EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

May 8, 2002
(Senate)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

H.R. 3009 - Andean Trade Preference Expansion Act

(Rep. Crane (R) IL and 29 cosponsors)

The Administration strongly supports Senate passage of the Bipartisan Trade Promotion Authority Act of 2002 (TPA), the Andean Trade Preference Expansion Act (ATPA), and extension of the Generalized System of Preferences (GSP) program and the Trade Adjustment Assistance (TAA) programs. Passage of TPA, ATPA, GSP, and TAA will send a strong signal of U.S. leadership in supporting free, fair, and open markets, and will promote a vibrant U.S. economy.

At the same time, the Administration strongly opposes the TAA proposal in the Daschle Substitute for H.R. 3009 (the vehicle for considering these components) in its current form. In addition, the Administration opposes any amendments that would undermine the careful balance struck in the TPA bill that the Finance Committee approved by a vote of 18-3, which forms the core of the manager's amendment now before the Senate.

The Administration looks forward to working with the Congress to provide the President with the authority and flexibility to secure the greatest possible trade opportunities for America's farmers, workers, producers, and consumers, and the ability to provide effective adjustment assistance for trade-impacted workers.

Trade Promotion Authority

TPA offers the President the tools he needs to assert American trade leadership, strengthen the U.S. economy, and expand opportunities for American exporters. Passing TPA now is more important than ever with the recent launch of the new global trade negotiations, which offers the best hope for opening new markets for American goods and services and for providing better job opportunities for every sector of our economy. Only with Senate passage of TPA can the President strike the best deals for America. TPA gives our negotiating partners the certainty they need to move to their "bottom lines," knowing the President and the Congress are united at the bargaining table.

Without TPA, our influence on the world's trading system has waned. In recent years, as global trade has grown, the United States has stood on the sidelines watching other countries increasingly set the rules of the trading game. There are now more than 150 trade agreements in the world; the United States is party to only three. What we have sacrificed is America's leadership role on trade.

To reassert that leadership, the Administration supports passage of the Bipartisan Trade Promotion Authority Act, which will reestablish the traditional trade partnership between the Executive Branch and the Congress. In addition, TPA will ensure that America's trade negotiating objectives reflect the views of our elected representatives and will preserve Congress' authority to approve or disapprove any trade agreement the President negotiates.

The Administration opposes any change that would undermine the careful balance struck in the Bipartisan Trade Promotion Authority Act, as reported by the Senate Finance Committee with a bipartisan 18-3 vote. In particular, the Administration strongly opposes amendments that would exclude certain subjects or sectors from TPA. A key element of TPA is the requirement for Congress to consider and vote on trade agreements as a whole. If Congress excludes certain items from consideration under TPA procedures, as the Dayton Amendment proposes, it will invite our trading partners to exclude issues of their own from future negotiations, particularly in areas like agriculture that are of vital interest to U.S. exporters. The net effect would be to undercut the President's ability to negotiate trade agreements that best serve America's interest.

In addition, the proposed Kerry Amendment would fundamentally weaken longstanding protection for U.S. companies abroad, leaving our investors vulnerable to unfair treatment by foreign governments. Therefore, the Administration opposes the Kerry Amendment.

Andean Trade Preference Expansion Act (ATPA)

Renewal and expansion of the Andean trade preference program are high priorities for the Administration, as the proposed ATPA represents a critical intersection of our trade and anti-narcotics policies. To achieve a program with the greatest potential benefit to the region and to the United States, the Administration supports as much expanded product coverage as can be agreed to by Congress this year. Through strengthening the legitimate economies of the beneficiary countries, the ATPA will be a key component of our efforts to combat the scourge of narcotics in the Andean region and in the United States. There are clear links between drug trafficking and terrorism, and it is in our national interest to combat the drug trade and to promote healthy, strong economies and democracies.

Generalized System of Preferences

We also urge Congress to reauthorize the GSP program, which expired on September 30, 2001. This program reinforces our trade policy agenda by encouraging designated developing and emerging economies to open their markets, comply more fully with international trading rules, and assume greater responsibility for the international trading system. It also helps to maintain U.S. international competitiveness by lowering costs for U.S. business, as well as reducing prices for American consumers.

<u>Trade Adjustment Assistance</u>

The Administration strongly supports reauthorization of TAA programs. While increased trade will generate significant benefits for American workers, the Administration believes that solid TAA programs are vital for responding to the adjustment challenges that trade can create.

The primary objective of TAA programs is to provide training and assistance for trade-impacted workers to help get them back to work as quickly as possible. The Administration is committed to ensuring that trade-impacted workers receive these services quickly and effectively. The Administration also supports improvements to the TAA programs to streamline service delivery and expand benefits where necessary to ensure that the needs of the workers most affected by trade are met while they upgrade their skills and look for work.

The Administration is eager to work with Congress on effective enhancements to the TAA programs; however, the Administration strongly opposes the TAA proposal in the Daschle Substitute Amendment. The expansions in the Daschle Substitute severely distort the primary purpose of the programs and hinder the ability of workers legitimately affected by trade to receive the assistance they need. The Administration is concerned that the Daschle Substitute is very costly, increasing the size of the programs by at least 300 to 400 percent. These expansions are so extensive and overreaching that they threaten passage of TPA and an improved, effective TAA program.

Specifically, the Administration opposes the Daschle Substitute's last minute addition of health insurance assistance for steel retirees. The Administration shares concerns about the security of retiree health insurance benefits in the steel and other industries, and the Administration has proposed assistance with health care costs for retirees and others who lose their employer health insurance benefits. But TAA has never been a retirement program, and the needs of steel and other retirees should be addressed in a different forum with the benefit of proper committee consideration. A rough estimate suggests that adding steel retirees to TAA programs could potentially cost more than $800 million per year – almost twice the entire cost of the current programs. This would divert resources away from the primary purpose of the TAA programs -- retraining and reemploying individuals still in the workforce. This late addition of unrelated issues complicates earnest bipartisan efforts to reach agreement on trade legislation.

Moreover, the health insurance credit proposed in the substitute is not an effective approach to help workers obtain health coverage that best suits their needs. Despite the high cost of the substitute to the federal government and new mandates on states and businesses, many workers would have few, if any, choices of coverage. Among other things, the substitute prohibits use of the credit to obtain coverage in the individual market, and will even force some TAA-eligible workers to give up their existing individual coverage. Allowing trade-impacted workers greater flexibility to use the credit is one way to lower the cost of providing coverage and to enable more workers to obtain the coverage they need, without disrupting employer group insurance.

Finally, while the Administration understands that there may be a need to address certain categories of workers who do not currently qualify for TAA benefits, the unprecedented expansions in the Daschle Substitute go too far. The Substitute adds major new categories of coverage that will be difficult to administer, many of which have questionable links to trade. These expansions could severely interfere with access to existing benefits for workers truly impacted by trade.

The Administration urges Congress to address these concerns and quickly reauthorize and improve the TAA programs. Authorization for these programs expired in September 2001, and the Administration is concerned that delay in reauthorizing these programs could seriously impair states' ability to continue existing services. The Administration looks forward to working with Congress to ensure their speedy reauthorization.

Pay-As-You-Go Scoring

Any law that would reduce receipts or increase direct spending is subject to the PAYGO requirements of the Balanced Budget and Emergency Deficit Control Act (BEA) and could cause a sequester of mandatory programs in any fiscal year through 2006. The requirement to score PAYGO costs expires on September 30, 2002, and there are no discretionary caps beyond 2002. The Administration will work with Congress to ensure fiscal discipline consistent with the President's budget and a quick return to a balanced budget. The Administration will also work with Congress to ensure that any unintended sequester of spending does not occur.

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