The Trade Act of 2002

What Does It All Mean?

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On August 6, 2002, President Bush signed into law the Trade Act of 2002, which provides the president with trade promotion authority (TPA). This authority will allow the president to negotiate new trade agreements with our trading partners, thereby opening markets to U.S. products and services.

Other provisions of the Trade Act renew and enhance the benefits available to Bolivia, Ecuador, Colombia, and Peru under the Andean Trade Preference Act (ATPA). The act also expands the benefits, and clarifies the provisions of, the Caribbean Basin Economic Recovery Act (CBERA) and the African Growth and Opportunity Act (AGOA). In addition, the Generalized System of Preferences (GSP) program was renewed and extended to December 31, 2006.

Under the provisions of the Trade Act, the United States will be able to:

- **Complete free trade agreements with Chile and Singapore in short order.** In addition to bilateral agreements with these two countries, the United States will have the ability (and the credibility) to advance its agenda in the new global trade negotiations, including the far-reaching agricultural reform proposal announced in Geneva and aggressive initiatives in services and industrial goods.

- **Bring economic growth to our trading partners.** The renewal of vital trade preferences for Bolivia, Ecuador, Peru, and Colombia under the ATPA will provide thousands of workers in those countries with new employment opportunities. The amendments to the highly successful African Growth and Opportunity Act also take effect right away, helping to lift families out of poverty in Africa. The renewal of the GSP, which had expired in September 2001, will effectively assist thousands of workers in Caribbean nations (and in more than 100 other developing economies) to gain a foothold in the global economy.

- **Initiate new negotiations for free trade agreements with Central America and Morocco.** The United States will also be able to consider free trade agreements with other nations, such as Australia and the countries of southern Africa. The administration has already announced its commitment to put the completion of negotiations on the Free Trade Area of the Americas (FTAA) on an aggressive timetable.

As President Bush has made clear, the enactment of the Trade Act of 2002 was a win for the American people, for the U.S. economy, and for the world economy at large. “Starting now,” said President Bush at the signing ceremony, “America is back at the bargaining table in full force.”

A YEAR AFTER BEING PROPOSED, THE TRADE ACT OF 2002 BRINGS RENEWAL OF “TRADE PROMOTION AUTHORITY” AND THE EXTENSION OF SEVERAL OTHER KEY TRADE PROGRAMS.

THE ROLE OF CONGRESS

Under the Trade Act the president is required to notify Congress of the specific negotiating objectives for any ongoing negotiations (for example, those with Chile, Singapore, the FTAA, and the WTO). The president must also notify Congress of the negotiating objectives in any new negotiations 90 days before initiating such negotiations. Under the provisions of the Trade Act, new trade agreements must adhere to a set of “principal negotiating objectives” (see sidebar).

Congressional committees must be notified of negotiating objectives with regard to agriculture, labor, and the environment. On agriculture, the International Trade Commission must weigh in on the economic effects of tariff reductions on U.S. industry. Congressional committees on trade and agriculture will also be notified.

Once a trade agreement has been negotiated and the implementing legislation introduced in Congress, action must occur within 90 days, and no amendments will be permitted.

THE ROLE OF U.S. INDUSTRY

Trade agreements are already negotiated with input from private industry through trade advisory committees. (See the December 2001 issue of *Export America* for an in-depth look at these advisory committees.) In addition, requests for comment are frequently published in the *Federal Register*.

NEW PROVISIONS FOR RENEWED TRADE PROGRAMS

The new Trade Act includes some provisions that affect existing trade programs. These include:

- **The Andean Trade Promotion and Drug Eradication Act** (ATPDEA), which renews and enhances benefits available to Bolivia, Ecuador, Colombia, and Peru under a tariff preference program. The program assists in the promotion of trade, stability, and the rule of law in these countries. The president must designate a country as an ATPDEA beneficiary country based on certain criteria that are defined in the act. Under the ATPDEA, duty-free treatment is provided for some products that were excluded under prior law and remain excluded from duty-free treatment under the Generalized System of Preferences program. Duty-free treatment for certain other products is available only if the president determines that the product is not import-sensitive in the context of imports from ATPDEA beneficiary countries. A very limited number of products remain excluded from duty-free treatment.
- **The Caribbean Basin Trade Policy Act** (CBTPA), which modifies certain provisions of the existing Caribbean Basin Economic Recovery Act (CBERA) program. These changes will, with one exception, become effective immediately upon enactment. Four changes to the program serve to harmonize apparel eligibility criteria between the regional preference programs for Africa, the Andean countries, and the Caribbean.

THE FUTURE OF TRADE PROMOTION AUTHORITY

The Trade Act has a very specific timetable for continuation of trade promotion authority. It allows the president to enter agreements under its terms until June 1, 2005. For agreements negotiated after that date, the act requires the president to submit a request to Congress for extension of TPA. This request must be made no later than March 1, 2005. Accompanying reports that detail the economic effects of the agreements negotiated under trade promotion authority must be submitted to Congress by the International Trade Commission and the Advisory Committee for Trade Negotiations and Policy no later than May 1, 2005. Congress will then have the opportunity, until June 30, 2005, to enact a resolution that denies TPA. If Congress does not act, the procedures will continue in effect until July 1, 2007. ■

PRINCIPAL NEGOTIATING OBJECTIVES UNDER TPA

Section 2102 of the Trade Act of 2002 details 17 principal negotiating objectives for agreements concluded under trade promotion authority. These include:

Agriculture: Reduce or eliminate tariffs (or other charges), giving priority to products that are subject to significantly higher tariffs or subsidies; provide reasonable adjustment periods for import-sensitive U.S. agricultural products; reduce or eliminate subsidies that decrease U.S. exports or distort agricultural trade to the detriment of the United States; address unjustified requirements affecting new technologies, such as biotechnology and unjustified sanitary and phytosanitary regulation; complete WTO negotiations by January 1, 2005; seek the broadest possible market access in all negotiations, recognizing the effect of simultaneous negotiations on sensitive agricultural products.

Industrial Goods: Seek enhanced market access through elimination of tariffs based on comprehensive product coverage, in particular for those sectors subject to U.S. zero-for-zero or harmonization initiatives in the Uruguay Round.

Services: Adopt trade disciplines to address discriminatory and other barriers to services trade, including barriers that deny national treatment and market access; pursue specialized provisions for financial services, telecommunications, and other sectors.

Labor and the Environment: Strengthen enforcement of core labor standards and environmental laws; reduce or eliminate government practices or policies that unduly threaten sustainable development; seek market access for U.S. environmental technologies, goods, and services.

Small Businesses: Ensure trade agreement provisions afford small businesses equal access to markets, equitable benefits, expanded market access, and reciprocal elimination of barriers.

Additional trade negotiating objectives concern intellectual property rights, trade remedies, investment, child labor, and electronic commerce. The full text of the Trade Act of 2002, including details on each of the 17 principal negotiating objectives, can be found at www.tpa.gov. ■