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Free Trade, Free Markets: Rating the 112th Congress

by K. William Watson

A review of the Cato Institute's congressional trade votes database reveals how the 112th Congress and its individual members voted on major trade bills and amendments.[1] After a lull in congressional trade policymaking, the 112th Congress saw renewed action in trade policy but very little initiative. There were 15 individual votes that had an impact on Americans' freedom to trade, whereas the 111th Congress held only three. The votes in the 112th Congress included consideration of three free trade agreements; two initiatives targeting imports from China; the extension of export finance subsidies, agriculture subsidies, and price supports; and the acceptance of U.S. obligations toward Russia after that country's accession to the World Trade Organization.

Despite this increase in attention, the congressional trade agenda during the 112th Congress was largely reactionary to external events. Votes on the farm bill and the Export-Import Bank merely sought to extend existing programs. The vote on trade relations with Russia was a response to that country joining the World Trade Organization after decades of negotiation, and a vote to allow anti-subsidy duties to be imposed on Chinese goods was meant to keep in place an existing practice found illegal by a federal court.

The 112th Congress deserves credit for passing three free trade agreements, but only because previous congresses had worked to block their passage. In a less admirable moment, the Senate did show some initiative by voting to impose duties on Chinese imports in response to ongoing concerns about that country's undervalued currency.

These votes provide sufficient material to evaluate individual members' positions on barriers and subsidies and assign them categories within Cato's two-dimensional trade policy matrix. This paper includes an explanation of each major trade vote during the 112th Congress as well as analysis of members' trade policy profiles based on their voting record. Not all of the votes offer a pure test of support for free trade and international competition, but each represents a reasonably clear attempt to either expand or restrict Americans' freedom to trade. The descriptions of the bills and amendments included in this report are not intended to provide a definitive argument for or against the legislation, but rather to explain why, from a free-market perspective, the vote either hinders or promotes free trade according to Cato's *Free Trade, Free Markets* methodology.[2]

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Votes on Trade Barriers

Barriers to international trade reduce consumer options, increase prices, and impede economic growth. Such barriers exist as an instrument for politically powerful interests to secure private gain at public expense. The 112th Congress considered bills that would remove barriers and others that would increase them. Each of the following votes tested members' commitment to free trade.

South Korea, Colombia, and Panama Trade Agreements. Between 2003 and 2007 the United States signed 10 free trade agreements with 15 different countries. All of those agreements were approved by Congress, except for three—with South Korea, Colombia, and Panama—which were held in limbo by congressional leadership who refused to hold a vote. Congress finally voted to implement those three agreements in 2011, after the Obama administration renegotiated them to limit the level of liberalization in certain product sectors or to impose additional requirements favorable to U.S. labor unions and industries.

All three agreements eliminate almost all bilateral barriers to trade with the United States. In addition to locking in low import tariffs for American consumers, the gains from liberalization will include increased U.S. exports of manufactured goods, agricultural products, and services such as insurance and finance. The agreements also open up government procurement to more international competition. The U.S. International Trade Commission estimated the agreement with Korea alone would add almost $12 billion to U.S. GDP once fully implemented.[3] Although poor substitutes for ambitious multilateral and unilateral trade liberalization, bilateral agreements do tend to increase the freedom of Americans to trade, which spurs greater competition and often leads to lower prices, higher quality, and a better variety of products and services.

On October 12, 2011, the House voted 262–167 (Roll Call Vote 781) to pass the United States–Colombia Trade Promotion Agreement; 300–129 (Roll Call Vote 782) to pass the United States–Panama Trade Promotion Agreement; and 278–151 (Roll Call Vote 783) to pass the United States–Korea Free Trade Agreement.

The Senate voted 83–15 (Roll Call Vote 161) to pass the United States–Korea Free Trade Agreement; 77–22 (Roll Call Vote 162) to pass the United States–Panama Trade Promotion Agreement; and 66–33 (Roll Call Vote 163) to pass the United States–Colombia Trade Promotion Agreement.

China Currency Sanctions. Critics of trade with China complain that the Chinese government suppresses the value of its currency in an effort that amounts to a subsidy on exports and a tax on imports. Many of these critics claim that trade sanctions, or the threat thereof, are necessary to compel China to allow its currency to appreciate toward its likely higher market value. Advocates of currency sanctions claim that the undervalued Chinese Yuan explains the bilateral U.S. trade deficit with China, which in turn explains persistently high unemployment in the United States.

Those relationships, however, are severely exaggerated. In fact, the deficit has increased as the Yuan has appreciated, and employment and the deficit seem to be positively correlated.[4] The exchange rate is only one of several factors affecting trade with China, and given that China is a large export-processing economy that imports components to assemble into final goods for export, it is unclear how the exchange rate affects trade. Higher duties on imports from China to compel currency appreciation would not reduce U.S. unemployment, but would instead raise prices for U.S. consumers, jeopardize U.S. exports to China, and further inflame tensions with a major trading partner.

On October 11, 2011, the Senate voted 63–35 (Roll Call Vote 159) for final passage of the Currency Exchange Rate Oversight Reform Act of 2011, authorizing additional tariffs on imports from China based on its "misaligned currency." The House did not take up the issue.

Apply Countervailing Duty Law to Nonmarket Economies. U.S. application of antidumping and countervailing (anti-subsidy) duties to protect domestic industries from allegedly unfair foreign competition has become a sore spot in the contentious U.S.–China trade relationship. The method the United States uses to determine whether to impose such duties is different for imports originating from countries designated as "nonmarket economies." For decades the United States had a policy of not applying the anti-subsidy law to imports from those countries with nonmarket economies while instead subjecting them to a harsher antidumping law.

In 2006 the U.S. Department of Commerce changed this policy and began to apply the anti-subsidy law to Chinese imports while still maintaining the punitive nonmarket economy methodology in antidumping cases.[5] The new policy was condemned by U.S courts and the WTO for imposing a double remedy. In 2011 a federal appeals court determined that applying anti-subsidy duties to imports from nonmarket economies was prohibited under U.S. law.[6]

On March 6, 2012, the House voted 370–39 (Roll Call Vote 96) to approve H.R. 4105 overturning the court's decision and expressly authorizing the application of countervailing duties on products from countries designated as nonmarket economies.

Russia and Moldova Permanent Normal Trade Relations (PNTR). Russia joined the World Trade Organization in August 2012, but because of the 1974 Jackson–Vanik Amendment, congressional action was needed to ensure that traders in the United States would benefit from increased access to the Russian market. The Jackson–Vanik Amendment imposed significant barriers to trade with Soviet bloc countries. The president was prohibited from granting PNTR status to any of the countries included in the restriction but could grant temporary waivers if certain conditions were met. After Russia joined the WTO, this conditionality violated WTO rules and exempted Russia from extending its own WTO obligations to U.S. goods and services. Jackson–Vanik also applied to Moldova, which joined the WTO in 2001.

On November 16, 2012, the House voted 365–43 (Roll Call Vote 608) to repeal Jackson–Vanik as it applied to Russia and Moldova, paving the way for PNTR and a nondiscriminatory WTO relationship. The Senate subsequently voted 92–4 (Roll Call Vote 223) on December 6, 2012.

Votes on Trade Subsidies

Like barriers, trade subsidies limit the ability of American consumers to benefit from the gains of trade. Support for trade subsidies is often premised on the erroneous belief that national economic well-being depends on maintaining a sufficiently high level of exports. By redistributing public money to private interests, however, subsidies pervert market incentives and divert trade in ways that benefit a privileged few at the expense of both taxpayers and consumers.

Export-Import Bank Reauthorization and Expansion. The Export-Import Bank provides subsidized incentives for U.S. exporters to sell in markets where competing foreign exporters are also subsidized or where the risk of nonpayment would otherwise be too high. However, most U.S. exporters who benefit from Export-Import Bank subsidies do not face subsidized foreign competition, and nations that provide the most aggressive export subsidies do not enjoy faster export growth than nations that subsidize less.[7] In the United States, export subsidies do not significantly expand total exports but instead shift exports toward the small percentage of U.S. companies that qualify for the subsidies. Thus the Export-Import Bank delivers no net benefit to the U.S. economy and distorts rather than promotes trade and investment.

On May 15, 2012, the Senate voted 78–20 (Roll Call Vote 96) to reauthorize the Export-Import Bank for a further two years and to increase its financing limit by 40 percent to $140 billion. The House voted to approve 330–93 (Roll Call Vote 224).

Sugar Program. The federal sugar program benefits domestic producers through a system of subsidized price support loans and quota barriers against imported sugar. The program forces American consumers to pay prices far above those in world markets for sugar. It also hurts U.S. producers that use sugar as an input, such as bakeries and candy makers, driving up prices American consumers pay for those products as well. Part of a larger policy of subsidized agriculture in the United States, the program is a classic example of protectionism, benefiting a small group of producers at the expense of consumers and the nation's overall economic health.

On June 13, 2012, the Senate voted 50–46 (Roll Call Vote 119) to table an amendment to the 2012 Farm Bill that would have gradually eliminated the sugar support program. On June 20 the Senate voted 46–53 (Roll Call Vote 151) to reject an amendment that would have returned the sugar support program to pre-2008 levels.

Senate Farm Bill. For more than 80 years, the U.S. government has intervened in agricultural production through direct market intervention, subsidies, and trade barriers aimed at propping up prices and production of certain favored crops. Such policies can cost Americans tens of billions of dollars a year as consumers and taxpayers.[8] They also drive up costs for domestic food-processing companies, and drive down global prices, hurting poor farmers abroad and complicating efforts to open export markets through trade negotiations. The farm bill that passed the Senate in 2012 would change the subsidy mix by ending so-called "direct payments"—based on historical production and not linked to current production or prices, and therefore relatively less distorting—while replacing it with subsidized crop insurance that would protect farmers from falls in revenue.

On June 21, 2012, the Senate voted 64–35 (Roll Call Vote 164) to pass the Agriculture Reform, Food, and Jobs Act of 2012.

Who Supports Free Trade?

By reviewing how members of the 112th Congress voted on major trade matters, we can determine to what extent they supported free trade over government intervention. Members were deemed to exhibit a consistent pattern if they voted at least two-thirds of the time either for or against trade barriers and trade subsidies. Those who voted consistently against both trade barriers and subsidies were classified as *free traders*. Those who voted against trade barriers and in favor of subsidies were classified as *internationalists*. Those who supported trade barriers but opposed subsidies were classified as *isolationists*. And those who voted in favor of both trade barriers and subsidies were classified as *interventionists*. Members were rated only if they participated in at least half of the surveyed votes.

House—A Mix of Partisan and Bipartisan Issues

Because the House of Representatives only held one vote on trade subsidies between 2011 and 2012, the number of members falling into one of the four categories was significantly higher for 112th Congress than in previous studies. The 112th Congress saw 85 members vote as free traders, 161 as internationalists, 117 as interventionists, and 1 member as an isolationist.

The high number of free traders and internationalists in the 112th Congress likely stems from the fact that three of the five votes on trade barriers were for long-pending free trade agreements. Each agreement was opposed by a substantial, though varying, group of Democratic representatives.

All 85 of the free traders from the 112th Congress were Republicans, and 38 of those were freshmen. These freshmen are members of the tea-party class that saw the Republicans retake the House in the middle of President Obama's first term. Their voting records indicate a strong affinity for free international markets among the new Republican members, with 13 of them taking the free trade position on every vote. Among those with perfect scores are freshmen Justin Amash (R-MI), Raul Labrador (R-ID), and Andy Harris (R-MD), as well as returning members Jean Schmidt (R-OH), Steve Scalise (R-LA), Tom McClintock (R-CA), Doug Lamborn (R-CO), Jack Kingston (R-GA), Jeb Hensarling (R-TX), Ralph Hall (R-TX), Jeff Flake (R-AZ), Jason Chaffetz (R-UT), and Michael Burgess (R-TX).

The 112th Congress saw an especially high number of internationalists, which was the most common category. The popularity of the internationalist category this term appears to be the consequence of strong support among Republicans members for free trade agreements combined with support for export finance subsidies granted through the Export-Import Bank. Expanding the bank's charter garnered broad bipartisan support with only 93 members (all Republicans) voting against. Internationalist was the only category fitting any of the House leadership, Republican or Democrat, and included Eric Cantor (R-VA), Kevin McCarthy (R-CA), Cathy McMorris Rogers (R-WA), James Lankford (R-OK), and Steny Hoyer (D-MD). Other internationalists from the 112th Congress were Tim Scott (R-SC), Charlie Rangel (D-NY), Charles Boustany (R-LA), Kevin Brady (R-TX), Bob Goodlatte (R-VA), Darrell Issa (R-CA), and Debbie Wasserman-Schultz (D-FL).

There was only one representative who voted as a consistent isolationist in the 112th Congress. Republican Walter Jones from North Carolina opposed the expansion of subsidies while supporting trade barriers at every opportunity.

Interventionists, on the other hand, were very common. The 117 members who voted consistently in favor both barriers and subsidies were almost entirely from the Democratic Party. These include Tammy Baldwin (D-WI), John Conyers (D-MI), Barney Frank (D-MA), John Lewis (D-GA), Mike Michaud (D-ME), Linda Sanchez (D-CA), and Maxine Waters (D-CA) as well as Republicans Steve LaTourette (R-OH) and Frank LoBiondo (R-NJ).

While the free trade agreements were passed along distinctly partisan lines, none of the votes on trade matters in the 112th Congress was especially close. The votes on Russia PNTR, the Ex-Im Bank, and anti-subsidy duties had strong bipartisan majorities but purely partisan opposition. Opponents of anti-subsidy duties and the Ex-Im Bank were all Republican, while those who voted against liberalizing trade with Russia were almost entirely Democratic.

Senate—Partisan and Regional Divides

The Senate voted on many of the same issues as the House, but they also held a number of votes on agriculture subsidies. Of the 99 senators who cast a vote on at least half of the major trade bills and amendments, 19 were free traders, 29 were internationalists, 7 were interventionists and 2 were isolationists. There were 42 senators who fell somewhere between the categories.

Almost one in five senators from the 112th Congress earned a free trader rating. Eight of the 19 free traders voted for the free trade position every time; these were Orrin Hatch (R-UT), Jim Inhofe (R-OK), Jon Kyl (R-AZ), Mike Lee (R-UT), John McCain (R-AZ), Mitch McConnell (R-KY), Rand Paul (R-KY), and Pat Toomey (R-PA).

As in the House, internationalists were the most common and most bipartisan category in the Senate. Consistent supporters of open but subsidized trade included 12 Republicans, 16 Democrats, and 1 Independent. There were four senators with a perfect internationalist record: John Thune (R-SD), Patty Murray (D-WA), Jerry Moran (R-KS), and Joe Lieberman (D-CT). Other internationalists of note in the 112th Congress were Max Baucus (D-MT), Roy Blunt (R-MO), Dianne Feinstein (D-CA), Johnny Isakson (R-GA), John Kerry (D-MA), Mark Pryor (D-AR), and Pat Roberts (R-KS).

In a sharp break from the House, only seven senators in the 112th Congress voted as interventionists. They included six Democrats and one Independent that caucuses with the Democrats: Kay Hagan (D-NC), Tom Harkin (D-IA), Joe Manchin (D-WV), Harry Reid (D-NV), Jay Rockefeller (D-WV), Bernie Sanders (I-VT), and Jon Tester (D-MT).

Only two senators voted as isolationists. Both were Democrats from Rhode Island with identical voting records on trade. Jack Reed and Sheldon Whitehouse voted in support of trade barriers at every opportunity but opposed continuation or expansion of agriculture subsidies.

Regional politics played an important roll in how senators voted on trade issues because of the highly contentious and nonpartisan farm bill, which the House failed to take up. The regional importance of the farm bill is evidenced by the fact that Republican supporters of the bill included two senators from Indiana, two senators from Maine, two senators from Wyoming, and two senators from Kansas. Furthermore, although he voted for free trade in every other instance, Sen. Marco Rubio (R-FL) opposed liberalization of the U.S. market for sugar, a commodity grown largely in his home state. Similarly, two staunch interventionists from manufacturing states, Sherrod Brown (D-OH) and Bob Casey (D-PA), voted to repeal the sugar program.

The Senate also exhibited the same partisan divisions as the House on free trade agreements, trade with China, and export finance subsidies. In each case there was bipartisan support, but the opposition came primarily from senators of a single party. This suggests that regional politics is more important for agriculture than for trade policy in general.

Conclusion

The overall profile for members of the 112th Congress coincides naturally with its legislative output. Voting records demonstrate a plurality of internationalists in both chambers during a term in which subsidies were expanded and barriers were reduced. Solid but partisan groups of free traders and interventionists acted largely as dissenting or concurring voices depending on the issue. Isolationists were virtually nonexistent.

The next Congress is likely to maintain a similar approach to trade policy. The 2012 elections made no changes to the partisan makeup of Congress and returned President Obama to the White House. Trade policymaking in the 113th Congress is expected to include mostly votes on periodic issues that the 112th Congress did not get around to. There will almost certainly be votes on a new farm bill, passage of a miscellaneous tariff bill, further consideration of China's currency, and a debate over trade promotion authority.

Notes

1. "Free Trade, Free Markets: Rating the Congress," http://www.cato.org/research/trade-immigration/congress.
2. Daniel T. Griswold, "Free Trade, Free Markets: Rating the 106th Congress," Cato Institute Trade Policy Analysis no. 13, March 26, 2001.
3. U.S. International Trade Commission, *U.S.-Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects*, Investigation No. TA-2104-24, USITC Publication 3949, September 2007.
4. Daniel J. Ikenson, "Appreciate This: Chinese Currency Rise Will Have a Negligible Effect on the Trade Deficit," Cato Institute Free Trade Bulletin no. 41, March 24, 2010.
5. Scott Lincicome, "Countervailing Calamity: How to Stop the Global Subsidies Race," Cato Institute Policy Analysis no. 710, October 9, 2012, pp. 18–19.
6. *GPX International Tire Corporation v. United States*, 666 F.3d 732 (Fed. Cir. 2011).
7. Sallie James, "Time to X Out the Ex–Im Bank," Cato Institute Trade Policy Analysis no. 47, July 6, 2011.
8. Sallie James and Dan Griswold, "Free the Farm: A Farm Bill for All Americans," Cato Institute Trade Policy Analysis no. 34, April 16 2007, pp. 5–6.