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SUMMARY: DOMESTIC U.S. POLITICS AND THE FUTURE OF TRADE NEGOTIATIONS – Political challenges for Republicans – Patterns in House Races – Patterns in Senate Races – Trade Policy in 2006 – Trade Policy in 2007-2008

The year 2005 is ending with two major trade conferences, but no new regional or multilateral agreements. The [Fourth Summit of the Americas](#) was held November 4-5 in Mar del Plata, and will be followed December 13-18 by the [Sixth Ministerial Conference](#) of the World Trade Organization (WTO) in Hong Kong. Both of these gatherings had once been intended to produce final trade agreements, respectively yielding a Free Trade Area of the Americas (FTAA) and the results of the Doha Round of multilateral negotiations. Deadlines have repeatedly been missed in both sets of talks, however, and many observers expect that if final agreements are reached — a prospect that seems increasingly unlikely in the case of the FTAA — they may not be ready for approval and implementation until 2007.

These shifting deadlines ensure that both the end game and the final disposition of negotiations will be greatly affected by the political calendar in the United States. One key date in that calendar is July 1, 2007, this being the day that the current grant of trade promotion authority (TPA) is scheduled to expire. TPA is an indispensable tool of U.S. trade policy, establishing special procedures to expedite the consideration of trade agreements by Congress (see [Antenna Number 65](#)). The expiration of TPA in mid-2007 is widely seen as the real deadline, albeit an informal one, for the conclusion of the various trade negotiations that are now underway at the bilateral, regional, and multilateral levels. Unless Congress were to approve a new grant of TPA, any trade agreements concluded after that date would be vulnerable to amendments and dilatory maneuvers.

It is possible that November 7, 2006 will prove to be an even more important date. That is when all 435 seats in the House of Representatives, as well as one-third of the 100 seats in the Senate, will be contested. This will be a mid-term election — that is, one that does not coincide with a presidential election — but it will nevertheless be widely seen as a referendum on the Bush administration. If the current public opinion polls in the United States are accurate predictors of the electorate's mood a year from now, those elections may turn out badly for President George W. Bush and his Republican allies in Congress.

The focus of this note is on the implications of domestic U.S. politics for trade policy. It addresses, but cannot definitively answer, three major questions. First, what is the Bush administration's standing with the American public today? Second, how likely is it that Democrats will recapture control of the House and/or the Senate in the 2006 elections? Third, what effect might these developments have on trade initiatives in the coming years?

Political Challenges for Republicans

These are trying times for Republicans. They are saddled with a series of unrelated but simultaneous scandals in the executive and legislative branches of government, the White House suffered a setback in its failed nomination of a woman to the Supreme Court, and the administration was widely criticized for its response to Hurricane Katrina. Public dissatisfaction has also grown over the war in Iraq, the state of the economy, and especially the high price of gasoline. The results have been not only declining levels of support in public opinion polls, but also greater tensions between the administration and the Republican majority in Congress.

A year has now passed since the 2004 elections, and one might have expected the results of these contests to have simplified matters for the Bush administration. As illustrated in Figure 1, those elections produced a 109th Congress (2005-2006) in which there are more Republicans in the House of Representatives than at any time since 1948, and a record number of Republicans in the Senate. As was reviewed before (see [Antenna Number 73](#)), however, it is a general rule in U.S. politics that a president's second term will be more challenging than his first term. The results are sometimes merely disappointing (as was the case for Harry Truman, Dwight Eisenhower, and Ronald Reagan), and sometimes disastrous (as was the case for Lyndon Johnson, Richard Nixon, and Bill Clinton). The Bush administration's recent decline has thus been relatively rapid but not unprecedented.

Figure 1: Partisan Division of the U.S. Congress, 1945-2005

Percentage of Seats in Each Chamber Held by Republicans

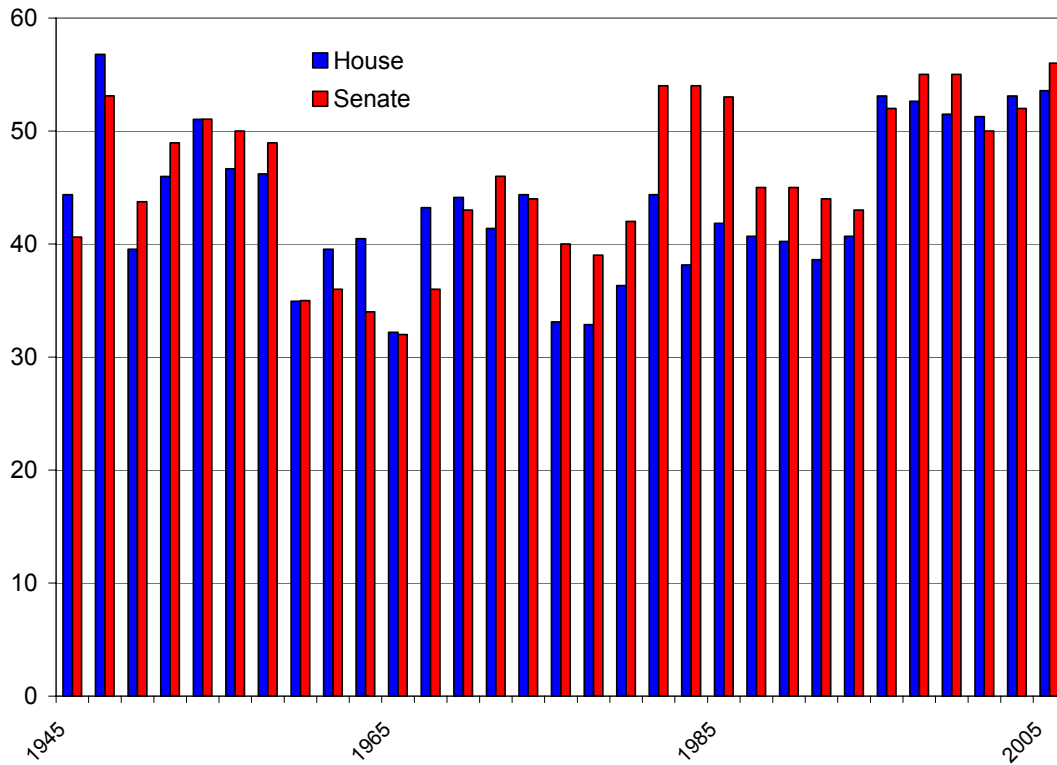
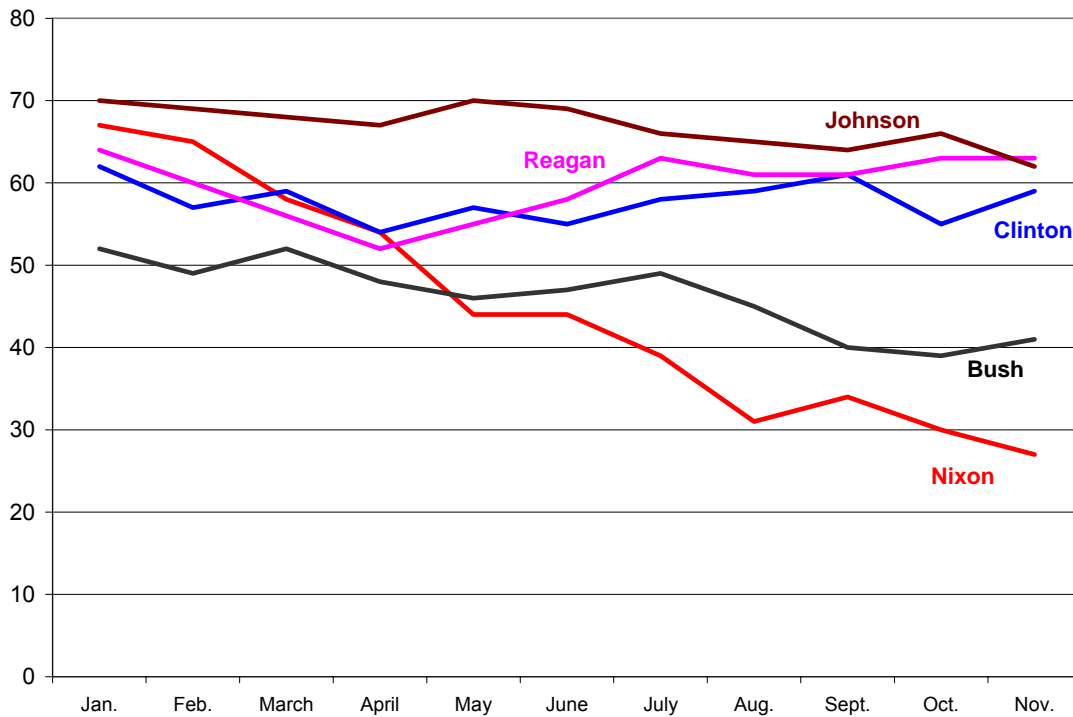


Figure 2: Public Opinion in the First Year of Presidents' Second Terms, 1965-2005

Gallup Poll Results for Approval of the President's Job Performance



Source: *The Roper Center for Public Opinion Research*

The White House has suffered a significant decline in support this year, as have Republicans in Congress. Bush's approval ratings had soared to almost unprecedented heights in the immediate aftermath of the September 11, 2001 attacks, remained relatively high during 2002-2003, and hovered around 50 percent for most of 2004. As shown in Figure 2, however, Bush started his second term with the lowest level of public approval for any reelected president in recent history. That approval level has declined even further throughout the year. The pattern shown in the figure looks either like Bill Clinton with a handicap of between 10 and 15 points, or like Richard Nixon with a slower rate of descent. Polls released in early November all showed even lower levels of approval, including the Zogby poll (39 percent), the Washington Post (39 percent), and CBS News (35 percent). That CBS result is the lowest number achieved in any poll during Bush's presidency.

The most solid evidence of public dissatisfaction with the Republicans came in the "off-year" elections held in New Jersey and Virginia on November 8. It was no surprise that a Democratic candidate won the governorship in the normally Democratic state of New Jersey, but many observers believe it is notable that a Democrat also won in the normally Republican state of Virginia. Governor-elect Tim Kaine won by a decisive margin (52 to 46 percent), and did so a day after President Bush campaigned in Virginia for his opponent.

Patterns in House Races

The most important structural reason for presidents' second-term difficulties is that their party almost always suffers large losses in the mid-term elections (i.e., those taking place two years after his reelection). If past experience is any guide, the 2006 elections may be difficult for the Republicans. They now hold 231 seats in the House, and may regain one seat in a special election in December. A net loss of fifteen Republican seats in the 2006 election would thus return the House to Democratic control. How likely is it that Democrats will win the requisite number?

Table 1 shows a recurring pattern in congressional elections across presidential terms. As a general rule, the president's party will usually gain seats in the House when he is first elected (an average of sixteen), lose seats two years later in the president's first mid-term election (an average of twenty), gain seats again if and when the president is reelected (an average of twenty-two), and then lose seats in the president's second mid-term (an average of thirty-five). If we were to take these averages as a simple guide, we would expect that in this upcoming election — as a second mid-term — Democrats will win much more than the fifteen seats that they need to retake the House.

It is less clear, however, whether this pattern of presidential cycles is as valid today as it once was. In recent decades there has been a general reduction in the volatility of elections, due to the fact that there are fewer "competitive" districts than ever before. Most legislators from both parties are now in districts that will reliably reelect them every two years. It is quite notable that in the last ten congressional elections, only one — the realigning election of 1994 — produced a net change of ten or more seats. By contrast, eight of the ten elections during 1966-1984 saw swings of ten or more seats, as did eight of the ten elections during 1946-1964. The oscillations have been especially small in the five elections after 1994, with swings of between one and eight seats. Moreover, the Bush administration already survived one mid-term election in which it beat the trend, actually gaining eight seats in 2002.

It would thus be a major upset if Democrats were to enjoy anything like the average gain of 35 seats next year. It is nevertheless quite possible for them to do half as well, which is all that they would need in order to become the majority party once again. Until recently, most election analysts had expected that this would not happen. In light of the Republicans' latest difficulties, however, a growing number are now acknowledging that a Democratic takeover of the House is becoming a greater possibility. Much will depend on unpredictable events. Republican chances would improve if gasoline prices were to drop or there were a major breakthrough in the fight against terrorism, for example, while just the opposite might occur if there is a downturn in the economy or more bad news in Iraq.

Patterns in Senate Races

Control of the Senate is also at stake in next year's elections. Currently, the Senate stands at 55 Republicans, 44 Democrats, and one independent (counted here as a Democrat). There are 33 contested Senate seats for the 2006 cycle. While it would take a net Republican loss of just six seats for the parties to switch positions, that is a more difficult proposition than it might at first appear.

Table 1: Net Partisan Changes in the U.S. House of Representatives by Presidential Cycle, 1932-2004
Net Changes in House Seats Held by the President's Party;
*Elections in Which Party Control Changed Are Shown in **Bold Type***

	First Election	First Mid-Term	Reelection	Second Mid-Term
Roosevelt	97	9	12	-72
Truman*	—	-54	75	-28
Eisenhower	22	-18	-2	-48
Kennedy/Johnson**	-20	-4	36	-48
Nixon/Ford***	5	-12	12	-48
Carter	1	-15	—	—
Reagan	34	-26	16	-5
G.H.W. Bush	-2	-8	—	—
Clinton	-9	-54	2	5
<i>Average</i>	16	-20	22	-35
G.W. Bush	-2	8	3	?

The "First Election" is the one in which the president was first chosen. In the case of President Bush, for example, that was 2000. The "First Mid-Term" in his case was 2002, and "Reelection" was 2004.

** : The first mid-term number here is for the 1946 election, which came a year after Harry Truman became president upon the death of Franklin D. Roosevelt.*

*** : The reelection and second mid-term numbers here are for the elections held during Lyndon Johnson's presidency, which began after the assassination of John F. Kennedy in 1963.*

**** : The second mid-term number here is for the 1974 election, which came three months after Gerald Ford became president upon the resignation of Richard Nixon.*

Election analysts generally agree that in 2006 the Democrats will have a smaller chance of taking back the Senate than they do of retaking the House. These expectations are based on an examination of both the broad numbers and the individual races. Taken as a whole, the numbers next year pose two serious challenges for Democrats. First, they must defend 18 seats that they already hold; Republicans have only 15 seats at risk. Democrats are also disadvantaged by the fact that four of their incumbents are expected to retire voluntarily this cycle, compared to just one Republican. It is generally much easier for a party to retain a seat when the incumbent seeks reelection than it is to hold an "open seat."

The expectations for individual races are also problematic for Democrats. Analysts will typically divide races up between those where the incumbent is believed to be safe and those in which the incumbent is vulnerable, and will usually assume that most open seats are at risk. While individual analysts may disagree about the degree of vulnerability for a specific senator, most would generally agree that about seven of the Republican incumbents can be safely assumed to be reelected, as can eight of the Democratic incumbents. The remaining eighteen races are, to varying degrees, considered to be competitive.

Democrats will need to achieve two things in order for to retake the Senate in 2006. First, they must successfully defend most or all of their seats that are currently at risk. Assuming that they retained all eighteen of the seats now held by their party, the Democrats would also need to win in three-fourths of the remaining competitive elections (i.e., produce six victories among the seven vulnerable Republicans and the one retiring Republican). In the event that Democrats were to lose one or two of the seats among their vulnerable or retiring incumbents, they would need to make up for those losses by capturing an even larger number of the at-risk Republican seats. While this is possible, it is highly unlikely to happen unless the Democrats benefit from a political climate that is at least as favorable as the one they currently enjoy.

Trade Policy in 2006

In the near term, the question is how the current political trends will affect policymaking in the remaining year of the 109th Congress (2005-2006). This may be significant for some SELA Member Countries, including those that are beneficiaries of the Generalized System of Preferences (GSP) or the Andean Trade Preference Act (ATPA), or are currently negotiating free trade agreements (FTAs) with the United States. Because the United States failed in its

efforts to set an April, 2006 date for conclusion of the FTAA negotiations, the results of those talks will be postponed until the 110th Congress.

The GSP was last renewed by the Trade Act of 2002, which extended it through December 31, 2006. The Bush administration is now in the process of developing a proposal for next year that would reauthorize the program. The GSP is important to those SELA Member Countries that have not yet negotiated FTAs with the United States or do not benefit from the special, regional programs for the Andean region and the Caribbean Basin. Interestingly, the only Latin American countries on this list are the same ones that the United States saw as adversaries in its efforts to conclude the FTAA negotiations: Argentina, Brazil, Paraguay, Uruguay, and Venezuela. This suggests the possibility that a debate next year on GSP renewal might offer an opportunity for U.S. policymakers in either the executive or the legislative branches to put pressure on these countries.

It is not yet clear whether the ATPA *per se* will need to be reauthorized. The expanded preferences under that program are supposed to expire at the end of next year, but the United States is also engaged in FTA negotiations with Colombia, Ecuador, and Peru. If those talks are successfully concluded, Bolivia would be the only remaining ATPA beneficiary country. It might not be difficult to secure congressional approval for a renewal of preferences for Bolivia, if the administration decides to ask for this favor. If the FTA negotiations fail with one or more of the other countries, however, things may be more complicated.

In addition to the three Andean countries, FTA negotiations are still underway with Panama. The results of all of these negotiations could be sent to Congress for approval next year. Congressional treatment of these agreements might be affected by two sets of considerations. On the one hand, there is no reason to expect *a priori* that FTAs with Panama and the Andean countries would be seen as more controversial than the FTA that Congress recently approved with Central America and the Dominican Republic (CAFTA-DR). Although that FTA passed the House by the narrowest possible margin (see [Antenna Number 75](#)), it was in fact approved. That agreement involved much larger quantities of sensitive products (especially sugar and apparel) than do the FTAs with Panama and the Andean countries. Moreover, it should be easier to “sell” the Andean agreement to Congress as a tool in the anti-narcotics fight. On the other hand, the Bush administration is weaker today than it was just a few months ago; Bush’s approval ratings were about ten points higher when the House approved CAFTA-DR. It is possible that this weakness could lead to even greater opposition from Democrats, and even weaker support from Republicans, for the administration’s trade policy.

The Antenna nevertheless anticipates that, on net, any FTAs submitted to Congress for approval in 2006 are likely to face somewhat less opposition than did CAFTA-DR. They may once again require serious lobbying campaigns from the administration, but it would be surprising if Congress were to reject any agreements next year.

The more interesting question may be how CAFTA-DR and other FTAs play into the congressional races. Suppose not only that Democrats manage to recapture control of the House, but that this result is attributed in large measure to the politics of trade. Many Democratic strategists hope to capitalize on the votes that some Republicans had reluctantly cast in favor of CAFTA-DR. If it turns out that these hopes are realized, with a substantial number of races being won in districts where constituents are unhappy with a Republican’s pro-CAFTA-DR vote, Democrats might be tempted to build upon a winning strategy. That could exacerbate the political problems for trade initiatives in the 110th Congress. In fact, this could prove to be a problem even if Democrats do not manage to retake the House. If losses in several districts lead Republicans to conclude that their seats are endangered when they back the White House on trade, it may prove ever more difficult to secure their support in the final two years of the Bush administration.

Trade Policy in 2007-2008

While there may be a few more skirmishes over trade policy in the remainder of the 109th Congress, the major issues are not likely to come up before the 110th Congress is seated in 2007. That is when the results of the Doha Round are expected to be submitted to Congress for approval. It can also be anticipated that the Bush administration will seek a renewal of TPA, which will expire in July, 2007. Other issues that might arise during the 110th Congress include approval of the FTAA (if those negotiations produce an agreement) and renewal of the Caribbean Basin Trade Partnership Act (currently slated to expire on September 30, 2008).

If Democrats do manage to recapture control of the House of Representatives in the 2006 election, what would this mean for the consideration of the Doha Round results?

To begin with, it is too simplistic to identify Republicans as the party of free trade and Democrats as the party of protection. While that may be a correct characterization for most initiatives involving trade with low-wage countries (as is the case for many FTAs), it is not at all accurate for those votes cast *so far* on multilateral trade agreements. Whether one looks at the votes to approve the results of the Tokyo and Uruguay round negotiations or at the more recent votes on continued U.S. participation in the WTO, Democrats are only slightly less supportive of multilateral liberalization than are Republicans. The key qualifying term here is *so far*. It is always possible that Democrats in

Congress might decide, in the interim between their hypothetical recapture of the House in 2006 and the efforts to recapture the White House in 2008, that the Doha Round results deserve to be defeated. The main justification for such a move, from the Democratic legislators' perspective, would be the embarrassment that they would thus deal to a weakened Bush administration.

The Antenna does not believe that a Democratic win in the 2006 elections will make it substantially more difficult to secure approval for the Doha Round agreements. Provided that the round is concluded before the expiration of TPA in mid-2007 (thus ensuring that the results cannot be held up in a committee by a single, disgruntled chairman), and further provided that the final package is (from a U.S. perspective) reasonable, there is every reason to expect that it will be approved. That approval might rely more heavily on Republican than on Democratic votes, but it would come nonetheless.

The same cannot be said for other trade issues that might arise in the 110th Congress. If Democrats control the House, there is a strong chance that they would oppose the renewal of TPA. Democrats would also be in a much better position to defeat any FTAs that might be negotiated with low-wage countries, especially if the partner in question is not from those regions that are favored for political reasons (i.e., Africa and the Middle East). In other words, the FTAs with Panama and the Andean countries could face greater opposition if they were not to be submitted until the 110th Congress.

What might happen if the Doha Round were to continue beyond early 2007, and thus miss out on the current grant of TPA? There are at least three scenarios that might play out here. One would be a collapse of the negotiations, a development that would probably have more to do with the dynamics of the round itself than with U.S. domestic politics. Another possibility is that Congress might extend the same favor to President Bush that it did for President Clinton in 1993, when it made a brief renewal of fast-track authority for the sole purpose of completing the round. That would probably be much harder to do if the Democrats were in control, but it is not inconceivable. A third and more likely prospect is that the round would continue beyond the 2008 elections in the United States. If that were to happen, and if a Democrat were to be elected president in 2008, we might see the continuation of an established tradition. Both the Tokyo and Uruguay rounds were initiated under Republican presidents (i.e., Nixon and Reagan), but were not completed and approved until Democrats took office (i.e., Carter and Clinton). Considering the pace and missed deadlines of Doha, as well as the declining support for the Bush administration, one could well imagine history repeating itself on both counts.