

# CRS Report for Congress

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## Status of Trade Legislation in the 107<sup>th</sup> Congress

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### Summary

Congressional leaders and the Bush Administration have placed broad and often controversial international trade issues high on the legislative agenda during the 107<sup>th</sup> Congress. A free trade agreement with Jordan and a bilateral trade agreement with Vietnam were both approved in 2001. Legislation was also enacted providing conditions under which Mexican trucks will be permitted to operate in the United States

Several other major issues, including provision of trade promotion (“fast-track”) authority for the President, renewing certain trade preferences, revising export controls, enhancing export financing, assisting firms and workers affected by imports, and revising trade remedy statutes await additional congressional action this year.

### Trade Legislation Enacted in 2001

In the first session of the 107<sup>th</sup> Congress, congressional action has been completed on a free trade agreement with Jordan (P.L. 107-43) and a bilateral agreement with Vietnam (P.L. 107-152). Legislation was also enacted outlining conditions under which Mexican firms will be permitted to provide commercial trucking services across the United States border.

**Jordan FTA.** The free trade agreement (FTA) with Jordan provides that over a ten-year period the duties on almost all goods will be phased out, leading to duty-free trade between the United States and Jordan. Certain controversial provisions in the agreement involved non-tariff issues, including language on labor rights and environmental protection that appear as an integral part of the FTA, rather than as side agreements. The FTA was signed on October 9, 2000, and the Clinton Administration submitted the agreement to the Congress on January 6, 2001. Implementing legislation in the House (H.R. 2603) was approved by voice vote on July 31, 2001, and in the Senate (H.R. 2603) by voice vote on September 24, 2001. The implementing bill was signed by the President on September 24 (P.L. 107-43) and entered into force December 17, 2001.

**Vietnam BTA.** The bilateral trade agreement (BTA) signed by the United States and Vietnam on July 13, 2000 extends provisional normal trade relations status (NTR) to Vietnam, a move that will reduce average tariffs on Vietnamese goods from 40% to less than 3%. In return, the Vietnamese government has agreed to undertake a wide range of market-opening measures that will make it easier for U.S. companies to export and invest in Vietnam. On September 6, 2001, the House approved the agreement (H.J.Res. 51) by voice vote, and the Senate approved it on October 3, 2001 by a vote of 88-12 (roll call no. 291). The implementing bill was signed by the President on October 16, 2001 (**P.L. 107-52**) and entered into force on December 10, 2001.

**Mexican Cross-border Trucking.** In early 2001, an international arbitration panel found that an allegedly inadequate Mexican regulatory system was an insufficient legal basis for U.S. refusal to approve any applications from Mexican carriers for new authority to provide cross-border trucking services, and therefore is a violation of the North American Free Trade Agreement (NAFTA). This decision, and the Bush Administration's support for opening up the border to Mexican carriers by January 2002 was a cause for concern by many Members of Congress because of concerns that the safety of U.S. highways would be compromised.

On November 28, 2001, Senator Patty Murray and others announced a House-Senate compromise with the White House on the Mexican cross-border trucking issue. The compromise provision was included in the conference report of **H.R. 2299**, the Department of Transportation appropriations bill. President Bush had threatened a veto of the bill if certain safety provisions the White House considered discriminatory were included in the legislation. The conference report was approved by the House on November 30, by the Senate on December 4, and signed by the President on December 18 (**P.L. 107-87**).

## Trade Legislation Pending in 2002

Several other major issues, including providing Presidential trade promotion ("fast-track") authority, renewing certain trade preferences, revising export controls, providing export stimulation, assisting firms and workers affected by imports, and revising trade remedy statutes await additional congressional action this year.

**Trade Promotion Authority.** The biggest and most controversial issue facing the current Congress involves renewal of presidential trade promotion ("fast-track") authority, a procedure that allows legislation implementing trade agreements to be treated according to special legislative procedures (an up or down vote with no amendments allowed). This authority expired in 1993, and has not been renewed. One of the primary issues thwarting its renewal has been differences between Republicans and Democrats on the degree to which non-trade issues, such as labor and environmental issues should be addressed in trade negotiations.

On October 9, 2001, the House Ways and Means Committee reported **H.R. 3005** (Thomas). The bill would authorize the President to negotiate tariff and non-tariff trade agreements through June 30, 2005 with a two-year extension possible under certain conditions. H.R. 3005 was passed by the House of Representatives on December 6, 2001 by a vote of 215-214. The Senate Finance Committee marked up the bill and approved

an amended version on December 18, 2001. Senator Daschle has stated his intention to bring trade promotion authority to the Senate floor early this year, possibly in tandem with reauthorizing and expanding programs designed to help U.S. workers hurt by trade.

**Andean Trade Preference.** The Andean Trade Preference Act (ATPA) extends reduced-rate or duty-free treatment to imports from Bolivia, Colombia, Ecuador, and Peru in an effort to diminish the illegal production of drugs in these countries by providing improved access to the U.S. market for farmers and businesses. The Act (Title II of P.L. 102-182), signed by President George Bush on December 4, 1991, expired on December 4, 2001.

**House Action.** On October 5, 2001, the House Ways and Means Committee reported **H.R. 3009**, the Andean Trade Promotion and Drug Eradication Act, an amended extension of the ATPA seeking to extend the program through December 31, 2006, and to expand benefits provided for Andean exports. Apparel items assembled in beneficiary countries from U.S.-made fabrics using U.S.-made yarn would get unlimited duty-free access, as would processed tuna. Apparel items assembled from regional fabrics using U.S.-made yarn would get quantity-limited duty-free access. Other product groups previously excluded from duty-free treatment, including footwear, petroleum, watches and watch parts, handbags, and other leather goods, would be eligible for duty-free treatment provided the President determines that they are not “import sensitive.” The Act would also expand the conditions countries need to meet to qualify for these benefits. The measure was subsequently passed by the full House on November 16.

**Senate Action.** An ATPA extension through June 4, 2002 was included in the Senate Finance Committee version of **H.R. 3090**, the Economic Security and Recovery Act, reported to the Senate on November 9. The committee substitute was withdrawn, however, during Senate floor debate on November 14. The House version of H.R. 3090, which did not contain an ATPA provision, passed on October 24.

On November 29, the Senate Finance committee approved an amendment in the nature of a substitute to **H.R. 3009** (the House-passed ATPA bill) containing the substance of **S. 525** (a measure originally introduced by Senator Graham on March 13, 2001) with amendments. It also seeks to expand the preference, but the Senate treatment of textiles and apparel is more restrictive. Senate floor action is pending.

**Generalized System of Preferences.** The Generalized System of Preferences (GSP) is a preference through which the United States provides preferential tariff treatment on about 6,200 imported items from about 140 lesser-developed countries. The provision expired at the end of September 2001. Renewal is currently pending.

**House Actions.** On October 16, 2001, the House Ways and Means Committee favorably reported **H.R. 3010**, a bill seeking to renew the GSP through December 31, 2002 (and retroactively to September 30, 2001). House floor action is pending.

**Senate Actions.** A provision extend the GSP through December 30, 2002 was also included in the Senate version of **H.R. 3090** reported by the Senate Finance Committee on November 9. Senate floor action on the bill began November 14. Another measure related to the GSP, **S. 1671** (Baucus), a bill seeking to provide duty-free

treatment under the GSP for certain hand-knotted or hand-woven carpets and leather gloves, was introduced on November 9.

**Permanent Normal Trade Relations.** The United States currently extends normal trade relations (NTR) status to several Eastern European countries on a temporary, periodically renewable basis in accordance with the provisions of Section 402 of the Trade Act of 1974, commonly known as the Jackson-Vanik amendment. President Putin of Russia has requested that Russia be provided with permanent NTR status. President Bush has indicated his support for this action. On December 20, 2001, H.R. 3553 (Thomas) and S. 1861 (Lugar) were introduced, seeking to provide permanent NTR status to Russia. In addition, bills have been introduced (but not yet acted upon) to extend permanent NTR status to Cuba (H.R. 796; S. 401), to Kazakhstan (H.R. 1318; S. 168), to Afghanistan (H.R. 3440) and, most recently, to Russia (H.R. 3553; S. 1861), to withdraw it from China (H.R. 1497), and to deny to China either permanent or temporary NTR status (H.R. 1467).

**Export Administration Act.** The 107<sup>th</sup> Congress has continued efforts to rewrite the Export Administration Act of 1979 (EAA), which expired on August 20, 2001. The EAA is the primary authority for U.S. controls on exports of so-called dual-use goods and technologies to protect national security, and to promote foreign policy objectives. Past efforts to reauthorize the Act have been affected by the continuing tension between national security and commercial interests.

**House Actions.** On August 1, 2001, the House International Relations committee approved an EAA bill, **H.R. 2581** (Gilman, July 20, 2001). The bill was subsequently reported, as amended, to the full House on November 16, but awaits committee action in several other committees to which has been referred. In addition, bills seeking a three-month extension of EAA 1979 (H.R. 2602 and H.R. 3189) were passed by the House and placed on the Senate calendar during the 2001 session.

**Senate Actions.** On April 2, 2001, the Senate Committee on Banking, Finance, and Urban Affairs reported **S. 149**, a bill seeking to renew and update the Export Administration Act. The bill was passed by the Senate on September 6, 2001 following three days of floor debate.

**Export-Import Bank.** Authority for the Export-Import Bank (Eximbank), the chief Federal agency that helps finance and promote U.S. exports, expired on September 30, 2001, but continued its activities under continuing resolution through January 10, 2002. A further temporary extension of the Bank's charter until March 31, 2002 was authorized in **H.R. 2506** (P.L. 107-115), the Foreign Operations appropriations bill. Additional legislative attention to reauthorize the bank for a longer period is required. On October 31, 2001, the House Committee on Financial Services marked up and approved **H.R. 2871**, the Export-Import Bank Reauthorization Act of 2001. The bill, and its companion bill **S. 1372** (Sarbanes) would extend the authority of the Eximbank through fiscal year 2005. H.R. 2871 was reported to the full House on November 15.

**Trade Adjustment Assistance for Firms and Workers.** Authority for the Trade Adjustment Assistance (TAA) programs for firms and workers was scheduled to expire on September 30, 2001, but was extended through continuing resolutions through

January 10, 2002. Since both programs were fully funded in their respective appropriations bills, reauthorization of the programs is expected by the end of the 107<sup>th</sup> Congress.

TAA for firms, a program administered by the Economic Development Administration of the Department of Commerce, provides technical assistance to trade-affected companies through twelve regional trade adjustment assistance centers. In the fiscal year 2002 Commerce, Justice, State appropriations bill, (H.R. 3061, P.L. 107-77), \$10 million was appropriated for the firm TAA program.

TAA for workers offers extended unemployment benefits and job training to workers left unemployed when imported goods have contributed importantly to their job loss. A similar TAA component for workers, known as NAFTA-TAAP (NAFTA Transitional Adjustment Assistance Program), was provided for in the NAFTA implementation Act (P.L. 103-182). The NAFTA-TAAP not only aids trade-affected workers, but also helps those affected workers who lose jobs because their firms have relocated to Canada or Mexico. In the Department of Labor, Health and Human Services, and Education appropriations bill (H.R. 2500, P.L. 107-77) for fiscal year 2002, \$416 million was appropriated for the TAA and NAFTA-TAAP programs for workers.

**House Actions.** On October 16, 2001, the House Ways and Means Committee reported **H.R. 3008**, which would extend TAA programs for firms and workers until September 30, 2003. This bill was passed by the House on December 6.

**Senate Actions.** Reauthorization of TAA for firms and workers through calendar year 2002 was included in the Senate Finance Committee amendment of **H.R. 3090**, the economic stimulus bill, however, the amendment was withdrawn during floor action on November 14. On December 4, 2001, the Senate Finance Committee marked up and ordered reported an amended version of **S. 1209** (Bingaman), a bill seeking to consolidate and improve the trade adjustment assistance program and to provide community-based economic development assistance for trade-affected communities.

**Steel Industry Issues.** Steel imports, especially from East Asia, Russia, Brazil, and Eastern Europe, have been a cause of concern for many domestic producers since the late 1990s. President Bush's decision on import relief for the steel industry is expected to be announced on March 9, 2002. Many Members of Congress are concerned about the domestic steel industry's ability to remain competitive, and if the Administration's measures are not deemed satisfactory, legislative measures may be proposed.

**Background.** On June 5, 2001, President Bush launched a multi-pronged initiative to "respond to challenges faced by the U.S. steel industry." One part of the initiative included directing U.S. Trade Representative (USTR) Zoellick to request an International Trade Commission (ITC) investigation of injury as provided for in Section 201 of the Trade Act of 1974. The USTR forwarded the Administration request to the ITC on June 22, 2001.

On October 22, the ITC made affirmative injury determinations on 12 out of 13 steel product categories, finding that the products are being imported in such quantities that they are a "substantial cause of serious injury or threat of serious injury to a U.S. industry." On December 7, 2001, the ITC announced its recommendations concerning the remedies the Commission believed would aid the industry, including imposition of

additional tariffs on certain steel products. These recommendations were formally presented to the President on December 19. In a letter dated January 3, 2002, USTR Zoellick requested additional information from the ITC on the steel determination. The ITC responded to the request beginning on January 9.

**Table 1. Status of Major Trade Legislation in the 107<sup>th</sup> Congress**

Issue	House Action	Senate Action	Executive Action
Trade Promotion Authority (TPA)	H.R. 3005(Thomas) Passed Dec. 6	Senate Finance amendment of H.R. 3005 approved Dec. 12	
Jordan FTA	H.R. 2603(Thomas) Passed July 31	H.R. 2603 passed Sept. 24	Signed by President Sept. 28 (P.L. 107-43).
Vietnam BTA	H.J. Res. 51 (Armedy) passed Sept. 6	H.J. Res. 51 passed Oct. 3	Signed by President Oct. 16 (P.L. 107-152)
Andean Trade Preference (ATPA)	H.R. 3009 (Crane) passed Nov. 16	H.R. 3090 as reported by Senate Finance contains ATPA provision. Reported Nov. 9, withdrawn Nov. 14.  H.R. 3009 (amended) approved by Senate Finance Nov. 29, reported Dec. 14.	
Generalized System of Preferences (GSP)	H.R. 3010 (Crane) approved by Ways and Means Committee Oct. 9, reported Oct. 16.	H.R. 3090 as reported by Senate Finance contains GSP provision. Reported Nov. 9, withdrawn Nov. 14.	
Export Administration (EAA)	H.R. 2581(Gilman) House International Relations Committee approved (amended) Aug. 1, reported Nov. 16. Other committees given extension through February 28, 2002.  H.R. 2602 and H.R. 3189 proposing temporary extension of EAA passed House July 30 and Nov. 27, respectively.	S. 149(Enzi) passed Sept. 6.	
Export-Import (Exim) Bank	Reauthorized to March 31, 2002 in H.R. 2506, Foreign Operations appropriations bill. Passed July 24.  H.R. 2871: Reported by Financial Services Cte. Nov. 15 (H.Rpt 107-292).	Reauthorized to March 31, 2002 in H.R. 2506, Foreign Ops appropriations bill. Passed Oct. 24.  S.1372: Reported by Banking, Housing and Urban Affairs Cte. Aug. 3.	H.R. 2506 signed by President Jan. 10 (P.L. 107-115).
Trade Adjustment Assistance (TAA) for firms and workers	H.R. 3008 (Johnson) passed Dec. 6	H.R. 3090 as reported by Senate Finance contains TAA provisions. Reported Nov. 9. S. 1209 (Bingaman) ordered reported (amended) Dec. 4.	