

CRS Report for Congress

Received through the CRS Web

Status of Trade Legislation in the 107th Congress

Vivian C. Jones
Analyst in International Trade and Finance
Foreign Affairs, Defense, and Trade Division

Summary

Congressional leaders and the Bush Administration have placed broad and often controversial international trade issues high on the legislative agenda during the 107th 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

On August 6, 2002, President Bush signed P.L. 107-210, the Trade Act of 2002. Major provisions in the law include providing trade promotion authority for the President, reauthorizing and expanding trade adjustment assistance for firms and workers, and renewing the Andean Trade Preference and the Generalized System of Preferences.

Trade Legislation Enacted in 2001

In the first session of the 107th 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. 107-52). 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**).

The Trade Act of 2002

Several major trade issues, including providing Presidential trade promotion ("fast-track") authority, renewing certain trade preferences, providing export stimulation, and assisting firms and workers affected by imports, were enacted in the Trade Act of 2002, **P.L. 107-210**, signed by the President on August 6, 2002.

House Actions. On October 9, 2001, the House Ways and Means Committee reported **H.R. 3005** (Thomas). The bill sought to 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 on December 6, 2001 by a vote of 215-214. **H.R. 3009**, a bill seeking to extend the Andean Trade Preference, passed in the House by voice vote on November 16, 2001. Following conference negotiations with the Senate, the House passed a conference report incorporating provisions of both bills (H.Rept.107-264) on July 27, 2002 by a vote of 215-212.

Senate Actions. On May 10, 2002, the Senate began consideration of **H.R. 3009**, seeking to extend the Andean Trade Preference. A substitute amendment, **S. Amdt. 3401** (Baucus), included the Trade Agreements Authority provision and other elements of **H.R. 3005**. On May 23, 2002, the Senate passed **H.R. 3009**, as amended, by a vote of 66-30.

Following conference negotiations with the House, the Senate passed the conference report on August 1 by a vote of 64-34.

Trade Promotion Authority. Arguably, the biggest and most controversial issue facing the 107th Congress involved renewal of presidential trade promotion (“fast-track”) authority, a procedure that allows legislation implementing trade agreements to be treated according to special legislative procedures (expedited consideration, an up or down vote, no amendments allowed). This authority expired in 1993, and was not renewed.

The Trade Act of 2002 renews Presidential trade promotion authority and extends it until June 1, 2005, extendable to October 1, 2007 under certain conditions. Under the provisions of the law, the Congress must vote “up or down” on trade agreements submitted by the President within 90 days. Amendments and debate on trade agreements are limited. Congressional consultation is required prior to entering into trade agreements.

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 107th 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. The Trade Act of 2002 did not amend TAA for firms, but extended it through FY2007 at a higher annual authorized finding level of \$16 million.

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). P.L. 107-210 effectively merges these programs and reauthorizes TAA for workers through FY07. The law also provides displaced workers with an advanceable, refundable tax credit to cover 65% of their health insurance premiums that can be used to purchase insurance from their former employers’ plans under COBRA, or to buy coverage in state-operated insurance pools. The law also provides for a new TAA program for farmers affected by agricultural imports.

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. The Andean Trade Preference is reauthorized in the Trade Act of 2002 through December 31, 2006 (and retroactive to December 4, 2001).

Duty-free status is provided under the Act to approximately 6000 products from Andean countries. Tariffs on certain products exempted from duty-free entry under the

previous trade preference (including certain types of tuna, petroleum products, watches, and watch parts, handbags, some leather goods, footwear, and sugar) are ended if the President determines that doing so would not adversely affect a U.S. industry.

The measure also extends benefits for certain Andean apparel made of U.S. fabric which must be dyed and finished in the United States. A quota amounting to 3% of U.S. imports placed on certain Andean apparel made from regional fabric is targeted to be increased by 6% by October 2006.

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. P.L. 107-210 renews the GSP until December 31, 2006 (and retroactively from September 30, 2001). The law does not extend the preference to products from nations found to be engaged in the “worst” forms of child labor, those not conforming to certain labor rights, and those not supporting U.S. efforts against terrorism.

Export Administration Act. The 107th 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.

Other Trade Legislation

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. A second interim measure (**S. 2019**) passed by the Senate on March 14 and by the House on March 19 seeks to extend its authority through April 30. This bill was signed by President Bush on March 31, 2002 (P.L. 107-156).

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. H.R. 2871 was reported on November 15. This bill, and its companion bill, **S. 1372** (Sarbanes), would extend the authority of the Eximbank through fiscal year 2005. S. 1372 was reported by the Committee on Banking, Housing, and Urban Affairs on August 3, 2001, and passed the Senate, amended, by unanimous consent on March 14, 2002.

On May 1, 2002, the House brought up **S. 1372**, striking all but the enacting clause and inserting the text of H.R. 2871. This measure passed the House, without objection, on the same date. The conference report (H.Rept. 107-487) passed the House (344-78) on June 5, 2002, and the Senate (by unanimous consent) on June 6. The measure was signed by the President on June 14 (P.L. 107-189).

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. On March 5, 2002, President Bush issued a proclamation imposing tariffs of up to 30 percent over the next three years on major categories of steel imports. On May 9, 2002, the House effectively tabled a resolution (H. J. Res. 84, Jefferson) that sought to disapprove the President's decision in favor of the ITC's higher tariff recommendations.

Table 1. Status of Major Trade Legislation in the 107th Congress

Issue	House Action	Senate Action	Executive Action
Trade Promotion Authority (TPA)	H.R. 3005(Thomas) Passed Dec. 6 S. Amdt. 3401 passed House, amended, June 26, 2002. Conference report (H. Rept. 107-624) passed House July 27, 2002.	Senate Finance amendment of H.R. 3005 reported Feb. 28. S. Amdt. 3401 passed Senate May 23, 2002. Conference report (H. Rept. 107-624) passed Senate August 1, 2002	Included in P.L. 107-210, signed by the President on August 6, 2002.
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 (Arme y) 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. See TPA for further action	H.R. 3009 (amended) approved by Senate Finance Nov. 29, reported Dec. 14. Senate Finance Cte. amendment withdrawn, May 1, 2002. See TPA for further action.	Included in P.L. 107-210, signed by the President on August 6, 2002.
Generalized System of Preferences (GSP)	H.R. 3010 (Crane) approved by Ways and Means Committee Oct. 9, reported Oct. 16. See TPA for further action.	H.R. 3090 as reported by Senate Finance contains GSP provision. Reported Nov. 9, withdrawn Nov. 14. See TPA for further action.	Included in P.L. 107-210, signed by the President on August 6, 2002.
Export Administration (EAA)	H.R. 2581(Gilman) Intl. Relations Cte. approved (amended) Aug. 1, reported Nov. 16. Armed Svcs. Cte. Reported March 8. H.R. 2602 and H.R. 3189 proposing temp. extension of EAA passed House July 30 and Nov. 27.	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). S. 1372, as amended, passed May 1, 2002. Conference Report 107-487 passed (344-78) June 5, 2002.	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. Passed Senate, amended Mar. 14, 2002 (unanimous consent). Conference Report 107-487 passed June 6, 2002 (unanimous consent).	S. 1372 signed by President June 14 (P.L. 107-189).
Trade Adjustment Assistance (TAA) for firms and workers	H.R. 3008 (Johnson) passed Dec. 6. See TPA for further action.	H.R. 3090 as reported by Senate Finance contains TAA provisions. Reported Nov. 9., withddrawn Nov. 14. S. 1209 (Bingaman) reported (amended) Feb. 4. See TPA for further action.	Included in P.L. 107-210, signed by the President on August 6, 2002.