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Obama Administration: Yet to Show Strong Leadership on Trade Policy

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This week, President Obama revealed his trade policy agenda in the opening chapter of the 2009 Trade Policy Agenda and 2008 Annual Report.¹ A short four-and-a-quarter pages long, the chapter reveals little about the President's intent for the future of U.S. trade policy.

Short on substance, the agenda outlines many of the same broad ideas presented during the presidential campaign: enforcing trade rules and making trade "fairer" rather than freer. On a positive note, the chapter did provide additional guidance regarding America's ongoing commitment to the World Trade Organization (WTO), moving forward with at least one of the three pending U.S. free trade agreements awaiting congressional approval, and keeping any new climate legislation consistent with America's international trade obligations. However, these general objectives lacked the details needed to restore confidence that America would continue to set the standard for liberal international trade policy or remain a responsible leader of the global economy.

Critical to the recovery of both the U.S. and international economies is the need to bolster consumer and business confidence in the future. Also essential to economic recovery is the need to maintain free and open markets—in spite of domestic pressures to erect barriers to trade. Tariffs, quotas, many government subsidies and cheap loans to businesses, outright nationalization of industry, and other policy mechanisms not only distort international markets for goods and services but also have a chilling effect on private investment—the very

thing needed to help economies get back on track and grow in the longer term.

A trade agenda listing concrete actions the Administration intends to take over the year would have done a better job to reduce destabilizing uncertainty at home and abroad. The world cannot afford U.S. retrenchment or abandonment of the market principles that have brought prosperity to so many.

Falling Short. The 2009 Trade Policy Agenda's general lack of specificity leaves much of its content open to interpretation, reducing its transparency and informational value to consumers and businesses trying to make economic decisions today. Policymakers around the world must continue to wait for some definitive indication of the Administration's intentions. The longer the world must wait, the longer it will take for recovery to occur. For the U.S., such delay has a real cost: The World Bank forecasts world trade flows will contract by 2.1 percent in 2009.² With trade accounting for more than 30 percent of U.S. GDP in 2008, shrinking world markets will undermine America's ability to rebound and grow in 2009.³

The Administration's commitment to the WTO and the ongoing round of multilateral trade negoti-

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ations under the Doha Round is positive—continuing to strive for meaningful trade liberalization from all WTO members, not just a select few, is particularly encouraging. However, the indication that America's international trade commitments will not ultimately discipline the Administration's policy approaches to the environment, energy, or unfair trade practices (real or imagined) sends the message that the last six decades of hard-won gains in liberalizing global markets may not be as secure as America's trading partners might hope.

Indeed, the expansion of Buy American provisions in the recently passed economic stimulus bill tangibly demonstrates this very concern. While the U.S. promised to adhere to its international commitments on maintaining some openness to foreign sources in government procurement, that promise means less than many assume: Only national signatories to the Agreement on Government Procurement in the WTO or U.S. free trade agreements have some protection under the new provisions. Many more countries—including key U.S. trade partners such as India, Brazil, and China—could be shut out from U.S. government contracts and retaliate in kind, closing the door on U.S. firms anxious to find customers anywhere they can. Where America walks, others may choose to follow.

More critically, even if the provisions do not result in greater protectionism in the U.S. in practice, they signal America's new willingness to abandon the international markets it helped design and build. Because America leads on trade policy by example, those policies need to be clear, certain, and consistent with the open market principles the

U.S. has long promoted and, indeed, demands from other nations.

Defining Important Trade Policy Objectives.

By opening markets around the world to its goods and services, the U.S. has created a level of competition that leads to innovation, better and less expensive products, higher-paying jobs for Americans, and the investment needed for long-term economic growth and continued prosperity.

However, America can still do much more to embrace globalization and the economic potential inherent in the international economy. Successive rounds of multilateral trade liberalization and bilateral free trade agreements have lowered many of the tariffs that limit international trade in goods and services—but not all. Excessive regulation, investment controls, government subsidies, punitive and retaliatory duties, and other non-tariff barriers to trade continue to distort markets and add to the cost of living for all of America's families.

The best approach to ensuring that America continues to reap the benefits of international commerce is one that is based on a solid commitment to advancing trade liberalization. By devising and implementing a trade agenda that clearly defines important trade policy objectives, America's ability to not only compete in but shape the global economy today and in the future would be given a much-needed boost.

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1. United States Trade Representative, "2009 Trade Policy Agenda and 2008 Annual Report," February 2009, at http://www.ustr.gov/assets/Document_Library/Reports_Publications/2009/2009_Trade_Policy_Agenda/asset_upload_file86_15410.pdf (March 3, 2009).
2. World Bank, "Global Economic Prospects 2009: Commodity Markets at the Crossroads," December 9, 2008, at <http://go.worldbank.org/RWLJPPA0D0> (March 2, 2009).
3. USTR, "2009 Trade Policy Agenda and 2008 Annual Report," p. 1.