PENDING U.S. TRADE ISSUES

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Of the major trade policy concerns facing the United States today, there are four export-related issues that are especially significant:

- U.S. Export-Import Bank Reauthorization (Ex-Im Bank)
- Trade Promotion Authority (TPA)
- Trans-Pacific Partnership (TPP)
- Transatlantic Trade and Investment Partnership (TTIP)

Each has a direct impact on U.S. businesses and their ability to compete in the global marketplace – which comprises 95 percent of all consumers and 80 percent of the world's purchasing power.

U.S. economic growth and job creation depends upon the expansion of foreign trade and investment opportunities for U.S. companies and workers. In 2011, more than 38 million U.S. jobs (about 20 percent) depended on U.S. exports and imports. This represents 24 million more trade-related U.S. jobs than two decades ago, before the U.S. implemented a series of bilateral, regional and multilateral trade agreements. U.S. Free Trade Agreements (FTAs) in effect in 2008 generated more than $300 billion in U.S. output (2.1 percent of U.S. gross domestic product), expanded U.S. exports of goods and services by more than $460 billion and supported more than five million U.S. jobs. U.S. exports have helped drive the U.S. economy and its recovery in recent years, positively contributing to U.S. economic growth every year since 2010.

U.S. EXPORT-IMPORT BANK REAUTHORIZATION

The Export-Import Bank of the United States (Ex-Im Bank) is an independent federal agency that supplements private export financing for U.S. exporters. The Bank provides a variety of financing mechanisms, including working-capital guarantees, export credit insurance and financing to help foreign buyers purchase domestic goods and services. It also assumes credit and country risks that private sector banks are unable or unwilling to accept and levels the playing field for U.S. exporters by matching competitive foreign export financing.

Since Ex-Im Bank is profitable, there is no cost to U.S. taxpayers. In 2012, it actually contributed $1.1 billion to the U.S. Treasury.

BENEFITS

In FY 2013, Ex-Im Bank approved more than $27 billion in total authorizations to support an estimated $37.4 billion in U.S. export sales and approximately 205,000 American jobs in communities across the country.

The Ex-Im Bank offers financial resources that are especially critical for small businesses, providing credit insurance to small business exporters that might otherwise be unavailable through private sector banks for sales by U.S. exporters to foreign buyers with insufficient credit history. Last year, the Bank approved a record 3,413 transactions – or 89 percent – for small-businesses.

STATUS

U.S. Congress is considering The Export-Import Bank Reauthorization Act of 2012, which would extend the Bank's authority and increase its portfolio cap up to $140 billion.

TRADE PROMOTION AUTHORITY

Trade Promotion Authority (TPA) is a strategic working relationship between the President and Congress for the negotiation and implementation of U.S. trade agreements. This partnership consists of legislation that: (1) sets the parameters for the United States in various international trade negotiations; (2) establishes a framework for Congress and the Executive Branch to work together in pursuing trade agreements and enacting bills implementing such agreements into law; and (3) includes a set of legislative procedures that allows the President to submit to Congress bills implementing trade agreements for an up-or-down vote within a set period of time, without amendments.

HISTORY

Every President from the 1930s until 2007 has been granted the authority in one form or another to negotiate market-opening trade agreements in consultation with Congress. The most recent TPA was granted in 2002 but lapsed in 2007 without a renewal. Since that time, negotiation and approval of U.S. trade agreements has languished.

BENEFITS

Trade negotiations are of vital importance to the U.S. economy. Nearly half of all U.S. goods exports now go to the nation's 20 free trade agreement (FTA) partners, which generated a roughly $58 billion manufactured goods trade surplus in 2012.

By renewing TPA with updated negotiating objectives, Congress can strategically address issues pertaining to current U.S. trade negotiations, including the Trans Pacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP), the Trade in Services Agreement (TISA) and an updated Information Technology Agreement (ITA).

STATUS

On July 30, 2013, the current Administration requested that Congress reauthorize TPA. On Jan. 9, 2014, legislation to renew TPA – the Bipartisan Congressional Trade Priorities Act of 2014 – was introduced in the House (HR. 3830) and in the Senate (S. 1900). This legislation would reauthorize TPA for four years with the possibility of a three-year extension.

TRANS-PACIFIC PARTNERSHIP

The Trans-Pacific Partnership (TPP) is a landmark, 21st-century trade agreement that could set a new standard for global trade and incorporate next-generation issues that may boost the global economic competitiveness of the TPP countries. Its features include:

- Comprehensive market access that will eliminate tariffs and other barriers to goods and services trade and investment;
- A fully regional agreement that will facilitate the development of production and supply chains among the TPP countries; and
- A focus on cross-cutting trade issues such as regulatory coherence, competitiveness and business facilitation, market access and trade benefits for small and medium enterprises (SMEs), trade in services, intellectual property protection and economic development.

The TPP is being negotiated as a single undertaking that covers all key trade and trade-related areas. In addition to updating traditional approaches to issues covered by previous free trade agreements, the TPP includes new and emerging trade issues. More than 20 negotiating groups have met to develop the legal texts of the agreement, and the specific market access commitments the TPP countries will make to open their markets to each other's goods, services and government procurement.

HISTORY

The United States is currently negotiating the TPP with 11 other countries (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam). It is hoped that over time the TPP will include additional countries in the Asia-Pacific region. If finalized, TPP would be the most comprehensive trade agreement in the Asia-Pacific region.

BENEFITS

The Asia-Pacific region accounts for half of the world's population and boasts many of its fastest growing economies. Two billion Asians joined the middle class in the last 20 years. The International Monetary Fund (IMF) estimates that nearly half of the world's economic growth over the next five years will occur in Asia. The TPP countries are the largest goods and services export market for the United States. U.S. goods exports to the broader Asia-Pacific totaled $942 billion in 2012, representing 61 percent of total U.S. goods exports.

STATUS

After 19 rounds, the 12 TPP countries have made significant progress and the negotiations are moving toward the conclusion of a comprehensive agreement. However, some doubt that it will be adopted before the next presidential election in 2016.

TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP (TTIP)

The Transatlantic Trade and Investment Partnership (TTIP) is a comprehensive trade and investment agreement between the United States and the European Union (EU) that is in the preliminary stages of negotiation. TTIP would remove trade barriers in a wide range of economic sectors to make it easier to buy and sell goods and services between the U.S. and the EU, and make it easier for U.S. and EU companies to invest in each other's economy. Specifically, this agreement will reduce and remove tariffs and trade barriers on manufactured goods, services and agricultural products; liberalize investment regimes; increase access to government procurement; and protect intellectual property.

HISTORY

In 2011, the U.S. and the EU set up a High Level Working Group on Jobs and Growth (HLWG) to investigate what kind of trade and investment agreement between the two economic powers might be developed. The HLWG concluded that a wide-ranging trade and investment agreement between the world's two largest economies presented the best opportunity for advancing economic growth and jobs on both sides of the Atlantic.

BENEFITS

More than $1.5 trillion in goods, services and income receipts flow between the United States and the EU annually. Together the U.S. and EU represent 60 percent of global gross domestic product, 33 percent of world trade in goods and 42 percent of world trade in services. U.S. firms have direct investments of nearly $2 trillion in the EU, which is 20 times greater than what they have invested in China. These European investments generate some $3 trillion in annual revenues for American companies.

While European and U.S. tariffs are often low, the sheer volume of trans-Atlantic commerce is so large that one-third of all tariffs on U.S. exports are paid to the EU. It is estimated that eliminating trans-Atlantic tariffs will increase U.S.-EU trade by more than $120 billion within five years. It will also generate GDP gains of $180 billion—a budget-neutral gain for the U.S. and EU economies.

In addition to eliminating tariffs, two of the greatest benefits of TTIP will be the improvement in compatibility of the U.S. and EU regulatory regimes and the liberalization of investment, services and procurement.

STATUS

EU and U.S. negotiators held a fifth round of trade talks in Arlington, Virginia, from May 19-23, 2014. However, as with TPP, there is some risk of delay.

CONCLUSION

Foreign trade means increased sales, and increased sales mean more jobs. Therefore, the expansion of foreign trade opportunities for U.S. businesses are an absolutely crucial function for the U.S. government. U.S. foreign trade policy, such as the four initiatives outlined above, could achieve these twin goals of increased sales and jobs. For this reason, U.S. foreign policymakers must prioritize the enhancement of foreign trade opportunities for the benefit of U.S. businesses and workers.

Robert L. Brown is a member of the Bingham Greenebaum Doll LLP Corporate and Transactional practice group. Robert serves on the steering committee of the U.S. Department of Commerce National District Export Council and is chair of the Kentucky District Export Council. He also serves on the board and executive committee of Global Ties, which manages U.S. State Department visitors program. He previously was chair of the World Trade Center Kentucky.