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## Terrorist Attacks in New York City and Washington, D.C.: Implications for U.S. Trade Policy<sup>1</sup>

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This paper is one in a series prepared by faculty in the Department of Food and Resource Economics at the University of Florida. Other papers in the series address implications for the U.S. economic outlook (FE 311); state government revenues in Florida (FE 317); and the Florida citrus (FE 313), vegetable (FE 314), agronomic crops (FE 315), and tourism (FE 316) industries.

The September 11, 2001, terrorist attacks on the United States undoubtedly will draw the attention of the U.S. government away from efforts to negotiate new trade agreements, at least in the short term. President Bush and the U.S. Congress simply will have relatively little time or inclination to actively pursue discussions on the Free Trade Area of the Americas (FTAA) or the upcoming round of negotiations for the World Trade Organization (WTO), with the more pressing national security issues at hand.

That said, despite the outpouring of condolences, consideration, and support that other nations have expressed toward the United States in the aftermath of the attacks, the FTAA and WTO processes will not come to a halt because of the new focus on national

security issues by the U.S. government, as well as the governments of many other nations.

### WTO Negotiations

Reports as recently as September 26, 2001, indicate that the WTO intends to move forward with an informal ministerial meeting on October 13 and 14, 2001, in Singapore to discuss issues relating to agriculture, the environment, and other areas considered key to the opening of a new round of WTO trade talks. Nevertheless, the outlook for the launching of a comprehensive round of trade negotiations at the upcoming WTO Ministerial meeting scheduled for November 9-13, 2001, in Doha, Qatar, remains unclear. Analysts and participants agree that many differences remain over the agenda for a new round of negotiations. Furthermore, one must not forget the dismal failure of the previous effort to launch a new round of negotiations at the Seattle Ministerial meeting in 1999; the groups that protested in Seattle should not be expected to change their views appreciably in the aftermath of the terrorist attacks.

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In recent months, a group of 12 developing countries has been collaborating to prepare a set of “non-trade related” initiatives that they perceive to be of particular importance to developing nations, and which they want to have included as part of the agenda for the Qatar meeting in November. On September 18, these countries proposed the following four initiatives for inclusion in the agenda for the Qatar Ministerial: (1) a Framework Agreement on special and differential treatment for developing countries, (2) establishment of a Working Group on trade and technology transfer, (3) establishment of a Working Group on trade and debt, and (4) establishment of a Working Group on trade and finance. (For additional detail on these proposals, see <http://www.ictsd.org/weekly/01-09-25/story2.htm>.)

The 12 nations involved in this effort are Cuba, the Dominican Republic, Honduras, India, Indonesia, Kenya, Malaysia, Pakistan, Sri Lanka, Tanzania, Uganda, and Zimbabwe. Several of these nations will be of pivotal importance to the U.S. effort to build an international coalition to fight terrorism. Moreover, in recent weeks, there has been an increasing call, within the United States as well as in Europe, for developed nations to give increased consideration to policies to stimulate economic development in the poorer nations of the world as part of a comprehensive effort to combat terrorism. For these reasons, it is plausible that the agenda items of importance to developing nations may receive increased consideration in the context of future WTO Ministerial discussions and negotiations.

As the already soft global economy would appear to be headed toward a recessionary period<sup>3</sup> as a result of the terrorist attacks, the lessons of history should tell us that protectionism is not the appropriate response to stimulate economic growth. Coming a scant two months after the devastating terrorist attacks on New York and Washington, D.C., the Qatar Ministerial may well not be any more successful at launching a new round of WTO negotiations than was the Seattle meeting (though it would be hoped that it would not generate the violent confrontations that were experienced in Seattle). The spirit of cooperation among nations in response to the terrorist attacks, however, may encourage WTO member nations to move forward to resolve their

differences in an effort to launch a new round of negotiations more quickly than might otherwise have been the case, although perhaps with a less ambitious agenda than originally envisioned.

### **The FTAA and Trade Promotion Authority (TPA)**

In 1994, the United States hosted the Summit of the Americas in Miami, Florida, where the leaders of the 34 democratically-elected governments in the Western Hemisphere committed to concluding the negotiations for a comprehensive Free Trade Area of the Americas (FTAA) by 2005. Thus the FTAA is somewhat different than the WTO in that there is a target date for its completion, a date which looms in the not too distant future. It differs in many other ways as well, including the smaller number of countries involved, the fact that there is a rough template of sorts for an FTAA agreement in the form of the North American Free Trade Agreement (NAFTA), and that a number of the participant nations are concurrently pursuing bilateral and sub-regional trade agreements.

The key issue regarding the FTAA (and perhaps for the WTO as well) likely will be the question of whether or not President Bush will receive Congressional approval for Trade Promotion Authority (TPA), formerly known as “fast track authority”. Under TPA, the Executive Branch of the U.S. government, through the Office of the U.S. Trade Representative (USTR), has the authority to negotiate trade agreements for consideration by the U.S. Congress. Congress does not have the ability to amend or modify the agreements; it must either approve or vote down the trade agreements in the form negotiated by the USTR. TPA allows U.S. trade negotiators to work much more effectively in the negotiation process as foreign nations recognize that without TPA, Congress would almost certainly add numerous amendments and additional provisions to any agreement proposed by the U.S. Trade Representative, such that the final legislation likely would bear little resemblance to the proposed agreement that they originally had approved.

For the latter portion of the Clinton Presidency, “fast track” authority had been tied up in largely

partisan debate in Congress. The Bush Administration has been actively seeking approval of TPA. The U.S. House of Representatives had hoped to vote on the legislation providing the Executive Branch with TPA (House Resolution number HR-2149) prior to their August recess, but there appeared to be insufficient support for the measure, so a vote was not taken. House Republicans subsequently stated that they expected a vote on the TPA legislation in October. As recently as September 7, President Bush reiterated his call for TPA in a meeting with Congressional Republicans where he stated, "To get the economy moving again, Congress needs to enact Trade Promotion Authority, so we can open up new markets for American products."

On September 10, the day before the terrorist attacks, an article by Scott Otteman in the *Latin American Advisor* newsletter characterized the conflicting perspectives regarding the TPA. He notes that "With the U.S. economy and the budget surplus having gone south with impressive speed, executive action aimed at restoring business and consumer confidence is sorely needed . . . Passage of TPA leading to the launch of a new WTO negotiating round at Qatar in November and the intensification of the FTAA market access talks early next year would be one such expectations-altering move." However, he goes on to cite "a growing clamor for protection induced by the recent economic downturn" which has "sour[ed] the political climate for approving TPA." Thus, at that time, the outcome of the vote remained in question.

Many things changed on September 11, 2001, among them much of the partisan politics on Capitol Hill (at least for the short term). Within the new climate of bipartisan support for President Bush, the chances for passage of TPA appear to have improved, although representatives from some industry groups that do not favor TPA discount the importance of the terrorist attacks in this regard. The Bush Administration already has begun to make the case that having TPA will be pivotally important in helping to strengthen the President's hand in the conduct of U.S. foreign policy and, particularly, in his efforts to solidify the coalition the United States is building for the "war on terrorism", as well as

being a key to stimulating U.S. and hemispheric economic growth.<sup>4</sup>

## Conclusion

In a statement before the Cairns Group 22<sup>nd</sup> Ministerial Meeting in Punta del Este, Uruguay, on September 4, 2001, U.S. Trade Representative Robert B. Zoellick stated that "US trade policy is to try to move ahead with liberalization globally, regionally, and bilaterally." For the full text of the statements of Robert Zoellick and U.S. Agriculture Secretary Ann M. Veneman at the Cairns Group meeting, see <http://www.usda.gov/special/uruguaytranscript.htm>. Following the terrorist attacks, Zoellick expressed the view of the U.S. government that trade liberalization will be a key element of the U.S. fight against terrorism and stated that "trade is about more than economic efficiency . . . It promotes the values at the heart of this protracted struggle."

While the world changed in many ways on September 11, 2001, the Bush Administration has indicated that the United States will continue its commitment to promoting free and fair trade as the nations of the world struggle to deal with the new realities of terrorism on a massive and global scale. With TPA in place, the USTR would be able to pursue trade negotiation processes while other elements of the Bush Administration and the U.S. Congress are more actively involved in national security and foreign policy issues directly related to the issue of terrorism. Without TPA, U.S. activity on trade negotiations would be expected to proceed more slowly.

The implications for Florida and U.S. agriculture of the terrorist attacks and possible passage of an FTAA and/or a new WTO are examined in other papers that are part of this series.

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#### Additional Notes:

3. The International Monetary Fund (IMF), however, projects that the attacks are likely to have only a limited impact on the global economy.
4. This includes an editorial in the Washington Post on September 20, 2001 by U.S. Trade Representative Robert B. Zoellick supporting passage of the TPA.