



The Daily Dish

The Importance of Trade Promotion Authority

DOUGLAS HOLTZ-EAKIN | JANUARY 30, 2014

Earlier this month, the President asked Congress to give him extra trade authority. [The Hill](#) wrote last week that “The White House is making a major push to convince Congress to give the president [trade promotion authority \(TPA\)](#), which would make it easier for President Obama to negotiate pacts with other countries.” This was a sentiment repeated in Tuesday night’s State of the Union address by the President.

However, yesterday the President’s push to gain TPA hit a snag in the Senate. The [Wall Street Journal](#) reports that “Senate Majority Leader Harry Reid broke publicly with the White House Wednesday on trade policy, instantly imperiling two major international trade deals and punching a hole in one piece of the economic agenda the president outlined in his State of the Union address a day earlier.” This could have major impacts on possible trade agreements with the European Union and the Asian-Pacific region.

Recently, DHE wrote on the [importance of the TPA](#): “Every president should have TPA because trade agreements are important. Trade allows access to the 80 percent of purchasing power and 95 percent of the world consumers that are outside U.S. borders. They level the playing field for U.S. exporters, 97 percent of which are small businesses (who are responsible for nearly one-third of exports). In this way, TPA is pro-growth and pro-jobs.” He has more below.

Eakinomics: Trade Promotion Authority

And when ninety-eight percent of our exporters are small businesses, new trade partnerships with Europe and the Asia-Pacific will help them create more jobs. We need to work together on tools like bipartisan trade promotion authority to protect our workers, protect our environment, and open new markets to new goods stamped “Made in the USA.” China and Europe aren’t standing on the sidelines. Neither should we.

President Obama, State of the Union Address 2014

Much of has been made of the policy differences between the president and House Republicans. But as pointed out by the [Hill](#) newspaper and the [Wall Street Journal](#), Democrats are as large an obstacle to the president’s desire for [Trade Promotion Authority \(TPA\)](#). Senate Majority Leader Harry Reid considers TPA “controversial” and is opposed to its passage, thus dimming its chances of even getting considered. Meanwhile, former House Democratic Whip David Bonior takes to the pages of the [New York Times](#) to bash the very idea of new trade agreements with Asia or Europe. What’s going on?

TPA permits Administration-negotiated trade agreements to be considered by Congress without amendment — the trade pact is subject to an up or down vote. Thus, while Congress gets its say, the Administration can negotiate with trade partners in a meaningful way, as provisions they agree upon will not be altered. Without TPA it is not possible to negotiate with any credibility, which means that without TPA significant trade agreements are simply not possible.

Democrats are arguing that trade agreements are a bad idea, which is the moral equivalent of saying that progress is a bad idea. Yes, trade agreements raise competitive pressures that some companies and their workers will not be able to face — greater trade is *not* costless or a panacea. But when trade barriers in semiconductors were eliminated in the 1990s, the U.S. tech industry flourished, productivity boomed, and consumers reaped a bonanza of new broadband and other telecommunications services. Opposing trade is the economic equivalent of having those consumers write a check each year to the workers and managers in uncompetitive firms to allow them to keep operating. Opposing trade redistributes from poor and rich households alike to the uncompetitive.

The U.S. should not bury its economic head in 20th century sand. It should aggressively negotiate agreements that give U.S. firms access to the 95 percent of world consumers that lie outside U.S. borders. Every president should have TPA. Hopefully the president's Congressional "allies" will wake up to the facts of the case.