

ISSUE BRIEF

No. 3929 | MAY 3, 2013

Three Key Questions for a New USTR

Anthony B. Kim

President Obama has nominated Michael Froman, deputy national security advisor for international economic affairs since 2009, to be the next United States Trade Representative (USTR). In the coming weeks, the U.S. Senate will begin the confirmation process for Froman, whose task as America's trade czar is to "serve as the president's principal trade advisor, negotiator, and spokesperson on trade issues."¹

The USTR plays a critical role in shaping U.S. engagement in rapidly changing and interconnected global markets. Given the vital role of trade in sustaining America's prosperity, the USTR nominee needs to be a committed, staunch advocate for advancing dynamic two-way trade and investment flows that are critical to America's economic well-being.

President Obama's Dismal Record in Advancing Free Trade. During his first term, President Obama did little if anything to advance trade liberalization, greatly undermining America's credibility as a partner in opening markets around the world. The President concluded no new trade pacts and renegotiated the previously agreed terms

of the U.S.–Korea trade deal in a way that lessened the ultimate value of the pact. He launched over a dozen World Trade Organization cases against various trade partners.² Clearly, it was protectionism, not liberalization, that dominated America's trade agenda during President Obama's first term.

Now, in his second term, the President seems somewhat more open to a more ambitious trade agenda. The Administration has been rhetorically supportive of completing negotiations for the Trans-Pacific Partnership with Asia-Pacific nations by the end of this year and a Transatlantic Trade and Investment Partnership with the European Union by the end of 2014. Both are daunting but potentially worthwhile tasks. The forthcoming confirmation hearing for Froman is an important opportunity for the Senate to pose key questions about the direction of U.S. trade policy.

1. What Would You Do to Restore U.S. Leadership on Trade? In today's global economy, there are unparalleled opportunities for the U.S. to expand trade by dismantling barriers to flows of goods and services. Lingering cynicism and doubts about the benefits of globalization and a free-market system should not abruptly halt America's long-standing commitment to openness and economic freedom.

Economic freedom is not a dogmatic ideology. However, it is a proven way to put an economy in order, with far better results than any other systems that have been tested. As the direct opposite of government interference and control, economic freedom is a threat only to those who want special privileges by pressuring societies to expand the size and weight of government interference.

This paper, in its entirety, can be found at
<http://report.heritage.org/ib3929>

Produced by the Center for International Trade and Economics (CITE)

The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002
(202) 546-4400 | heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

Moreover, free trade helps to spread freedom globally, reinforces the rule of law, and fosters economic development in less developed countries. Freer trade transmits more than just physical goods or services to people; it also transmits ideas and values. A culture of freedom can flourish whenever a country emerges with the self-confidence to open itself to flows of goods and the ideas and practices accompanying them. A culture of freedom is both the cornerstone and the capstone of peace and economic prosperity.

America's strategic approach to engaging the world should be anchored in an unrelenting commitment to advancing trade freedom, a vital ingredient of economic freedom. That approach would signal to the rest of the world that the U.S. will not abandon its sense of duty by turning inward but remain committed to global leadership.

2. Do You Support TPA on Its Own Merits?

Trade Promotion Authority (TPA), also known as "fast track" authority, is the legislative power Congress grants to the President to negotiate reciprocal trade agreements. Provided the President observes certain statutory obligations under TPA, Congress agrees to consider adopting those trade pacts without amending them. TPA has been a critical tool for advancing free trade and spreading its benefits to a greater number of Americans.

Historically, it has been common practice, although not formally required, to have the President request that Congress renew TPA every few years. In fact, except for President Obama, every President since Franklin Roosevelt has either requested or received trade negotiating authority.³ The last TPA authorization expired in 2007.

Reinstituting TPA may well be the most important legislative action on trade for both Congress

and the President in 2013. Talking about improving America's trade relations around the world is an empty gesture without TPA. Timely TPA renewal would demonstrate to the rest of the world that America is willing to take leadership in the common cause of advancing global trade liberalization. As the case for timely reinstallation of an effective and practical TPA is stronger than ever, the quest for renewing TPA should be guided by principles that enhance trade freedom.

Some lawmakers believe that TPA renewal needs to be considered together with Trade Adjustment Assistance, a welfare program intended to address the alleged costs of free trade.⁴ Using TPA renewal to promote greater welfare spending is an ill-advised and shortsighted idea. Entangling TPA reinstatement with a protectionist agenda would not serve America's economic interests. Renewing TPA should be considered on its own merits.

3. Do You Support Expanding Trade in Both Directions?

Ultimately, if President Obama wants to enable America to better reap the gains from trade, he should abandon his single-minded and mercantilist emphasis on expanding exports.

Export promotion is a poor substitute for the comprehensive trade liberalization that America needs. Both exports and imports are job-supporting activities.

The increased economic activity associated with every stage of the import process helps support jobs in the U.S. on a large scale. As shown by a recent Heritage Foundation study, for instance, over half a million American jobs—in fields such as transportation, wholesale, retail, construction, and finance—are supported by imports of clothes and toys from China alone.⁵ What America's next trade chief should focus on is not renewed trade politics but

-
1. Office of the United States Trade Representative, "Mission of the USTR," <http://www.ustr.gov/about-us/mission> (accessed May 3, 2013).
 2. Dan Ikenson, "Obama's Trade Policy Should Be Judged on Its Accomplishments, Not Its Promise," *Forbes*, March 12, 2013, <http://www.forbes.com/sites/danikenson/2013/03/12/obamas-trade-policy-should-be-judged-on-its-accomplishments-not-its-promise/> (accessed May 3, 2013).
 3. J. F. Hornbeck and William H. Cooper, "Trade Promotion Authority (TPA) and the Role of Congress in Trade Policy," Congressional Research Service *Report for Congress*, August 9, 2012, Appendix A, <http://www.fas.org/sgp/crs/misc/RL33743.pdf> (accessed May 3, 2013).
 4. Current Trade Adjustment Assistance (TAA) is effective until December 31, 2013. For more about TAA impact evaluations, see David B. Muhlhausen, "Trade Adjustment Assistance: Let the Ineffective and Costly Program Expire," Heritage Foundation *WebMemo* No. 3135, February 4, 2011, <http://www.heritage.org/research/reports/2011/02/trade-adjustment-assistance-let-the-ineffective-and-costly-program-expire>.
 5. Derek Scissors, Charlotte Espinoza, and Ambassador Terry Miller, "Trade Freedom: How Imports Support U.S. Jobs," Heritage Foundation *Backgrounder* No. 2725, September 11, 2012, <http://www.heritage.org/research/reports/2012/09/trade-freedom-how-imports-support-us-jobs>.

delivering greater trade freedom to Americans that advances the benefits of trade in both directions.

What the Senate Should Seek from the USTR Nominee. Trade liberalization is about creating and adding value, capitalizing on competitive advantages, and further harnessing the power of freedom and choice. Expanding global trade and America's role in world markets is fundamental to building a stronger economy at home and promoting better relationships abroad as an integral part of foreign policy.

The American people deserve a clear-cut assurance from Froman that he will take every opportunity to expand two-way international trade by any possible means, fight against protectionism, and articulate the benefits of free trade.

—*Anthony B. Kim is a Senior Policy Analyst in the Center for International Trade and Economics at The Heritage Foundation.*