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Election Results and the Trade Agenda



■ Trade and Transportation

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Depending upon where you fall on the political spectrum, last week's election results were either a referendum on the president's policies or part of the natural political cycle, just what happens to a second-term president in a midterm election.

Many of the political ads in the run-up to the election not surprisingly dealt with health care, job growth, or the (in)effectiveness of policy makers of all stripes in Washington, D.C. Foreign policy is sometimes on the agenda but usually falls victim to the "all politics is local" rule.

This is particularly the case with foreign trade agreements. The complex and often long and drawn-out development of trade policy doesn't make for a good sound bite. And yet, election results matter for global trade.

In January, President Obama asked Congress to grant him trade promotion authority, also known as fast track authority, which would allow him to submit trade agreements to Congress for an up- or-down vote without the risk of House or Senate amendments or a filibuster. It's a temporary power that legislation authorized in 1974 and again in 2002 but which expired in 2007. It makes the president's job easier and sends a signal to potential free trade partners that the deal negotiated is the one that Congress will ultimately approve.

Trade promotion authority is an essential part of the president's plan to wrap up two major trade agreements, the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP). The former is a proposed agreement involving 12 nations including the U.S., Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. From the perspective of the President's Office of the U.S. Trade Representative (USTR), the TPP is a good opportunity to open up new markets for American goods and services in a region that has become

dominated by Chinese trade and investment. The latter is a proposed pact with the 28 members of the European Union.

While the rest of the nation has been focused on the elections, the USTR has been eyeing a date later this month when President Obama travels to Asia for meetings with, among others, China's President Xi Jinping. The hope is that the trip will provide some momentum to close a deal on Pacific trade. The ironic thing is that the devastating blow the Democrats took on election night could help the president move both pacts forward.

Some of the biggest opposition to giving Obama fast track authority has come from members of his own party who want to reserve the right to amend aspects of the agreement pertaining to labor and environmental protections. Similar opposition to cross-border trade agreements with Canada and Mexico have come from groups normally friendly to the president, including labor unions.

Republicans are normally considered more trade-friendly and as a result more likely to grant the president trade promotion authority. But even there, things are not so clear cut. There's a natural reluctance on the part of Congress to relinquish agenda-setting authority to any president, particularly one from the opposing party. And both Democrats and Republicans from regions with key industries that are perceived to be vulnerable to freer trade – think certain segments of agriculture and the automotive industry – are likely to move more cautiously than those with more to gain from a trade agreement.

Which brings us back to local politics. The jockeying has already begun for the 2016 presidential election, and both parties may decide it's simply wiser (and easier) to avoid having a discussion about winners and losers of trade policy with the electorate.

Of course, while we're having the debate here, the same thing is happening in the countries with whom the USTR is negotiating. The fact that any agreement can be hammered out at all is amazing, let alone among a group of 12 or 29 nations. It's clear evidence of the importance of global trade to the economic well-being of nations, despite the clear risk to some homegrown industries.

The prospects for fast track authority may be brighter with a Republican-controlled Congress, but, regardless of the outcome of that debate, trade will continue. Cargo likes the path of least resistance. If the lack of a trade agreement raises barriers, it will look for an alternative. In most cases, it finds one.

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