



Principles for Trade: A Model for Global Progress

America's current trade policy fails working families while increasing profits for the world's largest corporations. Trade agreements should create a net increase of good American jobs, spur more balanced trade between partners, and improve governance, public health, and environmental protections around the world. The Congressional Progressive Caucus believes the following principles can ensure fairer trade agreements by prioritizing middle class families and removing special protections and privileges for corporations:

- **Protect Congress' Authority to Set Trade Policy**
- **Restore Balanced trade**
- **Put Workers First**
- **Stop Currency Manipulation**
- **Expand Buy America Procurement Practices**
- **Protect the Environment for Future Generations**
- **Prioritize Consumers above Profits**
- **Protect Nationhood Rights**
- **Secure Affordable Access to Essential Medicines and Services**
- **Respect Human Rights**
- **Provide a Safety Net for Vulnerable Workers**

Since implementation of the North American Free Trade Agreement (NAFTA) in 1994, the United States has lost millions of jobs in key sectors like manufacturing, wages have stagnated, and the standard of living for working families has dropped.

Outside of the United States, misguided trade policies are devastating both rural and urban communities in emerging nations, from the displacement of millions of small farmers in Mexico to low wages and terrible conditions for garment factory workers in Honduras. Trade agreements that destroy local livelihoods and provide workers with little economic opportunity create strong incentives for immigration to the United States. U.S. trade policy must focus on creating economic opportunity for working people in the United States and abroad, not only on maximizing short-term profits for large corporations.

The United States negotiates some of the world's largest trade agreements. These deals must put working families and our environment first. The United States must stop using trade agreements as investment deals for the world's wealthiest corporations and instead prioritize higher wages, safer work and environmental standards, and a healthier world economy.

PROTECT CONGRESS' AUTHORITY TO SET TRADE POLICY

Fast Track must be replaced with a process appropriate to today's expansive trade agreements.

The 1970s "Fast Track" trade authority, also known as Trade Promotion Authority (TPA), undermines Congress' ability to represent the interests of the American people. Fast Track established trade advisory committees that have provided more than 500 corporate representatives privileged access to negotiation texts and processes.

Article I, Section 8 of the U.S. Constitution grants Congress exclusive authority to determine the terms of U.S. trade policy. The expansive domestic, non-trade policies affected by recent trade agreements underscore the need for Congress to play a meaningful role in trade negotiations from start to finish.

Once trade agreements are ratified, U.S. domestic laws can be challenged by partner nations, often resulting in lower standards for food safety and environmental protections. Given the scope, permanence, and enforceability of policies set by trade negotiations, Congress must have a robust role in the process.

Congress should have the ability to determine which nations are eligible partners by establishing criteria for inclusion in negotiations. Furthermore, Congress must provide mandatory negotiating objectives delineating what must and must not be included in an agreement. Following the end of trade negotiations, Congress must vote to certify that objectives have been satisfied before the President can sign and enter into an agreement.

Currently, the process lacks transparency. **Trade agreements must be negotiated in the open. Members of Congress and appropriate staff must be able to receive details of ongoing negotiations and fully access draft text.** This will ensure that Executive Branch negotiators are meeting Congress' policy objectives.

RESTORE BALANCED TRADE

Trade agreements must contain a companion trade regulatory program that systematically brings down the U.S. trade deficit by requiring imports be balanced against exports. A goal of U.S. trade policy must be to restore balanced trade and bring down the current deficit of \$912 billion, ending decades of trade deficits that translate into millions of good-paying American jobs lost.ⁱ

The Center on Economic and Policy Research estimates that increasing exports or reducing imports enough to bring the trade deficit into balance would generate 4.2 million jobs directly, and another 2.1 million jobs through multiplier effects—a total increase of 6.3 million jobs.ⁱⁱ

NAFTA has contributed the most to America's increasing deficit with free trade agreement (FTA) partners. Under NAFTA, the U.S. trade deficit with Canada ballooned while a U.S.

trade surplus with Mexico turned into a nearly \$100 billion deficit. More recent deals have produced similar results.ⁱⁱⁱ

Instead of stimulating jobs growth here at home, American trade policy is rewarding corporations that offshore jobs, drive down wages, and increase unemployment and underemployment.

PUT WORKERS FIRST

Trade agreements must guarantee that every worker is respected, valued and properly rewarded. Congress should have the ability to investigate and alter trade agreements if trade partners fail to enforce meaningful labor protections.

Trade agreements must contain robust labor protection provisions that are easily understood by unionists in partner nations, and properly enforced.

Despite the May 10th, 2007 Agreement, or “Bipartisan Trade Deal’s” attempt to improve labor standards in trade agreements, serious labor rights abuses remain in countries that have signed FTAs with the U.S. since 2007. The May 10th compromise between Democratic House leaders and the Republican president aimed to set a higher standard for both labor and environmental provisions in FTAs by imposing robust enforcement mechanisms.

A [Government Accountability Office \(GAO\) report](#) on the enforcement of labor provisions in five of the most recent FTAs since 2007 found that “persistent challenges to labor rights [remain], such as limited enforcement capacity, the use of subcontracting to avoid direct employment, and, in Colombia and Guatemala, violence against union leaders.” Agencies that investigate and monitor labor violations do not clearly convey processes to unionists for filing formal complaints, and lack a systematic approach to manage complaints that are submitted.^{iv} Processes for submitting formal labor violation complaints must be clear, systematic, and ensure that all relevant agencies respond in a timely manner.

Trade agreements cannot be approved until signatory countries adopt domestic labor rights as provided for in the core International Labor Organization Conventions. This must include protecting a worker’s right to organize and collectively bargain without interference or intimidation by their employer.

STOP CURRENCY MANIPULATION

U.S. trade agreements must contain enforceable provisions that prohibit partner nations from manipulating the value of their currencies.

Exchange rates significantly affect trade flows. Undervalued exchange rates allow partner countries to boost their exports and impede the flow of goods and services from other trading partners. Currency manipulation contributes to trade imbalances and leaves millions of American jobs at risk due to decreased export potential of American goods.

Currency devaluations by TPP partner Japan accounts for nearly 900,000 American jobs displaced since 2013.^v

By using the International Monetary Fund standards that set forth measurable criteria such as persistent current account surpluses, regular government intervention in currency markets in one direction, and overly large foreign exchange reserves, measures can be designed that provide ample policy space to manage monetary policy while targeting trade-affecting manipulations. **Trade pacts must provide for the suspension of tariff benefits if a partner nation is found to have engaged in currency manipulation.**

EXPAND BUY AMERICAN PROCUREMENT PRACTICES

Trade agreements must respect all nations' right to set government procurement practices.

From the workers who manufacture the materials to upgrade America's bridges and highways to those who build the cars driven by our government officials, the Buy American Act of 1933 and other related federal, state and local government procurement policies create U.S. middle class jobs by recycling American tax dollars back into our economy. Buy American policies require that contracts for government purchases of goods go to U.S. firms, unless a product is much more expensive, or difficult to source domestically.

Four out of five American voters – Republicans, Democrats, and Independents alike – support Buy American provisions.^{vi} However, past trade pacts have required the United States to waive these procurement policies for firms operating in FTA partner countries, shipping jobs and American tax dollars overseas. It is estimated that a third of new jobs created by domestic sourcing would be in the manufacturing sector if large-scale infrastructure projects were restricted to domestic supplies.^{vii}

Trade agreements must not limit the United States government's ability to set contract guidelines. Further, the definition of "Made in America" must remain robust for U.S. domestic sourcing requirements to be meaningful.

PROTECT THE ENVIRONMENT FOR FUTURE GENERATIONS

Climate change and other forms of environmental degradation pose serious threats to the world. **Trade agreements must contain legally binding obligations for partner nations to adopt, maintain, implement, and strengthen domestic environmental laws and policies.** Such provisions would help protect communities and the environment, including vulnerable communities in the developing world exploited by multinational corporations seeking access to raw materials or markets without consumer protections.

Trade agreements must respect sovereign laws and allow stronger climate and environmental protections in partner nations to take precedence over standards negotiated in a trade deal. This means, for example, that the United States must retain the ability to make decisions about energy exports based on the national and public interest. Further, governments must retain the flexibility to incentivize local production of renewable energy technologies.

Trade agreements must also allow governments flexibility to strengthen existing policies, or implement new ones to protect the environment and climate after an agreement has been signed. Such policies include, but are not limited to feed-in tariffs, a carbon cap and/or tax, renewable energy programs, and energy efficiency standards or labels. Conversely, agreements should also provide enforceable, punitive provisions against partner nations that lower environmental standards.

Trade deals must require countries to adopt, maintain, and implement commitments made in multilateral environmental agreements, including the United Nations Framework Convention on Climate Change.

PRIORITIZE CONSUMERS ABOVE PROFITS

Trade agreements must allow countries to adopt and implement policies to protect the health and safety of consumers without limit or exposure to challenge. Only goods and services that comply with a nation's consumer safeguards may gain entry into its market. Any provisions for regulatory convergence must require high standards of consumer and other protections.

Increasingly, trade agreements require numerous non-tariff policies that change domestic laws and lower consumer protections. Domestic food and product safety standards, financial regulations, internet governance rules, and other non-trade consumer policies are secretly negotiated between countries' trade agencies under the influence of the very commercial interests being regulated. Past trade pacts have allowed into market products and services that do not meet U.S. health and safety standards. Some provisions have required U.S. regulations to conform to "harmonized" standards negotiated to be more convenient to business, instead of respecting more robust domestic standards. **Trade deals must not supersede a nation's ability to protect its citizens.**

PROTECT NATIONHOOD RIGHTS

Trade agreements must not contain provisions that allow for Investor State Dispute Resolution.

Foreign investors are increasingly using Investor-State Dispute Settlement (ISDS) provisions in trade pacts to initiate proceedings against sovereign nations. ISDS grants corporations special rights to bypass court systems and challenge consumer protection

legislation that may threaten profits. This forces trade partners with smaller economies into repealing good policies that protect consumers.

From 1959-2002, there were fewer than 100 ISDS cases initiated. Conversely, from 2003-2014, there were 514 ISDS proceedings; many of which challenged environmental, energy, financial, public health, land use and transportation policies. For example, tobacco giant Philip Morris is currently suing Australia for loss of expected profits due to packaging regulations that highlight the health risks of smoking and restrict branding. Regardless of outcome, nations prosecuted under ISDS are required to pay for the full cost of the tribunal, which on average costs eight million dollars.^{viii}

When disputes occur between a foreign investor and a sovereign nation, the case must be settled in domestic court or nation-to-nation dispute resolution. Under this system, corporations and multinationals will not be given preferential standing, but instead will be subject to the same treatment as domestic investors and firms.

SECURE AFFORDABLE ACCESS TO ESSENTIAL MEDICINES

Trade agreements must safeguard affordable access to medicine for patients by preserving the ability of governments to negotiate reduced drug prices for public health care systems.

Governments must maintain the ability to direct public health policies and programs to meet the needs of all patients, but especially the most vulnerable. Trade deals should not impose requirements that prevent countries from using compulsory licensing, parallel imports, or pricing mechanisms designed to provide access to essential medicines. Congress and state legislatures must retain their right to make prescription drugs more affordable through price negotiation and other means.

Trade agreements must not establish unfair drug patent protections that delay access to affordable generic drugs.

The production of generic pharmaceuticals is an important tool for increasing access to life-saving medicines in the U.S. and abroad. The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) attempts to balance the patent rights of pharmaceutical corporations with the need to expand access to life-saving drugs. New trade agreements should not tip that balance further toward the monopoly rights of pharmaceutical corporations, delaying the entry of lower-priced generics into the market through the inclusion of TRIPS-plus provisions to extend or require patent periods, allow firms to continually renew patent licenses, or permit the withholding of data.

Agreements must balance affordability with innovation. Partner nations should maintain the ability to set domestic patent license periods, and reward or revoke patents. This respects a nation's right to both incentivize innovation and support generic drug competition to make life-saving medicines more affordable and accessible.

RESPECT HUMAN RIGHTS

U.S. trade agreements should require signatory countries to implement and enforce domestic laws consistent with the United Nations Universal Declaration of Human Rights. Failure of a partner nation to meet this standard must be subject to effective punitive provisions and enforcement mechanisms.

Protection of human rights is a core American value and must take precedence in diplomatic and economic relations with other nations. This includes protecting the rights of minority groups, LGBT citizens, and women.

Nothing in trade agreements can prevent the U.S. or partner nations from using trade benefits to promote human rights. As a global leader, the United States must urge economic partners to adopt internationally recognized civil, political, and human rights standards. The United States has a moral responsibility to use its economic power to promote the respect of human rights.

PROVIDE A SAFETY NET FOR VULNERABLE WORKERS

U.S. trade policy must prioritize American workers, providing for robust Trade Adjustment Assistance (TAA), extended unemployment benefits, retraining for workers, and assistance to communities hurt by trade agreements.

Even if the terms of trade agreements were reformed, many industries like agriculture and manufacturing remain vulnerable to the effects of the liberalization of U.S. trade policy. Trade Adjustment Assistance (TAA) enacted in 2009, provides assistance to the broad range of U.S. workers hurt by trade policies, including service sector workers, workers in the manufacturing sector not directly employed in production, farmers and fishers, and small business owners.

In order to provide support for workers and communities are negatively affected by American trade policies. Congress must immediately enact a new TAA that expands on the 2009 program. Funding must be reinstated to at least 2009 levels, with provisions made for continued funding when initial appropriations are spent down. This program must recognize the reality of trade-related worker displacement by expanding assistance eligibility to workers in both the service and public sectors. Such a robust TAA program must be in effect before Congress considers any further trade agreements.

ⁱ Analysis of data from the United States International Trade Commission. Available: dataweb.usitc.gov

ⁱⁱ Susan Houseman and Dean Baker (2014, April 2) "Full Employment Requires Job Growth in Manufacturing, Reduction in Trade Deficit" Available: <http://www.cepr.net/index.php/op-eds-&-columns/op-eds-&-columns/achieving-full-employment-requires-job-growth-in-manufacturing-and-a-reduction-in-the-trade-deficit>.

ⁱⁱⁱThe aggregate U.S. trade deficit with FTA partners has *increased* by about \$144 billion, or 427 percent, since the FTAs were implemented – comprising a large share of the overall \$737 billion 2014 annual U.S. goods trade deficit. In contrast, the aggregate trade deficit with all non-FTA countries has *decreased* by about \$95 billion, or 11 percent. Growth of U.S. exports to FTA partners has been 20 percent *lower* than U.S. export growth to the rest of the world over the last decade

Public Citizen. “Job-Killing Trade Deficits Surge under FTAs: U.S. Trade Deficits Grow More than 425% with FTA Countries, but Decline 11% with Non-FTA Countries,” (Feb 2015) Available: <http://www.citizen.org/documents/FTA-V-No-FTA-Factsheet.pdf>.

^{iv} U.S. Government Accountability Office (Nov 2014) “Free Trade Agreements: U.S. Partners Are Addressing Labor Commitments, but More Monitoring and Enforcement Are Needed,” Available: <http://www.gao.gov/products/GAO-15-160>.

^v Robert E. Scott, “Currency Manipulation and the 896,600 U.S. Jobs Lost Due to the U.S.-Japan Trade Deficit,” Economic Policy Institute, Feb. 4, 2015. Available: <http://www.epi.org/publication/currency-manipulation-and-the-896600-u-s-jobs-lost-due-to-the-u-s-japan-trade-deficit/>.

^{vi} Alliance For American Manufacturing. Available: <http://www.americanmanufacturing.org/2014poll/>

^{vii} James Heintz, Robert Pollin, and Heidi Garrett-Peltier (Jan 2009) “How Infrastructure Investments Support the U.S. Economy: Employment, Productivity, and Growth,” Available: http://www.peri.umass.edu/fileadmin/pdf/other_publication_types/green_economics/PERI_Infrastructure_Investments.

^{viii} United Nations Conference on Trade and Development (Apr 2014) “Recent Developments in Investor-State Dispute Settlement,” Available: http://unctad.org/en/PublicationsLibrary/webdiaepcb2014d3_en.pdf.