

Should the States have a voice?

Reforming U.S. trade policy-making to include input from state & local governments

The world economy has changed utterly in the last thirty-five years, but the way the United States makes trade policy hasn't. The 1974 Trade Act gives states very little policy input on trade, despite the fact that economic decisions regarding trade have powerful consequences for cities and states. It's high time for a new federal-state partnership on trade. Here's an overview of the reform proposals now circulating.

- 1. Create a Federal-State International Trade & Investment Policy Commission.** Noting the scarcity of resources for trade policy analysis and for implementing existing trade agreements, the InterGovernmental Policy Advisory Committee (IGPAC) recommended the creation of a standing state-federal commission on trade. This commission would be able to "broaden and deepen an informed, non-partisan trade policy dialogue beyond the present consultative structure." Congress would mandate federal resources for staffing this commission, and states would provide 'in-kind' analytic support through their state-level trade commissions and trade centers.
- 2. "Prior informed consent" – the new TRADE Act would allow states to opt out** of those parts of any trade agreement dealing with investment, services, and government procurement. Currently, USTR asks state governors whether or not they will commit the state's purchasing to trade rules. The TRADE Act proposes two major changes to that precedent: first, it would allow states to opt into, or out of, trade rules dealing also with investment and services, not just government procurement, as is the case now. Second, it would also give state legislatures a say in that decision.
- 3. Establish a State Point of Regulatory Contact on Trade.** The 1974 Trade Act called upon USTR to establish "State Points of Contact" to help U.S. exporters take advantage of new market opportunities. The SPOCs are concerned with export promotion, not trade policy, so frequently the SPOCs are unaware of the implications of proposed trade rules. The 2007 Trade Policy Leadership Seminar recommended that USTR should also administer a system of 50 state regulatory points of contact—enabling public officials to analyze how a trade rule could affect state/local policy and law-making authority, prior to the agreement being signed.
- 4. Create a State/Local Oversight Group** whose members would serve as accredited advisors to trade-negotiation delegations. Members would be officers from national associations such as NCSL. USTR would be required to consult with this group prior to entering into trade negotiations, and the Oversight Group would present a report to Congress regarding the proposed new trade agreement—prior to its ratification.
- 5. Expand the Government Accountability Office's role on trade & federalism.** Congress would provide GAO with resources to assist states to better their understanding of trade rules and impacts. The GAO Comptroller-General would also:
 - ✓ evaluate and report to Congress on the impact of a proposed trade agreement;
 - ✓ report to Congress on any issue of trade and federalism raised by a governor, attorney general, or state legislature.