

Forbes[®]

Obama's Trade Policy Should Be Judged on Its Accomplishments, Not Its Promise

By: Dan Ikenson – March 12, 2013

There has been more buzz about the prospects for trade liberalization this year than at any time since the first term of the second president Bush. It appears that some may be mistaking the chatter for actual accomplishment.

For example, trade policy made the front page of Saturday's Washington Post in a story that is much less about the substantive issues, or the obstacle-strewn path to meaningful liberalization, or the political leadership that will be required to surmount those obstacles than it is a paean to President Obama's alleged metamorphosis into a champion of free trade.

But before anyone awards the president the Nobel Trade Prize for a job yet done, consider this: in four-plus years, this administration has concluded zero trade agreements, while launching 13 WTO cases against various trade partners. For 50 months, enforcement and domestic protectionism—not liberalization—have dominated the trade agenda.

Yet, the absence of evidence that this administration can deliver meaningful new trade agreements doesn't seem to curb the enthusiasm of Bruce Stokes, a long-time trade policy observer, whose comment serves as the emphatic final sentence of the Washington Post tribute: "They appear to have moved from a risk-averse first term to creating a legacy in international economic and trade policy." A legacy? Really? Shouldn't the bar be raised just a smidge before we coronate President Obama this generation's Cordell Hull?

For starters, wouldn't the president have delegated someone capable and experienced to take ownership of the trade agenda if he were really committed to leaving a trade policy legacy? U.S. trade representative Ron Kirk announced more than one year ago that he would be leaving his post early in a second Obama administration. Yet there is nobody vetted and ready to take the reins of trade policy. Kirk's official resignation came at the end of last month—though he has been hanging around to help out on account of ... "sequestration."

The most prominent name floated for U.S. Trade Representative has been the OMB's Jeff Zients, the person most closely associated with President Obama's proposal to subsume the USTR under the enforcement-centric Commerce Department—again, not exactly the substance of trade legacy-building. Members from both parties in Congress have demanded a better candidate if the president expects his trade agenda to be taken seriously.

Accomplishments, not rhetorical intentions, should serve as the basis for our judgments. Anyone can announce initiatives. President Obama is quite proficient at reciting litanies of initiatives. But it remains to be seen how he handles the situation when the deals require his confronting allied interests and dismantling their protectionist perches. In fairness, the administration's trade negotiators have been working hard toward a Trans-Pacific Partnership agreement with 10 Pacific-rim nations. But let's see where this goes before we start writing history. There's still a lot of ham left on that bone.

The administration has verbally committed to completing the TPP negotiations by the end of this year and the just-announced Transatlantic Trade and Investment Partnership negotiations with Europe by the end of next year—both virtual impossibilities given where things stand in those negotiations and between the White House and Congress. So we already have a credibility problem.

Both sets of agreements are likely to include provisions that penetrate deeper than usual into the domestic regulatory space of all countries involved. Understandably, this is generating resistance—particularly to U.S. demands for extra investor and intellectual property protections. Some of the groups that were instrumental in defeating SOPA and PIPA legislation last Congress are beginning to mobilize in response to concerns that the TTIF could be a backdoor to IP-based restrictions that affect internet use and data sharing, among other issues. U.S. negotiators are making serious demands on matters they claim to be central to 21st century trade, yet they appear unwilling to give ground on the 18th century protectionism still afforded U.S. textile and footwear producers.

I bring attention to these details not to pick a fight about Obama's trade record, but to emphasize that facts matter. So do characterizations. Readers should know about growing resistance to U.S. demands that threaten to prolong or derail the TPP and TTIP negotiations. Readers should know that if the talks break down or produce less ambitious outcomes, that there is probably more to the story than the official U.S. account, which will pin the blame on foreign intransigence. Readers should know that the U.S. government engages in all sorts of protectionist policies and then relies on media to characterize trade as a zero-sum contest between U.S. producers and foreign producers. Under this rubric, U.S. protectionism is presented as a necessary response and it becomes patriotic to support our own trade barriers—the very protectionism that hurts us the most.

Consider this quote from the Washington Post story above about the administration's decisions to pursue these trade agreements:

To the Obama administration, it's the logical response to sluggish job growth, the failure of the Doha round of global trade talks and the fear that trade restrictions incubated in places such as China and India could become the global norm unless countered.

Yes, local content rules and preferences granted indigenously created technologies are emerging threats to the trading system, but this would be a good place in the story to point out that "Buy American" provisions were incubated in the United States well before the founding of either the Republic of India or the People's Republic of China, and they have been emulated around the world. What about the massive subsidies bestowed upon U.S. green industries and farmers? This tendency to portray the United States as wearing the cape or the white hat in a world full of trade scofflaws infantilizes readers, making it harder to dismantle our own barriers.

Furthermore, the administration has barely begun to do anything substantive with respect to securing Fast Track negotiating authority from the Congress, which it will need to get any trade agreements approved by the legislature. Congress is largely in the dark about what the administration has been negotiating in the TPP. The administration's cavalier attitude toward this potentially arduous process betrays either a lack of understanding or concern that Congress, if it grants that authority, will attach all sorts of conditions that may render moot the past couple years of negotiations on the TPP.

Not until the penultimate paragraph of the Washington Post story is the depth of President Obama's embrace of trade revealed:

The lackluster pace of job creation here and among allies in Europe created a try-anything attitude on both sides of the Atlantic. China's rise has led to a broader U.S. effort to deepen relationships with Asian nations that share many of the same anxieties about their behemoth neighbor.

Alas, President Obama has not found religion on trade after all. He's merely run out of options. The TPP was motivated from the outset as a means to regain some of the influence—on policy and institution-building in the Asia-Pacific—presumed to have been lost to China, as America toiled in Iraq and Afghanistan. Persistently high unemployment, despite four years of stimulus, subsidies, and bloated federal spending, had finally led the administration to its last resort: trade liberalization.

So there you have it. A president who has settled on trade agreements as a last resort to spur investment and create jobs shouldn't inspire too much confidence that he's in it for the long haul and that he'll be willing to make the tough political decisions ahead, particularly if the economy starts to improve and his affection for trade agreements proves fleeting.

Who knows, maybe the Washington Post story convinced the White House that it's already done enough good on the trade front and the moment for real liberalization has already passed.