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Analysis: 2011 could be big year for Obama on trade

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By [Doug Palmer](#)

WASHINGTON (Reuters) - After years of trade policy stalemate, there could be big strides in 2011 with approval of U.S. trade deals with South Korea, Panama and Colombia, Russia's entry into the World Trade Organization and perhaps even the end of the longest-ever round of global trade talks.

The Republican takeover of the House of Representatives, a sluggish economic recovery and President Barack Obama's goal of doubling exports could combine to spur action on several fronts, analysts say.

"It might be a very big year," said Ed Gresser, president of the centrist Democratic Leadership Council.

Government data shows U.S. exports likely grew about 17 percent last year, one of the fastest rates ever as world trade bounced back from a historic slump brought about by the financial crisis.

But Obama needs exports to grow about 15 percent annually during the next four years to double them, which will be difficult without new market-opening agreements, Gresser said.

With U.S. consumers rebuilding battered balance sheets, the economy will need to lean more heavily on the export sector. Stronger U.S. export growth in turn would help bring about a more-balanced pattern of global trade.

The White House took a big step toward winning congressional approval of the South Korea pact in December by renegotiating auto provisions to win the support of the United Auto Workers and Ford Motor Co (F.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)).

Many Democrats still oppose the deal and are even more steadfast in opposition to the Colombia agreement but newly empowered Republicans are eager to pass all three trade deals.

"The unknown is to what extent the Republican leadership will demand to vote on all three" if Obama balks at submitting one or both of the Latin American pacts, said Dan Griswold, director of the Cato Institute's trade policy section.

Both Gresser and Griswold said they believed there would be votes to pass all of them if Obama made a big push.

DOHA ROUND, RUSSIA WTO

The three FTA countries will be listening for a clear signal from Obama in his State of the Union speech on January 25, and so will negotiators in Geneva trying to finish the 9-year-old Doha round of world trade talks.

Those negotiations aimed at opening agriculture, manufacturing and services markets around the world have recently shown renewed signs of life.

But to convince the other 152 members the United States is serious about a deal, "Obama is going to have to take on the farm lobby the way he hasn't done before," Griswold said.

The United States has been pushing big developing countries like China, India and Brazil to make better offers in the negotiations to open their markets, while fending off pressure for deeper cuts in U.S. farm subsidies.

The huge U.S. budget deficit could change that dynamic and help Obama strike a deal since it will be harder for U.S. farmers to resist spending cuts when programs from Medicare to defense are facing the ax, Gresser said.

If nations agree to bigger tariff cuts and significantly greater market openings than now on the table, the deal could lift global growth by as much as \$283 billion a year, according to the Peterson Institute for International Economics.

Even if a Doha round is not finished, there is a good chance Russia's nearly 19-year-old bid to join the WTO could conclude in 2011, bringing the largest economy outside the WTO into the rules-based trading system.

To accomplish that, Obama needs to persuade Russia to address U.S. concerns in areas ranging from meat trade to intellectual property rights enforcement.

He also will have to convince Congress to grant "permanent normal trade relations" to Russia by finally removing a Cold War restriction known as the Jackson-Vanik amendment.

That measure used the threat of higher U.S. tariffs on imports from centrally planned economies to promote the rights of Jews and other religious minorities to emigrate freely.

CHINA, APEC

Meanwhile, concerns in Congress about China's trade and currency practices remain strong as U.S. lawmakers accuse Beijing of deliberately undervaluing its currency to give Chinese companies a trade advantage. The yuan's value is certain to be a topic when Obama meets with Chinese President Hu Jintao in Washington later this month.

But efforts in Congress to get tough with China over its currency policies may have "hit the high-water mark" in 2010, when the



Senate killed a bill that would have ramped up pressure on China to let its currency rise, Griswold said.

Supporters have vowed to try again but will face a tougher environment with Republicans controlling the House.

As the host this year of the 21-member economy Asia Pacific Economic Cooperation forum, the United States has an opportunity to advance open trade among countries that already account for about 60 percent of world economic growth.

When Obama, Hu and other APEC leaders gather in Honolulu in November for their annual summit, one major development could be the announcement that the United States has struck a deal with eight APEC members -- Vietnam, Malaysia, New Zealand, Australia, Chile, Peru, Singapore and Brunei -- on terms of the Transpacific Partnership pact.

If a deal is reached, it could become a "pathway" agreement for an even bigger pact covering all 21 APEC members.

(Reporting by Doug Palmer; editing by [Bill Trott](#))

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