Norton, New York, 2002. Stiglitz covers some of the same territory in his *The Roaring Nineties: A New History of the World's Most Prosperous Decade*, W. W. Norton, New York, 2003, pp. 202-240.
[31] I. M. Destler and Peter J. Balint, Policy Analysis in International Economics, 58, *The New Politics of American Trade: Trade, Labor and the Environment*, Institute for International Economics, Washington, DC, October 1999, p. 31.
[32] Amy Chua, *World on Fire: How Exporting Free Market Democracy Breeds Ethnic Hatred and Global Instability*, Doubleday, New York, 2003.
[33] U.S. Trade Deficit Review Commission, *The U.S. Trade Deficit: Causes, Consequences and Recommendations for Action*, U.S. Trade Deficit Review Commission, Washington, DC, November 2001, pp. 197-212.
[34] Professor Murray Weidenbaum, *Weighing the Pros and Cons of Globalization*, forthcoming from the Project on America and the Global Economy, Woodrow Wilson Center, 2003.
[35] Stiglitz, *op. cit.* 2002.
[36] Destler and Balint, *op. cit.*, pp. 5-9.
[37] Kent H. Hughes, *Trade, Taxes, and Transnationals: International Economic Decision Making in Congress*, Praeger, New York, 1979, pp. 70-92.

[38] Destler and Balint, provide an excellent overview of the assumptions underlying the environmental community's approach to international trade. See Destler and Balint, *op. cit.*, pp. 26-29.
[39] See Scheve and Slaughter, *op. cit.*, pp. 2-4 for charts tracing the growth of trade, investment and immigration from the 1960s to the present.
[40] For more details on fast track see I.M. Destler, *American Trade Politics* (second edition), Institute for International Economics, Washington, DC, 1992, pp. 71-76.
[41] The Special Trade Representative became the U.S. Trade Representative in the 1979 Trade Reorganization Act.
[42] For details on the unsuccessful attempt to secure fast track, see I.M. Destler, *American Trade Politics* (third edition), Institute for International Economics, Washington, DC, 1995, pp. 244-5.
[43] Lenore Sek, "Trade Promotion Authority (Fast Track Authority for Trade Agreements): Background and Developments in the 107th Congress," Congressional Research Service, Washington, DC, January 14, 2003, p. 3.
[44] *Ibid.*, p.4
[45] Destler and Balint, *op. cit.*, p. 40.
[46] Sek, (2003) *Ibid.*, p. 4 See Matthew Tully, "Africa Initiative, Other Trade Measures Overshadowed by 'Fast Track' Revival," *CQ Weekly*, July 25, 1998, pp. 2025-2027 for details of the Senate proposal.
[47] *Ibid.*, p. 2025.
[48] David Hosansky, "How Two Fervent Free-Traders Helped Set Back 'Fast Track', *CQ Weekly*, October 3, 1998, p. 2676.
[49] David Hosansky, "House Vote Signals a Key Reversal of U.S. Support for Free Trade," *CQ Weekly*, September 26, 1998, pp. 2603-4.
[50] Hosansky, *op. cit.*, October 3, 1998, p. 2676.
[51] Hosansky, *op. cit.*, September 26, 1998, p. 2603.
[52] Lael Brainard, Comment on Robert Z. Lawrence, "International Trade Policy in the 1990s," in Jeffrey A Frankel and Peter R. Orszag, editors, MIT Press, Cambridge, 2002, p. 353.
[53] See Jeffrey J. Schott, editor, *The WTO After Seattle*, Institute for International Economics, Washington, DC, 2002.
[54] Julie R. Hirschfeld, "Zoellick Pushes for Prompt Revival of Fast-Track Authority," *CQ Weekly*, February 3, 2001, p. 295.
[55] President George W. Bush, State of the Union Address, February 27, 2001 as quoted in Sek, (2003) *Op. cit.*, p. 4
[56] Hirschfeld, *op. cit.*, p. 296
[57] Sek, (2003), *op. cit.*, p. 4
[58] Julie R. Hirschfeld, "'New Consensus' Mired in Old Arguments Over Trade Negotiating Authority," *CQ Weekly*, March 20, 2001, p. 549.
[59] *Ibid.*, p. 550.
[60] Sek (2003), *op. cit.*, p. 5.
[61] Julie Hirschfeld Davis, "'New Democrats May Hold the Key To Deal on Fast-Track Trade Authority," *CQ Weekly*, p. 1096-7.

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[63] Julie Hirschfeld Davis, "GOP Hopes Fast-Track Bill Gauges Support," *CQ Weekly*, Washington, DC, June 16, 2001, p. 1457. See also Sek, (2203) *op. cit.*, p. 5.
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