

## Economic Analysis

## Trade Promotion Authority (TPA): Vital for Trade

Amanda Augustine

---

- **TPA ensures transparency and improves labor and environmental standards of trade deals**
- **Passage of TPA will determine success of trade deals under negotiation**
- **Both Congress and administration stand to gain from TPA**

This week, the U.S. and the EU will conclude the ninth round of negotiations on the Transatlantic Trade and Investment Partnership (TTIP), a bilateral free trade agreement that aims to completely eliminate tariffs and to reduce non-tariff barriers. Rounds of negotiations for the TTIP have taken place every few weeks since July 2013, and while no end date has been set, both parties have made it clear that they want to avoid years of ongoing negotiations. On April 16, the Senate Finance and Ways and Means Committees introduced legislation that could expedite passage of the TTIP— Trade Promotion Authority (TPA). Having played a key role in U.S. trade diplomacy since 1974, TPA expired in 2007, and is currently being considered for renewal given pending trade deals. TPA allows deals to be “fast-tracked,” meaning that Congress can veto them with a yes-or-no vote, but cannot amend them. In exchange, the executive branch must adhere to a set of priorities laid out by Congress which affects labor and environmental protections and transparency among other issues. The administration’s fast-track abilities can be taken away if a trade deal fails to meet the provisions set by Congress.

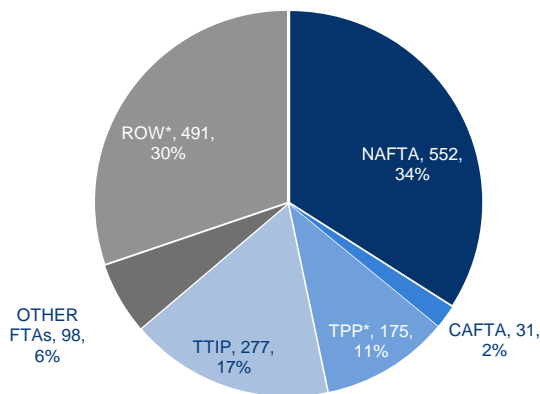
TPA is designed to mitigate the perceived downsides of the TTIP and the Trans-Pacific Partnership (TPP) with Asia. While both the TTIP and TPP’s reduction of trade barriers offer tangible benefits to stakeholders such as small businesses, opponents have cited a lack of transparency and loss of domestic employment among their top concerns. ([See previous brief on TTIP.](#)) In the EU, protests in opposition to the TTIP have recently flared in response to fears that the TTIP will erode food, labor, and environmental standards. In addition, opponents of the TPP expressed concerns that the deal lacks any mention of preventing currency manipulation, as several parties interested in the deal, such as Japan and Malaysia, have partaken in this practice. TPA legislation aims to assuage these concerns through various provisions:

- **Transparency:** TPA requires that any final trade agreement be made open to public comment 60 days before the president signs it, and up to four months before Congress votes on it. Despite not granting Congress the power to amend a trade deal, TPA legislation mandates more congressional access to the text of future deals and strengthens congressional consultations. Moreover, the legislation creates a new Chief Transparency Officer position at the U.S. Trade Representative’s (USTR) office, responsible for consulting with Congress and advising the USTR on transparency policies.
- **Employment:** Although not implicitly within the bill, the Trade Adjustment Assistance (TAA) program, which provides aid to workers whose jobs are replaced by global trade, will be packaged with the TPA bill so that the two programs can be voted on concurrently. The TAA also includes a four-year extension on a tax credit that allows displaced workers to purchase health insurance.
- **Labor and Environmental Protections:** The TPA requires trade deal parties to adopt and implement international core labor standards and multilateral environmental agreements. Examples of standards that all parties must uphold include restrictions against child labor, employment discrimination, ozone depletion, and whaling among others. However, one issue that the TPA fails to implicitly address here is

the debate surrounding U.S. exports of genetically modified food into the EU—a key objection in current protests.

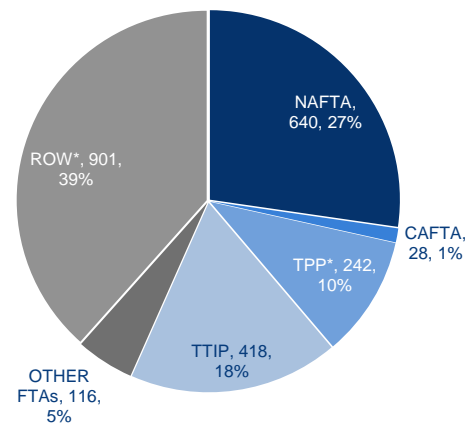
- Currency Manipulation:** Through establishing cooperative mechanisms, enforceable rules, and reporting and monitoring practices, TPA requires that future deals prevent all parties from manipulating currency to gain a competitive edge on exports.

Chart 1  
**U.S. 2014 Exports by FTA\* Countries**  
 \$bn, %



Source: Census Bureau & BBVA Research  
 \*FTA: free trade agreement, ROW: rest of world, TPP: doesn't include Mexico and Canada

Chart 2  
**U.S. 2014 Imports by FTA\* Countries**  
 \$bn, %



Source: Census Bureau & BBVA Research  
 \*FTA: free trade agreement, ROW: rest of world, TPP: doesn't include Mexico and Canada

## Bottom Line

The passage of TPA will ultimately determine the success of the TTIP and TPP, as certain countries involved will be reluctant to move ahead without the presence of TPA. TPA ultimately increases the chance that these future trade deals will be passed, while confirming that Congress will always get a final say on implementation. In this way, both Congress and the executive branch stand to gain from TPA legislation. Some of the provisions of TPA legislation should be effective in mitigating the perceived downsides of the TTIP and the TPP. In fact, the legislation includes substantial measures to counteract labor and environmental abuses, currency manipulation, and the lack of transparency in trade negotiations. The TPA also offers assistance to displaced workers to counter a common criticism of the impending free trade deals—the loss of domestic jobs.

### DISCLAIMER

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research U.S. on behalf of itself and its affiliated companies (each BBVA Group Company) for distribution in the United States and the rest of the world and is provided for information purposes only. Within the US, BBVA operates primarily through its subsidiary Compass Bank. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document have been gathered or obtained from public sources, believed to be correct by the Company concerning their accuracy, completeness, and/or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.