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On the Road Again: Four Goals for the new U.S. Trade Representative

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Susan Schwab began work this week as U.S. Trade Representative (USTR) at a difficult time for free trade. Free traders have promised results for decades, and an honest assessment says they were right. Globalization is enhancing prosperity everywhere, and lowering trade barriers promotes broad prosperity for the poor and rich alike. But reality and perceptions are far apart in Washington, making the free trade argument tougher than ever. After months of delay, the Senate finally approved Schwab, just as souring economies in Europe may offer yet another obstacle to further trade liberalization.

President Bush made a smart pick in Schwab. She is a tough and knowledgeable negotiator, having spent a lifetime working on trade issues in government, academia, and private business. An Assistant Secretary of Commerce in the first Bush presidency, Schwab most recently managed European Union and World Trade Organization (WTO) relations as Deputy USTR. She will certainly need that experience to drive the Bush Administration's free trade agenda.

Schwab was confirmed as USTR in early June by a Senate that is in one of its most protectionist moods of the last twenty years. Support for lower trade barriers—a cornerstone of American

freedom and prosperity—has been eroding for the better part of a decade. This is largely due to hysteria over outsourcing, concerns about foreign investment in the United States, and the powerful influence of agricultural and industrial interests.

The net impact hasn't slowed the USTR's ambitious agenda, but it has quieted the bully pulpit and diminished America's ability to push the current WTO round ahead. Farm subsidies remain high globally, while major tariff increases are lurking in the Senate. Two free trade agreements (FTAs) currently before Congress (and another four in the works) will have to be passed by mid-March of 2007, at the absolute latest, if they are to be passed. America's foreign economic efforts a much-needed shot in the arm.

This paper, in its entirety, can be found at:
<http://www.heritage.org/research/TradeandForeignAid/wm1130.cfm>

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As USTR, Susan Schwab must pursue four goals:

1. **Don't let Doha become the walking undead.** The Doha round of WTO trade negotiations is the USTR's biggest challenge and opportunity, and achieving global consensus will undoubtedly be tougher than ever before. Some say, "Doha is dead," but that's wishful thinking. In fact, the global trade talks risk becoming undead—going through the motions, with no genuine progress. The best solution is to reach an agreement under the auspices of the WTO. The second best solution is to reach agreement with a broad group of nations that excludes those who favor delay and inaction. A deal must be concluded by the end of 2006 so that President Bush can present the bill to Congress before his legal authority expires. The worst possible outcome would be, as Rep. Bill Thomas (R-CA) of the Ways and Means Committee said, for America to "just walk away." Schwab must focus on reducing EU and U.S. farm subsidies to jumpstart G-20 interest in Doha. The developing world will open its markets to American service-sector and manufacturing firms, but the U.S. needs to take the first step.
2. **Emphasize the importance of global prosperity to the war on terrorism.** Winning the debate at home requires a message that links free trade to the defeat of terrorism. The instinct of terrorists is to resist openness, modernization, and all aspects of globalization. Framing the debate in these terms helps voters understand why a vote for trade protectionism is a vote for homeland insecurity. With the argument presented that way, very few politicians would be willing to take the moral low ground,

especially relating to bilateral trade opportunities in the Middle East.

3. **Push property rights, not exchange rates.** Schwab, along with her Treasury and Commerce colleagues, must resist pressure to rattle sabers on foreign exchange rates, particularly on China's currency. America can become more competitive and out-produce its rivals without resorting to legislative gimmicks. Artificially lowering the yuan exchange rate will not necessarily improve American trade. What matters more for fair trade is the enforcement of intellectual property rights in China and elsewhere, which should be a diplomatic priority.
4. **Advance bilateral FTAs—and get them passed.** FTAs with Oman and Peru, along with Vietnam's WTO accession, await congressional approval. FTAs with South Korea, Panama, Columbia, and Malaysia are still being negotiated. The dilemma now is how to get them through Congress—put them all up at once or push a few at a time? In an election year, it may be best to give Congress one big push; going through every individual bill one at a time may tax Members' time and attention.

The free trade road may be rockier than ever, but there are actually many roads to freer trade. Multilateral, bilateral, and unilateral trade action are all ways to improve America's prosperity and security. Ms. Schwab has the experience, smarts, and tenacity to make the passage, and she deserves the full, vocal support of Congress, Wall Street, and the White House.

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