

NATIONAL FOREIGN TRADE COUNCIL, INC.

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The Honorable Nancy Pelosi
U.S. House of Representatives
235 Cannon House Office Building
Washington, DC 20515-0508

Dear Speaker Pelosi:

I want to share the results of a recent project on trade negotiating authority undertaken by the National Foreign Trade Council, a trade association representing large international companies.

After reviewing the recently expired statutory provisions, conferring with trade experts and meeting with our member companies, we developed draft trade negotiating authority legislation to contribute a fresh perspective to the debate on negotiating authority that we expect to occur next year. It reflects the thinking of a broad cross-section of U.S. businesses with a stake in the global trading system. We are sharing it now to help initiate a productive dialogue about the directions of American trade policy for the future given the realities of the 21st century.

As you know, trade is already an issue in the current presidential campaign, and we expect that to continue beyond the election into 2009. However, we also anticipate that the next president, regardless of who wins the election, will seek new negotiating authority from the Congress, since the previous law has expired.

Such a request will no doubt stimulate more debate about the direction of U.S. trade policy and the proper consultative relationship between Congress and the Executive Branch. While the NFTC welcomes such a debate and will participate in it, we begin with firm support for the enactment of new authority that will permit the President to pursue a trade policy that opens markets, liberalizes trade, and creates jobs for Americans.

Achieving those goals, however, requires looking at trade differently, as it has changed considerably in recent years.

We live in a globally integrated economy which no longer involves simply exports and imports of goods. The United States is increasingly a service economy – services exports reached \$404.3 billion in 2006. Equally important, and equally indicative of the changing nature of trade, is that sales of services by foreign affiliates of U.S. companies reached \$528.5 billion (2005), a nine percent increase. Both these figures represent millions of jobs for Americans as well as for people all over the world.

In the manufacturing sector, fewer and fewer products are made wholly in one country.

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Today's manufacturing involves increasingly complex international supply chains in which parts and components are made in multiple locations and assembled in yet another. U.S. companies construction of and participation in these supply chains is essential to their survival in today's economy.

That means we need better rules on investment and intellectual property protection, as well as more aggressive efforts to reduce barriers to market access. It also means dealing with important new issues like rule of law, environment, labor, capacity building and product safety.

Over the past fifteen years we have observed continuing deterioration in the Congressional-Executive relationship with respect to trade policy making. We believe a successful trade policy for the United States depends on cooperation between the two branches of government and the two major political parties. The Constitution gives Congress a major role in foreign commerce at the same time it charges the President with the conduct of foreign policy and international negotiations. Successful trade negotiations inevitably require trust and cooperation between the branches. While the restoration of that trust and cooperation depends on leaders in Congress and the Administration, a legal structure that creates opportunities for consultation and cooperation can make the task of rebuilding trust easier.

In an effort to help frame this debate, the NFTC has drafted the attached bill that seeks to address these issues. Based on past laws, the "Trade Negotiating Authority Act of 2009" provides both updated objectives for both multilateral and bilateral negotiations and a revised consultation framework for taking up trade implementing legislation. Key differences from previous law include:

Negotiating Objectives Changes

- 1) Provides separate listing of multilateral, regional, and environmental objectives.
- 2) Recognizes that trade is part of a larger set of overall competitiveness issues.
- 3) Focuses on development and maintenance of global supply chains.
- 4) Eliminates most of the sector-specific objectives in previous law.
- 5) Multilateral objectives focus on (a) moving toward a "two-track" system within the WTO in which countries willing to undertake greater liberalization can do so on a non-MFN basis, and (b) on tougher enforcement of the "substantially all trade" requirement for FTAs.
- 6) Bilateral objectives focus on countries that would provide the greatest economic benefit or those that would provide useful precedents in areas like investment, regulatory policy, due process, labor and environment.
- 7) Promotes harmonization of the rules in the various bilateral and regional agreements.

Process Changes

- 1) Renews authority for four years with option to extend another four, in order to coincide with presidential terms.
- 2) Creates Joint Committee on Trade in lieu of Congressional Oversight Group and provides expanded authority for the Committee.
- 3) Requires the Joint Committee to approve a proposed FTA negotiation before the Administration can begin. This would not apply to multilateral rounds.

4) Provides transition rules that make clear agreements concluded but not acted upon by Congress retain their existing “fast track” status, along with the Doha Round.

We believe these changes would direct the new Administration toward a trade policy that better takes into account the global environment that American companies must contend with if they are to remain competitive, and hope they demonstrate a positive approach by the business community to the benefits and challenges of international economic policy in the 21st century. We also believe the process changes we have proposed would create a framework for successful collaboration between the two branches of government on trade policy – collaboration that has been sadly lacking for more than ten years.

It is our hope that this proposed legislation will be a constructive addition to the ongoing debate over trade policy, and we look forward to participating in that debate as it works its way through the campaign season and into next year. If you have questions about the legislation or desire further information, we would be pleased to provide it. Feel free to contact me at 202-887-0278 or breinsch@nftc.org.

Sincerely,



William A. Reinsch
President