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Time for Obama Administration to Get Serious About Trade Policy

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The World Trade Organization's (WTO) Seventh Ministerial Conference held earlier this month did little to spur progress on a global trade pact. While the ministerial was not billed as a negotiating round, and the struggling Doha Development Round was only one of several topics on the agenda, there was hope for a substantive assessment of where the round stood and how it should proceed.¹ That hope went unmet. Even with G-20 leaders in Pittsburgh stating their determination that the Doha Round be concluded in 2010, trade ministers could manage little more than a decision to take stock of the negotiations in early 2010. Thus, there are serious doubts that a final deal will be reached next year.²

Blame for the negotiation's rocky road cannot be placed solely on any one country's shoulders; however, international criticism against the U.S. for hindering progress within the WTO in 2009 is valid. While the Obama Administration has asserted its support for multilateral trade talks, it has yet to formulate a comprehensive and transparent trade policy by which the Doha Round—or any other U.S. trade issue on the agenda—can be resolved.

Disingenuous Talk, Obstructionist Action. In February 2009, President Obama released his *2009 Trade Policy Agenda and 2008 Annual Report*. Short on substance, the agenda outlined many of the same broad ideas presented during his presidential campaign, with a focus on enforcing trade rules and making trade “fairer” rather than freer. The agenda did provide a general commitment to the WTO, action on at least one of the three pending U.S. free

trade agreements awaiting congressional approval, and a pledge to keep 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.

The President promised a more thorough review of America's trade policy over the first half of 2009 and a new roadmap for U.S. trade relations this summer—a promise that remains unfulfilled as his first year as President comes to a close. Without presidential guidance, the nation's trade regime is being shaped and undermined by a slow and steady creep of protectionism in congressional legislation and in ad hoc measures designed to cater to special interests.³

America's approach to multilateral trade negotiations is also hampered by the lack of a clearly articulated vision. The traditional multilateral approach of negotiating tariff and subsidy cuts with the WTO membership as a whole—the best way to get all of the WTO behind a final agreement—has apparently been abandoned by the U.S. in favor of a slower pace of bilateral negotiations. These bilateral nega-

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tions are aimed at clarifying what benefit the U.S. could accrue from other nations' possible concessions—and, ultimately, attaining additional commitments via the bilateral process.

A Potential One-Two Punch. This tactic completely ignores the primary benefits to be gained from freeing trade: the economic one-two punch of more efficient resource use and lower prices for households and firms that occur when a nation lowers its own barriers to trade. While imports may drive production in less competitive industries down, exporters and domestic producers that use lower-cost imported inputs gain a competitive boost that promotes investment, productivity, and growth in these industries.

Lower prices for imported goods also help households stretch their incomes, enabling families to buy more of everything, including goods and services that are produced domestically. With freer trade, resources flow from less competitive uses to more competitive and efficient uses, creating opportunity and bolstering long-term economic growth and job creation. Thus, seeking trade concessions from other countries only addresses one part of the problem with protectionism—America has its own trade barriers to dismantle, and the rest of the world knows it.

Moreover, while the Administration's approach sounds like it might bolster the chance for greater trade liberalization on the part of other nations—presuming that what the U.S. demands at the negotiations is what all other members want in a final deal—it will likely do no more than delay the multilateral process to the extent that attainment of a global trade pact in the near-term becomes almost impossible.

Two Risks. There are two risks to the U.S.'s dissembling and delay: First, countries will increasingly look to bilateral and regional free trade arrangements (that exclude America) in order to more quickly reap the benefits of lower trade barriers.

Second, the pressure to implement protectionist measures in response to the current economic downturn will continue unabated.

With many countries' economic well-being linked through trade and investment, the need for all nations to embrace multilateral trade and investment liberalization is crucial to economic recovery and growth. Through trade, the U.S. has become the central player in the global market, serving as a principle consumer and producer of goods and services flowing around the world. This trade has in turn bolstered U.S. investment, jobs, economic growth, and prosperity. Trade accounts for more than one-third of U.S. GDP, and open markets are vital to America's well-being. For its own sake and that of the world, America can neither afford to neglect its trade policy nor let the Doha Round fall by the wayside.

Leading by Example. Because America leads on trade policy by example, U.S. actions need to be clear and consistent with the open-market principles America has long promoted and, indeed, demands from other nations. The long-awaited release of America's new trade agenda, the dismantling of U.S. trade barriers enacted over the last year, and a firm commitment to conclude the Doha Round in 2010 would do a great deal to mend the damage done to both America's economic future and image abroad.

The Obama Administration needs to embrace trade policy as a tool to reestablish America as a credible global partner for economic growth—a necessary and critical step toward reasserting the rules-based spirit of the international trade system and restoring worldwide prosperity.

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1. Director-General Pascal Lamy, "Report by the Chairman of the Trade Negotiations Committee," World Trade Organization, November 17, 2009, at http://www.wto.org/english/news_e/news09_e/tnc_chair_report_17nov09_e.htm (December 6, 2009).
2. The Pittsburgh Summit 2009, "Leaders Statement: The Pittsburgh Summit," September 25, 2009, section 49, at <http://www.pittsburghsummit.gov/mediacenter/129639.htm> (December 6, 2009).
3. See Daniella Markheim, "A Trade Agenda for the G-8 Summit in Italy," Heritage Foundation *Backgrounder* No. 2293, July 1, 2009, at <http://www.heritage.org/Research/TradeandEconomicFreedom/bg2293.cfm>.