



What Determined 2015 TPA Voting Pattern?: The Role of Trade Negotiating Objectives

YOON Yeo Joon and LEE Woong





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Working Paper 17-08

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The Role of Trade Negotiating Objectives**

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Executive Summary

This paper analyzes 2015-TPA voting patterns in the Congress in the context of the trade negotiating objectives. By setting the trade negotiating objectives, the Congress lays out important trade agenda that the Administration is expected to address when it is negotiating trade deals with foreign countries. Therefore setting the objectives is subject of heated debates in the Congress and an important part of TPA. LPM and probit models are used to evaluate the importance of each trade negotiating objectives in 2015-TPA voting decisions. It turns out that the objective on promoting U.S. agricultural exports by reducing unfair trade barriers positively affected the voting decision in favor of the TPA. The objective on enforcing strong labor standards on trade partners also had significant impacts. One other notable result is that how much each congressional region export to China was also an important determinant. This variable is meant to capture several negotiating objectives as well as growing worries of large trade deficits with China. This study documents important issues that U.S. Congress is concerned about in making conducting and implementing trade policies. It may provide insights into the future course of U.S. trade policy and trade deals such as renegotiation of NAFTA and Korea-US FTA.

Keywords: Trade Agreements, Trade Promotion Authority, Voting

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What Determined 2015 TPA Voting Pattern?: The Role of Trade Negotiating Objectives

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1. Introduction

This paper studies the voting pattern of 2015 Trade Promotion Authority (2015-TPA) in the U.S. Senate and the House in the context of the 2015-TPA trade negotiating objectives. By granting TPA to the President, the Congress relinquishes its authority to amend terms in trade agreements negotiated by the President and hence can only make up-or-down vote. Therefore, the fundamental purpose TPA is to facilitate the passage of trade agreements. However, TPA also lays out the trade negotiating objectives and detailed administrative procedures in negotiating and implementing trade agreements. In particular, the trade negotiating objectives are policy goals that the Congress wants the Administration to address in trade agreements negotiated and implemented under TPA. Therefore the trade negotiating objectives are not only important for TPA *per se* but also important for U.S. trade policy in general in that it can have substantial influences on trade agreements that the U.S. is and will be negotiating in the future. For this reason the trade negotiating objectives have often been the center of debate in TPA legislations.

TPA-2015, formally known as the *Bipartisan Congressional Trade Priorities and Accountability Act of 2015*, passed the Senate by a vote of 60 to 37 and the House by a vote of 218 to 208 on June, 2015. At the time it was passed, the U.S. was negotiating two important mega trade deals – Trans Pacific Partnership (TPP) and Transat-

lantic Trade Investment Partnership (TTIP). Especially the U.S. was in the final stage of negotiation for TPP with 11 other countries and the renewal of TPA was deemed to be crucial for the successful conclusion of TPP. In line with this, trade negotiating objectives in 2015-TPA were addressing priorities to be reflected in the so called “21st century trade agreement”. By analyzing the trade negotiating objectives, this study identifies determinants that shaped the congressional voting pattern of 2015-TPA, thereby factors that would be important for the future course of the U.S. trade agreements.

There exists a large amount of literature that analyzes the determinants of congressional voting behaviors on trade related bills. Most of these studies focus on the voting patterns of free trade agreement implementing bills (e.g. Baldwin and Magee 2000; Im and Sung 2011). However there are surprisingly small numbers of studies that examine the TPA voting behavior. A few exceptions include Kahane (1996), Conley (1999) and Conconi, Facchini and Zanardi (2012). Kahane (1996) and Conley (1999) study particular voting events of TPA like this paper. But these analyses focus on different determining factors.¹ Conconi, Facchini and Zanardi (2012) examine all TPA voting events up to 2002 and show that congressmen from districts that are more export-oriented are more likely to vote for TPA.

Contributions of this paper are two-folds. First it is the first study to examine the roles of the trade negotiating objectives in TPA voting. Theory-based explanations as in Conconi Facchini and Zanardi (2012) are important but an obvious area to be also examined is the trade negotiating objectives as it constitutes an important part of TPA. Secondly it explores the roles of some new and important trade issues that have not been explored before in the studies of congressional voting patterns on trade-related bills. These include trades in services, intellectual property rights, digital trade and currency among others. Policy makers and

¹ Kahane (1996) studies the Senate voting behavior for the extension of TPA in 1991 when the negotiation for NAFTA was on its way. He tests whether the major issues related to NAFTA – employment, environment and Mexican immigration – were the determinants of the Senate voting pattern and documents that the likely impact on employment was an important factor. Conley (1999) explores relative importance of constituency factors (proxied by the share of blue collar workers), and political ideology on trade policy in the Congress by comparing TPA voting behaviors in 1991 and 1997. According to the result, the importance of constituency factors increased from 1991 to 1997 while that of political ideology decreased.

trade institutions such as WTO have identified these issues as important agenda that need to be more fully addressed and disciplined.² Given this, it is important to investigate how these trade issues, other than the traditional factors such as employment and merchandise trades, influence voting decisions of law makers.

The remainder of the paper is organized as follows. In section 2, the general information of TPA and the details of trade negotiating objectives in 2015-TPA are discussed. In section 3, data used to conduct empirical analysis are described. In section 4, empirical methodology and results are discussed. In section 5, concluding remarks with some discussion of the results in relevance to the future course of U.S. trade policy are delivered.

² As it will be discussed later, the trade negotiating objectives also include important new trade issues such as state-owned enterprises and localization barriers. Unfortunately, due to data unavailability, these issues are not explored in this paper.

2. TPA and 2015-TPA Trade Negotiating Objectives

Negotiating and enacting an international trade agreement in the U.S. is long and complicated process. Even if a trade agreement is settled by the President and a foreign counterpart, it has to be approved by the Congress to be enacted. In this process the Congress can make amendments to already reached trade agreements. This authority of the Congress can hugely complicate the process of ratifying trade agreements. Prospective foreign partners in trade agreements would not take U.S. negotiating authority, i.e. the President, seriously if agreements already concluded are again subject to amendments in the Congress. To overcome these difficulties and give more credible bargaining power to the President, the TPA was introduced in the Trade Act of 1974. If TPA is granted to the President, the Congress can only make up-or-down vote to trade deals negotiated by the President and cannot make any amendment. TPA, however, is not permanently granted to the President. It is effective only for a limited time period and needs to be reauthorized. The previous TPA was granted in 2002 and expired in 2007 and has not been renewed until June 2015.

As discussed earlier trade negotiating objectives are an important part of TPA. Fergusson (2015) describes the trade negotiating objectives as *“definitive statements of U.S. trade policy that Congress expects the Administration to honor, if the implementing legislation is to be considered under expedited rules.”* Because it is the President who is in charge of negotiating terms in trade agreements, the Congress’s power to exercise its influence on trade agreements mainly comes from setting the trade negotiating objectives in TPA. Therefore making the specifics of negotiating objectives is often subject of heated debate in the Congress.

Traditionally some of the most contentious issues have been on labor rights and environmental protection. 2002-TPA negotiating objectives on these issues state that trade agreements should ensure that a partner country does not fail to enforce its own labor and environment standards. 2015-TPA puts additional emphasis by stating that the U.S. also ensures that a trading partner enforces internationally recognized labor and environment standards as well as its own standards.

In 2015-TPA, another main issue was the currency manipulation. The currency issue has long been at the center of debate in U.S. trade policy circles. This time it was over whether to include enforceable provisions for currency manipulation in

the negotiating objectives or not. The Senate even had a separate voting over this issue before voting for the actual TPA. Senator Rob Portman (R-Ohio) and Debbie Stabenow (D-Mich.) brought this amendment to the floor. However it was voted not to include enforceable provisions in the TPA by 51 to 48. It was explicitly targeting Japan and Malaysia, the members of TPP, but its significance would have been much more far-reaching as it could have paved road to include enforceable provisions for currency manipulation in future trade agreements.

There are several agenda that reflect the changing environment of the global trade. They include the issues on trades in services, intellectual property rights, digital trade and cross-border data flows, state-owned enterprises and localization barriers to trade. On top of these, traditional issues such as expanding market access for U.S. merchandise, agricultural and textile products are addressed. Particularly for agriculture, new objectives on transparent use of sanitary and phytosanitary (SPS) measures and tariff-rate quotas (TRQs) are included.

Basically the trade negotiating objectives are divided into three categories. First, the overall trade negotiating objectives lay out the general and broad objectives that trade authorities should prioritize in conducting trade policies and negotiations. The objectives in this category are rather broad and rhetorical such as fostering economic growth and raising living standards. On the other hand the principal trade negotiating objectives states more specific and detailed goals. In 2015-TPA, there were twenty principal objectives that the Congress expects the Administration to value and it is where our analysis is focused on. The final part of trade negotiating objectives is called 'the capacity building and other priorities' which includes obligations of the President to consult Congress and undertake capacity building activities. The twenty principal trade negotiating objectives are summarized in Table 1 below.

Table 1. Principal Trade Negotiating Objectives in the 2015 TPA

Negotiating Objectives	Contents
1. Trade in goods	<ul style="list-style-type: none"> · To expand competitive market opportunities for exports of goods from the U.S. and to obtain fairer and more open conditions of trade
2. Trade in services	<ul style="list-style-type: none"> · To expand competitive market opportunities for U.S. services and to obtain fairer and more open conditions of trade · Recognizing that expansion of trade in services generates benefits for all sectors of the economy and facilitates trade
3. Trade in agriculture	<ul style="list-style-type: none"> · To obtain competitive opportunities for U.S. exports in foreign markets substantially equivalent to the competitive opportunities afforded foreign exports in U.S. markets · Securing more equitable market access through robust rules on sanitary and phytosanitary measures · Reducing or eliminating tariffs or other charges that decrease market opportunities for the U.S.
4. Foreign investment	<ul style="list-style-type: none"> · To reduce or eliminate trade distorting barriers to foreign investment · Ensuring that foreign investors in the U.S. are not accorded greater substantive rights than U.S. investors in the U.S.
5. Intellectual property	<ul style="list-style-type: none"> · To secure fair, equitable and nondiscriminatory market access opportunities for U.S. persons that rely upon intellectual property protection
6. Digital Trade	<ul style="list-style-type: none"> · To ensure that current obligations, rules, disciplines and commitments under the WTO and bilateral and regional trade agreements apply to digital trade and to cross-border data flows · Electronically delivered goods and services receive no less favorable treatment under trade rules and commitments than like products delivered in physical form
7. Regulatory Practices	<ul style="list-style-type: none"> · To achieve increased transparency and opportunity for the participation of affected parties in the development of regulations · To require that proposed regulations be based on sound science, cost benefit analysis, or other objective evidence
8. State-owned and state-controlled enterprises	<ul style="list-style-type: none"> · Eliminate or prevent trade distortions and unfair competition favoring state-owned and state-controlled enterprises through disciplines that eliminate or prevent discrimination and market-distorting subsidies and that promote transparency
9. Localization Barriers to Trade	<ul style="list-style-type: none"> · To eliminate and prevent measures that require U.S. producers and service providers to locate facilities, intellectual property or other assets in a country as a market access or investment condition
10. Labor and the environment	<ul style="list-style-type: none"> · To ensure that a party to a trade agreement with the United States adopts and maintains measures implementing internationally recognized core labor standards · To recognize that with respect to environment, parties to a trade agreement retain the right to exercise prosecutorial discretion and to make decisions regarding the allocation of enforcement resources with respect to other environmental laws determined to have higher priorities
11. Currency	<ul style="list-style-type: none"> · To avoid manipulating exchange rates in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other parties to the agreement.
12. WTO and multilateral trade agreements	<ul style="list-style-type: none"> · Recognizing that the WTO is the foundation of the global trading system

Table 1. Continued

13. Trade institution transparency	· To obtain wider and broader application of the principle of transparency in the WTO, entities established under bilateral and regional trade agreements and other international trade fora.
14. Anti-corruption	· To obtain high standards and effective domestic enforcement mechanisms applicable to persons from all countries participating in the applicable trade agreement that prohibit such attempts to influence acts, decisions, or omissions of foreign governments or officials or to secure any such improper advantage
15. Dispute settlement and enforcement	· To seek provisions in trade agreements providing for resolution of disputes between governments under trade agreements in an effective, timely, transparent, equitable and reasoned manner.
16. Trade remedy laws	· To preserve the ability of the U.S. to enforce rigorously its trade laws, including the antidumping, countervailing duty and safeguard laws
17. Border tax	· To obtain a revision of the rules of the WTO with respect to the treatment of border adjustments for internal taxes to redress the disadvantage to countries relying primarily on direct taxes for revenue rather than indirect taxes
18. Textile negotiations	· To obtain competitive opportunities for U.S. exports of textiles and apparel in foreign markets
19. Commercial partnership	· To discourage actions by potential trading partners that directly or indirectly prejudice or otherwise discourage commercial activity solely between the U.S. and Israel
20. Good governance, transparency, the effective operation of legal regime	· Ensuring implementation of trade commitments and obligations by strengthening good governance, transparency, the effective operation of legal regimes and the rule of law of trading partners of the U.S.

Source: S.995, 114th Congress (2015).

As shown in Table 1, these objectives are mostly export-oriented. They emphasize expanding market access for American products in foreign markets.

Unfortunately it is not possible to test every single principal negotiating objective because it is not possible to represent all the objectives by individual proxies. Specifically suitable proxies for ‘foreign investment’, ‘regulatory practice’, ‘WTO and multilateral trade agreements’, ‘trade institutions transparency’, ‘anti-corruption’, ‘dispute settlement and enforcement’, ‘border tax’, and ‘good governance, transparency, the effective operation of legal regime’ are not available. Arguably these objectives, with an exception of ‘dispute settlement and enforcement’ are not the variables of main interests. These variables, unlike trades in goods and services, do not define economic characteristics of a congressional district. These are not contentious issues that generated much debate in the Congress, either. Also some of these objectives are partially captured by controlling for party. For example, the border tax has been mainly supported by Republicans so they would be more favorable to this objective. In the following section data used to represent each objective are described.

3. Data

This section discusses the variables used to represent the principal trade negotiating objectives. First exports estimates are used to proxy the negotiating objectives on ‘trade in goods’, ‘trade in services’, ‘trade in agriculture’ and ‘textile negotiations’. As it was discussed above these objectives are export-oriented. They place emphasis on promoting exports of those goods and services by increasing access to foreign markets and reducing unfair trade barriers. Therefore exports of these products from each state (in case of the Senate) and from each congressional district (in case of the House) serve as good proxies for those objectives.

The state merchandise export data are obtained from *U.S. Census*.³ Official data for congressional district exports are not available. However, the *Trade Partnership* provides export estimates at congressional district levels. The estimates are the first of its kind that estimate exports from congressional districts at detailed product levels, therefore especially useful in analyzing the voting pattern of the House. How these estimates are derived is described in Appendix A. The estimates are available at the North American Industry Classification System (NAICS) 3-digit level. *Trade Partnership* also provides the estimates of service exports at congressional district level. The service estimates are also classified into detailed industrial levels.⁴

The basic underlying assumption is that districts that export relatively more goods and services could be more sensitive to those export-oriented objectives. The objectives could influence the voting decisions in either way. If a congressman is satisfied with the details of an objective, he/she is more likely to vote in favor of TPA and if not, vote against it.

The objective on ‘intellectual property’ underscores fair market access for U.S. products that rely on intellectual property protection. Royalties and license fees are the most direct measure available for international earnings on patents, trademarks

³ U.S. Census, online (accessed September 1, 2017).

⁴ It is classified into ‘business, professional & technical services’, ‘financial services’, ‘installation, maintenance & repair’, ‘insurance services’, ‘royalties & license fees’, ‘telecommunications, computer & information services’, ‘transportation services’ and ‘travel’.

and copy-rights (Maskus and Lahouel 2000). *Trade Partnership* provides estimates for ‘royalties and license fee’ exports at congressional district levels. The objective on ‘digital trade’ also emphasizes fair market access for electronically delivered goods and services and data flows. Exports at congressional district levels that keep tracks of all these transactions are not available. However digital trade or e-commerce is critically dependent upon cross-border data flows. *Trade Partnership* estimate exports in computer and data processing services, database and information services and telecommunication services. Exports in these service products are closely related to cross-border data flows therefore could serve as measures that represent some important aspects of digital trade, if not comprehensively.

Currency was the one of the most hotly debated issue in the TPA legislation. As briefly discussed above, the debate was over inclusion of enforceable rules that prohibit currency manipulations. The voting result of Stabenow-Portman amendment is used as an indicator of each senate’s position toward the currency issue. Unfortunately there is no comparable measure for the House.

Next, the objective on ‘labor and the environment’ is discussed. American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) regularly compiles the voting records of the Congress on labor related bills into ideology indexes that gauge lawmakers’ positions on important labor issues such as freedom to join a union, workplace safety and strengthening Social Security and Medicare. This index is used as a proxy for the objective on labor. Similarly, League of Conservation Voters (LCV) provides scorecards that measure how pro-environment each senate or representative is and hence, it is used for the environment objective.

For the objective on ‘trade remedy laws’ congressional district exports of metal products are adopted. Metal is, by far, the most frequently named article in antidumping and countervailing duty cases. In addition, the exports of *Trade Partnership* are estimated based on output and it implies that those districts that export more of metal goods also produce more of these products. Therefore, the districts where metal productions are concentrated are more likely to favor this objective. For the objective on ‘commercial partnership’ monetary contributions that each congressman received from pro-Israel entities are used. The data are provided by MapLight (2017).⁵

⁵ Maplight (2017), online (accessed September 15, 2017).

Next, our study tries to capture the effects of several remaining objectives together by controlling congressional district exports to China. They are the objectives on 'localization barriers to trade' and 'state-owned and state-controlled enterprises'. Admittedly the target countries for these objectives are not China only. However China, one of the largest trading partners of the U.S., seems to be at the center of these debates. For example Kowalski *et al.* (2013) states that of the 204 largest state-owned enterprises China leads the list with 70 SOEs, followed by India (30), Russia (9), the UAE (9) and Malaysia (8). Ezell, Atkinson and Wein (2013) cite China as one of the main erectors of localization barriers to trade. Localization barriers to trade make U.S. exports to China more costly while unfair competitions by SOEs make Chinese exports cheaper and U.S. exports more expensive.

Finally, variables that are documented to be important determinants of voting patterns in trade related bills are also considered. They include the party membership, the committee membership and Political Action Committee (PAC) contributions. If a congressman belongs to Democrats it takes a value of 1 and if he/she belongs to Republicans it takes 0. If he/she is a member of Finance committee (in case of the Senate) or a member of Ways and Means Committee and Education and the Workforce Committee (in case of the House), a value of 1 is assigned and 0 otherwise. PAC contributions that each congressman received from business and labor organizations are also included. The data on PAC are provided by OpenSecrets (2017).⁶ More detailed description of the data is provided in Appendix B.

Using the proxies illustrated in this section, the variables are constructed and they are summarized in Table 2 and their descriptive statistics for the House and the Senate are presented in Tables 3 and 4.

⁶ Open Secrets (2017), online (accessed September 20, 2017).

Table 2. Variable Description

Variable	Description	Source
<i>TPA Vote</i>	=1 if voted for TPA, =0 if voted against it	Congressional Votes Database (GovTrack.us)
<i>Party</i>	=1 if Democrat, =0 if Republican	Congressional Votes Database (GovTrack.us)
<i>Ways and Means Committee</i>	=1 if a member, =0 otherwise (the House)	U.S. House
<i>Education and the Workforce Committee</i>	=1 if a member, =0 otherwise (the House)	U.S. House
<i>Stabenow/Portman Amendment</i>	=1 if voted for it, =0 if voted against it (the Senate)	Congressional Votes Database (GovTrack.us)
<i>Finance Committee</i>	=1 if a member, =0 otherwise (the Senate)	U.S. Senate
<i>Labor Ideology</i>	An index measuring how pro-labor a congressman is	AFL-CIO
<i>LCV scorecard</i>	An index measuring how pro-environment a congressman is	LCV
<i>PAC Contribution - Business</i>	Amount of contributions from business PAC for each congressman (2011-2016)	OpenSecrets
<i>PAC Contribution - Labor</i>	Amount of contributions from labor PAC for each congressman (2011-2016)	OpenSecrets
<i>Merchandise Export</i>	A district or state level merchandise export (yearly average, 2012-2014)	Senate: U.S. Census House: Trade Partnership
<i>Service Export</i>	A district or state level service export (yearly average, 2012-2014)	Trade Partnership
<i>Agriculture Export</i>	A district or state level agricultural product's export (yearly average, 2012-2014)	Senate: U.S. Census House: Trade Partnership
<i>Textile Export</i>	A district or state level textile product's export (yearly average, 2012-2014)	Senate: U.S. Census House: Trade Partnership
<i>Metal Export</i>	A district or state level metal product's export (yearly average, 2012-2014)	Senate: U.S. Census House: Trade Partnership
<i>IPR Export</i>	A district or state level Intellectual Property Right (IPR) related product's export (yearly average, 2012-2014)	Trade Partnership
<i>Digital Export</i>	A district or state level exports of data processing and information services (yearly average, 2012-2014)	Trade Partnership
<i>Donation by Israel</i>	Donation received by a congressman from pro-Israel society. (2010-2016)	MapLight
<i>Merchandise Export to China</i>	A district or state level merchandise export to China (Average from 2006 to 2016 average)	Senate: U.S. Census House: Trade Partnership

Table 3. Summary Statistics for the House

Variable	Unit	Obs	Mean	Std. Dev.	Min	Max
<i>Vote</i>	0, 1	426	0.51	0.50	0	1
<i>Party</i>		434	0.43	0.50	0	1
<i>Ways and Means Committee</i>		435	0.09	0.29	0	1
<i>Education and the Workforce Committee</i>		435	0.09	0.28	0	1
<i>Labor Ideology</i>	0 – 100	435	49.68	40.98	0	100
<i>LCV scorecard</i>		434	42.94	42.46	0	100
<i>PAC Contribution – Business</i>	Million Dollars	434	0.60	0.48	0	3.33
<i>PAC Contribution – Labor</i>		434	0.08	0.08	0	0.39
<i>Merchandise Export</i>		435	3397.8	3136.2	85.3	34520.6
<i>Service Export</i>		435	1546.4	1991.9	269.5	31252.5
<i>Agriculture Export</i>		435	187.2	371.6	0.0	3221.1
<i>Textile Export</i>		435	49.4	81.0	0.2	872.6
<i>Metal Export</i>		435	266.3	395.4	0.1	3970.2
<i>IPR Export</i>		435	292.5	581.0	24.3	6321.6
<i>Digital Export</i>		435	77.0	165.2	1.5	1574.4
<i>Donation by Israel</i>		435	0.1	0.1	0.0	1.0
<i>Merchandise Export to China</i>		435	210.3	258.0	0.0	3172.7

Source: Author's Calculation.

Table 4. Summary Statistics for the Senate

Variable	Unit	Obs	Mean	Std. Dev.	Min	Max	
<i>Vote</i>	0, 1	97	0.62	0.49	0	1	
<i>Party</i>		98	0.48	0.54	0	1	
<i>Stabenow/Portman Amendment</i>		100	0.48	0.50	0	1	
<i>Finance Committee</i>		100	0.26	0.44	0	1	
<i>Labor Ideology</i>	0 – 100	100	51.63	40.33	0	100	
<i>LCV scorecard</i>		100	46.71	40.39	0	100	
<i>PAC Contribution – Business</i>	Million Dollars	100	1.87	1.31	0.07	5.98	
<i>PAC Contribution – Labor</i>		100	0.14	0.15	-0.00	0.49	
<i>Merchandise Export</i>		50	30224.5	46326.2	926	275980.0	
<i>Service Export</i>		50	13453.3	20796.9	602	119541.0	
<i>Agriculture Export</i>		50	1615.5	3572.2	9.0	17634.2	
<i>Textile Export</i>		50	429.8	725.3	0.8	3495.5	
<i>Metal Export</i>		50	2533.8	3590.4	10	18412.7	
<i>IPR Export</i>		50	2544.7	5516.8	48.9	36426.6	
<i>Digital Export</i>		Million Dollars	50	670.1	1441.9	2.9	9249.2
<i>Donation by Israel</i>			100	0.1	0.1	0	0.5
<i>Merchandise Export to China</i>	50		2342.5	3547.7	15.6	17187.0	

Note: Data for Labor Ideology and LCV scorecard vary in each observation (senator) and other variables take value at state-level.

Source: Author's Calculation.

4. Empirical Methodology and Results

The dependent variable in our empirical analysis is *Vote*, which is dichotomous and equals one if a representative in the House or a senator in the Senate voted in favor of TPA-2015 and zero if either of them voted against TPA-2015. Our basic specification is thus given by Equations (1) and (2).

$$Vote_i = \{1 \text{ if voting for TPA and } 0 \text{ if voting against TPA}\} \quad (1)$$

$$Vote_i = \alpha + \beta_1 X_i + \beta_2 Z_i + u_i \quad (2)$$

Here the subscript i stands for a district of the 435 congressional districts that elects one member of the House or a membership of the Senate where there are two members in each state. X_i is a matrix of district- or senator- specific variables for the principal trade negotiating objectives and Z_i is a matrix of additional controls, such as a political party of a representative or a senator. β_1 is the vector of coefficients for the trade negotiating objectives discussed above and β_2 is the vector of coefficients for the additional controls. Since the dependent variable is dichotomous, either 0 or 1, a discrete choice model (a binary probit by assuming $u_i \sim N(0, \sigma^2)$) is mainly used and its specification is as follows.

$$Prob(Vote_i = 1) = F(\alpha + \beta_1 X_i + \beta_2 Z_i) + u_i \quad (3)$$

where $F(\cdot)$ is a cumulative density function of normal distribution. For simplicity, a linear probability model (LPM) is also utilized by using Equation (2). In estimation, except binary variables as well as scale variables (Labor Ideology, and LCV scoreboard), all other variables denominated in US dollar are converted into relative values. For example, in the case of the House, *Merchandise Export* is the share of a district's export in total state's export. For the Senate, it is the share of a state's export in total national export.

Table 5 presents the results for the House and the Senate from estimating LPM and the probit models. The Columns (1) and (4) show the results of the LPM with

heteroskedasticity robust standard errors for the House and the Senate, respectively. Columns (2) and (5) provide the results of the probit model with robust standard errors for the House and the Senate, respectively. Columns (3) and (6) are the average marginal effects of covariates on *Vote*, decisions of the representatives and senators in voting for or against the TPA. Column (3) and (6) are calculated by using the estimates of Column (2) and Column (4), respectively. For these average marginal effects, Delta-method standard errors are used to evaluate their statistical significance. The average marginal effect is the average change in probability when a covariate increases by one unit. Since the probit is a non-linear model, effect differs from observation to observation. Thus, the average marginal effect is computed for each observation, and then all computed effects are averaged.

LPM is useful as it provides a single number expressing estimated change in predicted probability of the dependent variable arising from a unit change in a regressor. The problem with LPM is that the relationship between dependent and independent variables is linear, which is not true. Therefore, our interpretation of the results is based on the probit models with the average marginal effects.

Overall, the results from the House voting decision on TPA-2015 show that most variables' coefficients are not statistically significant except *D1 (the Ways and Means Committee)*, *PAC Contribution – Business*, *PAC Contribution – Labor*, *Merchandise Export*, and *Agriculture Export*. The average marginal effect for *D1* indicates that the difference in voting probabilities for a membership of *the Ways and Means Committee* is 8.9 percentage points, which implies that a congressman's probability, belonging to the Ways and Means Committee, of voting for TPA-2015 is higher than non-members by 8.9 percentage points. Although the estimate for LPM is not statistically significant, the estimate by the probit and its average marginal effect are statistically significant at 10 percent level. Interestingly, the estimates for *PAC Contribution – Business* and *PAC Contribution – Labor* are statistically significant at 1 percent level and the signs are sensible. The magnitudes are large, the sign for business contribution is positive, and the sign for labor is negative. These outcomes indicate that a congressman, who receives larger amount of business related donation, is more likely to vote for TPA-2015 while a congressman, who receives higher contribution related labor issues, is more likely to vote against TPA-2015.

The average marginal effect of *Merchandise Export* indicates that one percentage point increase in the share of a district's merchandise export in total state merchan-

dise is associated with a decrease of 0.4 percentage points in predicted probability of voting for TPA-2015. This result is counter-intuitive even though the magnitude is small and only significant at 10% level. It requires further analysis but one possible interpretation is that merchandise export is too broad a measure. It aggregates all the exports with different characteristics from agricultural goods to automobiles to semiconductors. Different industries view the TPA or the upcoming trade pacts like TPP and TTIP differently. For example, as it will be discussed shortly, a district with higher agricultural export intensity may favor the objective in the TPA whereas a district with relatively more automobile exports is less likely so as it may perceive TPP or TTIP that were to be negotiated and enacted under the TPA as bigger threats to its economic well-being. Therefore more detailed analysis at industry level is needed and this is left for future research.

Next, the marginal effect of *Agriculture Export* indicates that one percentage point increase in the share of a district's agriculture export in total agriculture export is associated with an increase of 0.4 percentage points in predicted probability of voting for TPA-2015. The computed average marginal effect is statistically significant at the 5 percent level. This result is clear evidence that representatives are more likely to vote for TPA-2015 in order to support their districts' agricultural exports.

One notable result is that the party was not an important determinant of the voting decision. The sign of the estimated coefficient indicates that if a representative is a Democrat, he/she is more likely to vote against TPA. This is reasonable given the attitudes of Democrats toward free trade. However it is not statistically significant. This may be because after controlling for the variables such as PAC contributions, labor and environment ideology that define the characteristics of each party, the party effect disappears.

To sum up, the estimated results show that several factors influenced the voting decisions of the representatives. They include donations from business and labor related PAC and merchandise and agriculture export and membership of the Ways and Means. However, it seems that most of the negotiating objectives had little or no influence over the voting decision.

Table 5. Results from Voting Decision on the 2015 TPA – House & Senate

Controls	House			Senate		
	(1)	(2)	(3)	(4)	(5)	(6)
	LPM	Probit	Probit Marginal Effect	LPM	Probit	Probit Marginal Effect
Party	0.012	-0.904	-0.153	0.292	5.968**	0.609**
	(0.182)	(0.800)	(0.134)	(0.185)	(2.816)	(0.268)
D1	-0.043	-0.527*	-0.089*	-	-	-
	(0.047)	(0.308)	(0.051)	0.372***	1.364**	0.139***
D2	0.130**	0.628	0.106	0.063	0.672	0.069
	(0.060)	(0.398)	(0.066)	(0.065)	(0.488)	(0.055)
PAC Contribution – Business	0.721***	5.800***	0.983***	0.101*	0.560	0.057
	(0.113)	(0.899)	(0.123)	(0.057)	(0.409)	(0.040)
PAC Contribution – Labor	-	-	-	-0.027	-0.275	-0.028
	0.761***	5.730***	0.971***	(0.047)	(0.321)	(0.032)
Labor Ideology	-0.005*	-0.002	-0.000	-0.006	0.089**	0.009**
	(0.003)	(0.012)	(0.002)	(0.004)	(0.043)	(0.004)
LCV scorecard	0.001	0.007	0.001	-0.003	-0.014	-0.001
	(0.002)	(0.010)	(0.002)	(0.004)	(0.017)	(0.002)
Merchandise Export	-0.004	-0.022*	-0.004*	-0.014*	-	-
	(0.003)	(0.014)	(0.002)	(0.008)	0.195***	0.020***
Service Export	0.002	0.013	0.002	0.036	0.036	0.004
	(0.002)	(0.012)	(0.002)	(0.024)	(0.170)	(0.017)
Agriculture Export	0.005***	0.022**	0.004**	0.009	0.088**	0.009**
	(0.002)	(0.011)	(0.002)	(0.006)	(0.044)	(0.004)
Textile Export	-0.001	0.021	0.004	0.003	-0.091	-0.009
	(0.005)	(0.027)	(0.005)	(0.019)	(0.293)	(0.030)
Metal Export	0.002	0.009	0.002	-	-	-0.004*
	(0.002)	(0.010)	(0.002)	0.007**	0.042**	(0.002)
IPR Export	0.001	0.004	0.001	0.006**	0.034*	0.003*
	(0.001)	(0.007)	(0.001)	(0.003)	(0.020)	(0.002)
Digital Export	0.397	1.335	0.226	0.488	-4.377	-0.446
	(0.472)	(2.694)	(0.457)	(0.792)	(8.848)	(0.894)
Merchandise Export to China	0.003	0.008	0.001	-0.007	0.021	0.002
	(0.006)	(0.032)	(0.005)	(0.012)	(0.069)	(0.007)

Table 5. Continued

Donation by Israel	0.338	2.646	0.448	-0.098	0.954	0.097
	(0.397)	(1.682)	(0.289)	(0.851)	(5.269)	(0.535)
Constant	0.639***	-0.304		0.947***	4.527***	
	(0.077)	(0.329)		(0.105)	(1.109)	
Observations	426	426		97	97	
Log Likelihood		-128.896			-18.404	
R2 or Pseudo R2	0.5668	0.5633		0.2966	0.7146	
Predicted Probability	0.512	0.510		0.618	0.618	

Note: The dependent variable is Vote where it takes 1 if a congressman voted for the TPA of 2015 and 0 if a congressman voted against the TPA of 2015. Party is a dummy variable taking 1 if a congressman is Democrat and 0 if Republican. D1 represents two variables. For the House, D1 takes 1 if a congressman belongs the Ways and Means Committee and 0 if he or she does not. For the Senate, D1 takes 1 if a senate voted for the Stabenow-Portman Amendment and 0 otherwise. D2 also stands for two variables. For the House, D2 takes 1 if a congressman belongs to the Education and Workforce Committee and 0 otherwise. For the Senate, D2 takes 1 if a senate belongs to the Finance Committee and 0 otherwise. *** p<0.01, ** p<0.05, * p<0.1.

Source: Authors' own calculation.

The results for the Senate are somewhat different from the outcomes for the House. The estimates for senators reveal that *Party*, *the Stabenow-Portman Amendment*, *Labor Ideology*, *Merchandise Export*, *Agriculture Export*, *Metal Export*, and *IPR Export* are statistically significant.

The average marginal effect for *Party*, shown in Column (6) of Table 5, indicates that the difference in voting between Democrat and Republican senators is approximately 61 percentage points. This result implies that the probability of Democrats' voting for TPA-2015 is greater than Republicans by 61 percentage points, after controlling other factors influencing their voting decisions. This result is opposite to the popular belief that recent trade bills, including TPA-2015, were mainly determined in partisan way where Democrats were opposing and Republicans were favoring the bills. The vote count also indicates that it was a strictly partisan decision. Out of 60 'yea' votes 47 votes were from Republicans while 30 of 37 'nay' votes came from Democrats. However the estimation yields different results. As mentioned above, the model also controls for the variables that define the party characteristics and controlling for these variables reverses the conventional party effect. In fact, President Obama strongly supported the TPA bill for the successful conclusion of TPP. It can be interpreted that Democrats in the Senate responded posi-

tively to the Administration's policy goal after other party-related factors are taken into account.

The average marginal effect for *D1 (the Stabenow-Portman Amendment)* shows that the differential between senators who voted for and against the Stabenow-Portman Amendment is minus 13.9 percentage points. That is, senators who are in favor of the Stabenow-Portman Amendment are less likely to vote for TPA-2015. This implies that, as expected, the currency issue mattered significantly in the TPA legislation.

In contrast to the House's case, the effects of PAC contributions in business and labor are not only statistically significant but also their magnitudes are much smaller than those in the House. This result implies that in the Senate, donations from business and labor were not influential for senators' decisions on their votes for TPA-2015.

The estimates for *Labor Ideology* shows that a unit increase in *Labor Ideology* leads on approximately 1 percentage point decrease in the probability of voting for TPA-2015. This finding implies that senators who care more about labor issues and human rights are less likely to vote against TPA-2015. Labor is a long standing issue in U.S. and international trade policy circle and this result is probably derived from the fact that TPP was in the final stage of negotiation and it involved many developing countries with lax labor standards.

The marginal effect of *Merchandise Export* for the Senate also displays that Merchandise export is negatively related to voting decision. It indicates that one percentage point increase in the share of a state's merchandise export in total US merchandise export leads to a decrease of 2 percentage points in predicted probability of voting for TPA-2015. The effect of this surprising result is much more significant and larger than the House and requires further analysis.

On the other hand, similar to the House's case, the estimates for *Agriculture Export* show that one percentage point increase in the share of a state's agriculture export in the total agriculture export in the U.S. is related to an increase of 0.9 percentage point increase in probability of voting for TPA-2015. The results from the House and the Senate imply that the importance of agricultural exports mattered in 2015-TPA voting. Particularly the trade negotiating objective on agriculture exports explicitly emphasized dismantling trade barriers that reduce the market access for U.S. agricultural products and congressmen from regions that are important agricultural exporters tended to vote in favor of the TPA. The fact that agricultural re-

gions constantly favor free trades is confirmed again in the TPA voting.

Lastly, the average marginal effect of IPR Export is positive and statistically significant. This result is interpreted as an increase in the voting probability for TPA-2015 in response to an increase in IPR Export from the US to rest of the world. This is important as the result documents that one of new trade issues actually influenced the voting decision of the Congress.

The House and the Senate yield similar results but the Senate has more interesting cases. It turned out that controversial and new issues such as currency and IPR trade actually influenced the voting decisions in the Senate. It also confirms that U.S. agriculture is still an important sector when it comes to trade.

The overall results still suggest that many of these ambitiously delivered trade negotiating objectives did not have significant impacts on congressmen's voting decisions. Particularly new issues such as service and digital trade that are said to define a new global trade order were not influential. Perhaps better proxies could have yielded different results but finding good data for those objectives, especially at the House congressional district level, are difficult tasks.

5. Concluding Remarks

This paper analyzed 2015-TPA voting patterns in the Congress in the context of the trade negotiating objectives. By setting the trade negotiating objectives, the Congress lays out important trade agenda that the Administration is expected to address when it is negotiating trade deals with foreign countries. Therefore setting the objectives is subject of heated debates in the Congress and an important part of TPA.

LPM and the probit models are employed to evaluate the importance of each trade negotiating objectives in 2015-TPA voting decisions. It turns out that several negotiating objectives were important. First, the objective on promoting U.S. agricultural exports by reducing unfair trade barriers positively affected the voting decision in favor of the TPA. It is a sensible result given that U.S. agricultural sector has been one of the main beneficiaries of past free trade agreements. It also implies that the agricultural sector will continue to be an important consideration in future U.S. trade policy. In addition the objectives related to the currency, labor and IPR exports had significant impacts in the Senate.

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Appendix

Appendix A: How Congressional Districts Exports Are Estimated

For exports of each congressional district, the estimates provided by Trade Partnership are used. The estimates are available for detailed goods and services sectors at NAICS 3-digit level. How the congressional district exports are estimated is described below.

Agricultural exports: Agricultural exports are estimated, using two primary data sources: (1) sectoral exports at the national level, obtained from U.S. Census and (2) state and county share of national cash receipts by commodity, obtained from the U.S. Department of Agriculture. First, state-sector exports are estimated by multiplying the state-sector share of cash receipts by the sectoral exports at the national level. With the state estimates, county-sector exports are estimated by multiplying the state-sector exports by the county-sector share of national cash receipts. Sectoral exports of each congressional district are then calculated by combining the county-sector export estimates into congressional districts. For counties that are divided into multiple congressional districts, their exports are apportioned according to the share of county businesses in that industry in each district.

Industrial goods exports: State-industry exports come from U.S. Census. County-sector exports are calculated using the state-industry exports and state-industry and county-industry value added output provided by Moody's Analytics. To do this a benchmark county-industry output is calculated by multiplying the county-industry value-added of Moody's Analytics by the sector's share in total state output (also coming from Moody's Analytics). Location Quotient (LQ) is then developed by dividing the Moody's county-industry value-added output by the benchmark output. LQ basically shows a degree of industrial concentration of a county. LQ above 1 suggests that the county is producing above the state average. A county's share in state exports for a given industry is calculated based on the LQ and

Moody's output estimates. Then county-industry exports are created by multiplying the county-industry share by the state-industry exports data of the Census. Finally exports of congressional district are estimated in the same way as above.

Services exports: For service exports, detailed sectoral exports at the state level are not available. Therefore state-industry exports are estimated first and county-industry exports are calculated based on this. Data sources used are: (1) exports of detailed service industry at the national level from the Census and (2) state-industry and county-industry value added output from Moody's Analytics. Like in the industrial goods case, LQs at state level are developed in the similar way. Based on the LQs and the state-sector output estimates, state share in country's total exports in a given industry are calculated. With the state-industry level export estimates, county-industry and congressional district exports are calculated in the similar way as above.

Appendix B: Description of Data and Their Sources

(1) Nominal State GDP (2012-2014 average)

Source: Bureau of Economic Analysis.

(2) Goods exports

Source: *Trade Partnership* Congressional District exports (NAICS 111-910).

(3) Services exports

Notes: Services exports are not classified under NAICS. Instead they are classified under 8 broad tradable services categories: *business, professional & technical services; financial services; installation, maintenance & repair; insurance services; royalties & license fees; telecommunications, computer & information services; transportation services; travel*. Each category corresponds to NAICS 3-digit.

Source: *Trade Partnership* Congressional District exports.

(3) Agricultural exports

Source: *Trade Partnership* Congressional District exports (NAICS 111, 112, 113 and 114) for the House. U.S. Census for the Senate.

(4) Exports related to intellectual property (IP)

Source: *Trade Partnership* Congressional District exports.

(5) Textile exports

Source: *Trade Partnership* Congressional District exports (NAICS 313, 314, 315 and 316) for the House. U.S. Census for the Senate.

(6) Labor Ideology (0-100 scale)

Source: Labor scorecard published by AFL_CIO.

(7) Environment

Source: League of Conservation Voters (LCV) ideology index.

(9) Metal exports

Source: *Trade Partnership* Congressional District exports (NAICS 331 and 332) for the House. U.S. Census for the Senate.

(10) Pro Israel index

Notes: Monetary contribution data of pro-Israel entities that are donated to each congressman are used.

Source: MapLight.

(11) PAC contribution

Source: OpenSecrets.

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국문요약

본 연구는 2015년 갱신된 미국의 무역촉진권한(TPA: Trade Promotion Authority)의 의회 투표 결정 요인을 분석한다. 분석을 위해 TPA에 포함된 무역협상의제(Trade Negotiating Objectives)의 역할에 초점을 맞춘다. 무역협상의제는 무역협상시 행정부가 반영해야 하는 무역의제들로, 협상에 직접적으로 참여하지 않는 의회의 의견으로 볼 수 있다. 따라서 의회 내에서 무역협상의제를 결정하는 일은 언제나 열띤 토론을 수반하며, TPA 투표에서 매우 큰 부분을 차지한다. 2015년 TPA에는 총 20개의 무역협상의제가 담겨 있다. TPA 투표에 있어 각각 의제가 미친 영향을 분석하기 위하여 선형확률 모형과 프로빗 모형이 사용되었다. 분석 결과 교역국의 무역장벽을 통해 미국 농산물 수출 증진을 표방한 협상의제, 교역국에 강한 노동기준 적용을 표방한 협상의제 등이 투표 결과에 통계적으로 유의미한 영향을 미친 것으로 나타났다. 이 밖에 각 지역구의 대중국 수출 역시 TPA 투표 형태를 결정짓는 중요한 변수로 나타났다. 대중국 수출은 설비의 현지화 장벽(localization barriers to trade) 완화, 국영기업의 불공정 행위 중단, 환율조작 금지 등을 표방한 의제들의 효과를 종합적으로 살펴보기 위해 설정한 대리변수이다. 본 연구의 분석 결과는 현재 미국 의회가 실질적으로 중요시하고 있는 무역 이슈들을 실증적으로 보여주고 있으며, 향후 미국의 무역정책과 관련한 중요한 시사점을 제공한다고 볼 수 있다.

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저서 및 논문

『미국 경제구조 변화에 따른 성장 지속가능성 점검 및 시사점』 (공저, 2016)

A New Measure of Inter-industry Distance and Its Application to the U.S. Regional Growth(공저, 2016) 외

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저서 및 논문

『인도의 산업정책과 기업특성 분석: 기업규모, 이윤, 비용, 생산성을 중심으로』 (공저, 2016)

『인도의 TBT와 SPS: 제도, 사례, 대인도 수출에 미치는 영향』 (공저, 2016) 외



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What Determined 2015 TPA Voting Pattern?: The Role of Trade Negotiating Objectives

YOON Yeo Joon and LEE Woong

This paper analyzes 2015-TPA voting patterns in the Congress in the context of the trade negotiating objectives. By setting the trade negotiating objectives, the Congress lays out important trade agenda that the Administration is expected to address when it is negotiating trade deals with foreign countries. Therefore setting the objectives is subject of heated debates in the Congress and an important part of TPA. LPM and probit models are used to evaluate the importance of each trade negotiating objectives in 2015-TPA voting decisions. It turns out that the objective on promoting U.S. agricultural exports by reducing unfair trade barriers positively affected the voting decision in favor of the TPA. The objective on enforcing strong labor standards on trade partners also had significant impacts. One other notable result is that how much each congressional region export to China was also an important determinant. This variable is meant to capture several negotiating objectives as well as growing worries of large trade deficits with China. This study documents important issues that U.S. Congress is concerned about in making conducting and implementing trade policies. It may provide insights into the future course of U.S. trade policy and trade deals such as renegotiation of NAFTA and Korea-US FTA.

