

Statement of the Honorable Carla A. Hills
Chair & CEO of Hills & Company, International Consultants
U.S. Trade Representative 1989-1993

Before the Committee on Foreign Affairs
Subcommittee on Terrorism, Nonproliferation, and Trade
U.S. House of Representatives

Tuesday, March 17, 2015

“National Security Implications of Free Trade Agreements
And
The Opportunities and Challenges of Trade Promotion Authority”

Mr. Chairman and Members of the Terrorism, Nonproliferation and Trade Subcommittee of the House of Representative’s Committee on Foreign Affairs, thank you for inviting me to share my perspective on the national security implications of our free trade agreements and the importance that Trade Promotion Authority has on our nation’s ability to conclude effective agreements.

Benefits of U.S. Trade Agreements

Our nation’s experience shows that our free trade agreements have a very positive effect on our national security interests in a number of ways. By opening global and regional markets, a free trade agreement stimulates economic growth. Economist Dr. Gary Hufbauer at the Peterson Institute for International Economics calculates that the opening of markets beyond our borders since World War II has increased our nation’s GDP by roughly one trillion dollars per year. That increase in economic strength has contributed substantially to our nation’s ability to maintain the strongest defense capability in the world.

The opening of markets to trade and investment has strengthened the economies of our major allies, including Europe, Canada, Mexico, Japan, South Korea, and more. It has also brought us closer together on a number of policy issues.

But the benefits that flow from opening global markets are not restricted to the United States and other advanced economies with which we trade and invest most heavily. Developing nations benefit as well. According to studies by Dr. William Cline at the Center for Global Development, the removal of trade barriers to the goods produced by developing countries has a direct correlation to their success in reducing their poverty. According to his calculations on average when a developing country increases its ratio of trade to its total output by one percent, it achieves a one percent reduction in its level of poverty.

Reducing global poverty through trade agreements does not just advance our humanitarian and development goals in an efficient manner. By integrating poorer countries into regional and global trade regimes, we engage in what some have termed “enlightened self-interest” much as

we did with the Marshall Plan when we helped to rebuild the European markets following World War II. These countries often become our future trading partners.

In addition the negotiation of trade agreements with poorer countries helps us avoid or reduce potential national security challenges. Failure to enlarge the economic opportunities of these countries condemns segments of their population to unrelieved poverty making them more susceptible to recruitment by those who would do us harm.

Also we know that impoverished nations often lose the ability to enforce their laws and secure their borders, slipping into the status of a failed state making it much more difficult for our government to deal effectively with serious security problems - - - terrorism, organized crime, illegal arms sales, money laundering, and more. By working with emerging economies to enlarge their trade opportunities, we not only enhance their opportunities for economic growth, we reduce their potential for instability that adversely impacts our national security interests.

Continuing to build on our nation's economic strength through good strong trade agreements with countries rich and poor will help ensure that we have the necessary resources going forward to support the equipment, technology, and manpower we need to protect our national security.

Role of Trade Promotion Authority

Trade Promotion Authority, "TPA", is a critical tool to enable our government to negotiate strong agreements to open global and regional markets enabling our nation to support adequately our national security objectives. Our founding fathers separated our government's executive, legislative, and judicial responsibilities. Our Constitution vests in Congress the power to "regulate commerce with foreign nations" and to "lay and collect taxes, duties, imposts, and excises", and vests in the Executive the responsibility for negotiating treaties with foreign governments, including those dealing with commercial issues.

TPA sets up a cooperative process that enables the two branches of government to reach strong trade agreements. This collaboration between the executive and legislative branches has existed since 1934 when President Roosevelt signed the Reciprocal Trade Agreements Act, a predecessor of TPA. Since then Congress has passed 18 such bills.

Under these procedures, the President gives Congress notice of a trade negotiation. Congress in the exercise of its constitutional power to regulate commerce may set objectives for the Administration to seek and ask that the Administration consult with it during the course of the negotiation. In return Congress agrees to approve or reject - - - but not amend - - - the trade agreement that the Administration presents. The assurance that Congress will not amend the agreement that the President presents is based on a recognition that our negotiators could not achieve the best trade deals if our trade partners expected that there would be a second negotiation with Congress. Inevitably they would hold back on key issues that we wanted in anticipation of a further negotiation with Congress.

Also, since trade agreements typically cover hundreds of issues, each of the participants looks at how the whole agreement affects his or her national interests. To be successful our trade

negotiators must strive to strike a balance on a broad range of issues that have differing degrees of importance to the governments participating. A single amendment can upset that balance and cause the agreement to unravel.

Conclusion

Globalization exposes us to economic and geostrategic issues occurring worldwide. What happens beyond our border, for good and bad, has an impact here. We need to make every effort to take actions that will generate good outcomes and minimize the bad. The negotiation of strong trade agreements will have positive effects for our nation both economically and with respect to our national security. To secure good trade agreements requires that Congress and the President work together. Trade Promotion Authority has shown itself for more than 80 years to be the proven method for the Legislative and Executive branches of our government to do just that and achieve outstanding results. To maximize economic growth both domestically and globally and to obtain the national security benefits that flow from that growth, we need to continue to seek to open markets around the world. That will require Congress to pass Trade Promotion Authority.