

 Print Page

Trade Pacts Held Hostage Over Worker Aid

Congress is considering trade agreements with Colombia, Panama and South Korea that are part of the Obama administration's broad pledge to help U.S. businesses -- especially smaller companies -- double exports by 2015. Now, it appears those negotiations are caught up in yet more wrangling over ways to cut federal spending.

According to a [Wall Street Journal](#) published over the weekend, the three free-trade pacts have been stalled by a party-line dispute over the [Trade Adjustment Assistance \(TAA\) program](#), which covers workers who have been unfavorably affected by foreign competition. The program, which is 50 years old, expired in February. Democrats and the White House have attempted to renew it, but Republicans argue that it must go as one measure to help shrink the bloated federal budget. The timing is critical, since a [deal between Korea and the European Union \(EU\)](#) is scheduled to take effect on July 1. If the United States doesn't have a similar pact in place, U.S. industries could be at a disadvantage. Incidentally, there was also [news over the weekend that the EU and Japan are attempting to move closer together](#). So, our inaction is becoming more and more untenable.

Right now, the White House is refusing to submit the pacts for a vote until Congressional Democrats and Republicans come to an agreement regarding the fate of the TAA program. According to the [WSJ](#) article, TAA cost \$975 million in 2010, helping approximately 234,000 people. The article quotes Sallie James, a policy analyst with the Cato Institute: "Politicians used to use TAA to buy votes for trade agreements, and now they're holding the trade agreements hostage so they can get the expanded welfare program."

The [Korea deal](#), in particular, could be worth up to \$11 billion in new U.S. exports. It eliminates tariffs on U.S. farm products and it would double the amount of beef exports that the United States sends to the country. Other measures include the elimination of a tariff on U.S. wines and a program that would help put U.S. financial services firms on the same footing as Korean firms. The [Colombia deal](#), which would eliminate tariffs on approximately 80 percent of U.S. exports, has met with opposition from groups including the AFL-CIO. The [Panama pact](#) would likewise lift many industrial, agricultural and commercial tariffs; it would also open up some \$15 billion in Panama infrastructure projects to U.S. participation.

This whole situation is yet another illustration of the impact that the federal deficit will continue to have on constructive progress on Washington. The United States really needs to get its act together on these and other trade agreements. Consider that exports contributed 1.16 percentage points of growth during the first quarter, when the economy grew by 1.8 percent overall. Increasing exports is crucial to helping grow the economy. The fact is the United States cannot afford to keep acting provincially when it comes to trade. It especially needs to help small businesses generate more of their business from outside our national borders. When I was at a [talk in October 2010 by Courtney Gregoire, director of the National Export Initiative for the International Trade Commission, U.S. Department of Commerce](#), she said that just 1 percent of all small and midsize businesses in the United States export. At the time, she said: "We could very well be left behind if we don't make the right investments."

There are some very real challenges that make it tough for smaller companies to get ahead in foreign countries, many of them cultural and a matter of resources. But the fact is, if our government can't get