

# International Trade — Trade Promotion Authority

I had the pleasure to attend a small gathering with President Bush at the White House in early August to listen to his views about international trade and the specific Trade Promotion Authority issue. The president was ebullient and engaging, albeit expressing a deep concern about the future of the country's negotiation leverage of trade agreements, thus the role of the United States on the international trade landscape.

workers in certain industry sectors may experience temporary setback in their employment. What are the key elements in this premise and how can we achieve free trade while tackling the short-term issues?

## World Trading System


A world trading system based on predictable and transparent rules is one means of making the world a good place to do business. A rules-based international system opens markets and work against unfair

created and existing jobs retained. According to the U.S. Department of Commerce, every \$50,000 in exports generates a new job. With a wide selection of domestic and foreign products, all goods become less expensive, freeing up income for families to spend on other life-enriching items and activities. The long-term result is an individual's enhanced quality of life as well as national economic prosperity. Then the question becomes how to tackle fears concerning globalization and temporary job loss in certain industry sectors due to competitive imports. The Government is in the position to create a program offering financial supplement and skills training to those workers going through this transition.

## U.S. vs. World Free Trade Agreements

Worldwide, there are more than 130 free trade agreements in force. The United States is party to only two of them largely because of the absence of Trade Promotion Authority (TPA). Consequently, U.S.-made products pay higher taxes at foreign borders when free trade agreements are absent. By next year, it is anticipated at least 20 more free trade agreements, which exclude U.S. products, likely will be signed.

Although the United States leads as the world's largest exporter and importer in the service sector, European products have been gaining in recent years. Last year, for the first time in history, the Europe Union (EU) exported more to South America than the United States did. The EU has free trade agreements with 27 countries in effect. About one third of world exports in 1999 were covered by EU free trade and customs agreements, which is three



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International trade affects not only businesses but also individuals in a manifold fashion directly and indirectly. A trading system based on open markets provides everyone — manufacturers, service providers and American families — with a broader selection of both domestic and foreign goods and services at affordable prices. In contrast, trade restrictions such as tariffs and quotas cause deleterious effects to business and individuals. On the surface, barriers to imports appear to be a protective gate for some workers' jobs. In the long run, the absence of competitive foreign products raises prices of U.S.-made products on the domestic market; and the declining exports on the global market translate into decreased jobs. In the near term, however, there are issues and concerns in this increasingly free trading world — some

trade practices. This is becoming more crucial than ever to American manufacturers and service providers. Free trade agreements move us in this direction.

A sound free trade system also can heal other ailments at the borders. President Bush indicated that the only way to solve the immigration problem is to develop a middle class in Mexico that, in turn, can promote trade with Mexico. NAFTA's outcome is one example; with NAFTA, Mexico, Canada and Japan became the United States' top three largest trade partners in agriculture.

## International Trade vs. Jobs

Job retention and growth is linked closely to the health of international trade, which in turn will open new markets to American goods and services. With increased exports, more new and better jobs will be



times the amount covered by U.S. agreements. In the Asia Pacific region, in the two largest economies — Japan and China — their mutual trade is gaining speed as well. According to the Japan External Trade Organization (JETRO), Japan's bilateral trade with China in 2001 will set a record, topping \$90 billion. For both exports and imports, China was Japan's second largest trading partner after the United States at this time.

#### What Is the Specific Issue?

TPA, enacted in 1974 and renewed until 1994, served as reassurance to countries with which the United States negotiates trade agreements. With TPA, Congress will consider trade agreements negotiated by the president within mandatory deadlines and without amendment, and will not alter any provision included in the resulting agreement during its review of the agreement. (This legislation is undergoing some modification.)

The disparity between the United States and other countries in the number of free trade agreements is a continuation of a trend that commenced in 1994 when TPA expired. This trend sends an alarming signal to U.S. manufacturers and service providers in their ability to compete on the international marketplace and, thus, the country's future worldwide economic role.

#### Why?

The shortfall of free trade agreements stems from the fact that the legislation (TPA) that gives U.S. trade negotiators credibility has expired and not been renewed.

Exports account for more than one-quarter of the nation's economic growth. The United States must strengthen its leadership role in the international trade arena. Participation, collaboration and partnership are key to today's business development, and also to international trade. If one is not in the game, one does not get to set up rules.

An IMF study reported that developing countries participating actively in trade grow faster and reduce poverty faster than countries that isolate themselves. In the 1990s, per capita income grew 5.1 percent in developing countries with high trade and investment flows, while the most isolated countries saw incomes decline 1.1 percent. By the same token, developed and prosperous countries may fall behind if that country is not engaged proactively in international trade.

#### How?

The country needs TPA renewal because it is an effective legislative vehicle that

promotes international trade. Through TPA, more free trade agreements will be established. TPA's renewal is deemed part of an agenda to increase U.S. competitiveness in the global economy. A bipartisan renewal of the TPA will make the United States match and exceed the negotiating intensity of our foreign competitors. The President needs the authority to negotiate free trade agreements to maintain U.S. leadership by writing new trade agreements expeditiously and agilely, albeit scrupulously.

All businesses that are engaged in international commerce have a stake in U.S. trade policies. Supporting the TPA is a way to promote international trade, thereby expanding business and creating more jobs.

It is time to restore America's leadership position on trade. Free trade agreements open the borders and enhance international trade by alleviating unfair trade barriers for all. In the long run, international trade creates better jobs and benefits the country's overall economy.

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