


IBD FREE TRIAL!

[Home](#)
[Stock Research](#)
[eIBD](#)
[News](#)
[IBD Editorials](#)
[Education](#)
[Community](#)
[IBD TV](#)
[Store](#)


Get Quote
Search Site

[Investing](#)
[Business](#)
[Economy](#)
[Technology](#)
[Management](#)
[IBD Editorials](#)
[Blogs](#)
[Special Reports](#)
[Economic Calendar](#)

IBD EDITORIALS



Registration Benefits



IBD Forums

Participate in an IBD Forum and connect with other IBD subscribers.

VIEWPOINT

Obama's First Trade Move: No Big Deal

By SALLIE JAMES

Posted 12/28/2009 06:47 PM ET

After almost a year of waiting for a signal of President Obama's intentions on trade policy, Dec. 14 saw a letter from his trade representative, Ron Kirk, stating the administration's intent to enter negotiations on a trade agreement — called the Trans-Pacific Partnership, or TPP — with seven Asian nations in March 2010.

While this is the first positive move on trade since Obama's inauguration, those hopeful that it represents a broader shift away from his protectionist missteps earlier this year will likely be disappointed.

First, the TPP deal might not be worth the effort. Four of the seven current parties (Australia, Singapore, Peru and Chile) already have preferential trade agreements with the U.S., and the other three (New Zealand, Brunei and Vietnam) are not particularly economically significant, Vietnam possibly excepted.

Moreover, the real economic benefits TPP does offer are by no means guaranteed.

Free trade with New Zealand, for example, could bring real benefits to U.S. dairy consumers, who currently pay well above the world market price for dairy products in a sop to American dairy farmers.

However, the U.S. dairy lobby will likely follow the sugar lobby's precedent with the U.S.-Australia FTA by insisting on an industrywide carve-out before any talks even began.

Obama's record on standing up to powerful special interests that benefit from protection — witness his capitulation to organized labor on the Chinese tire decision in September — is not good.

Second, if the administration were as committed to "enhancing U.S. competitiveness and our share of job-creating economic opportunities" as it says it is, it would be working harder to clear the trade decks by pushing the trade deals with Colombia, Panama and South Korea that the previous administration has already negotiated.

The fact that the Obama administration would seek to start new negotiations with fewer economic benefits on the table instead of expending any political capital on controversial agreements already signed is not encouraging.

Ambassador Kirk insists that the administration is taking a long-term view of the potential for the TPP to become a trans-Asian agreement, with the eventual participation of Japan, China and others.

It is true that a broader Asian agreement would indeed be more worthwhile than the deals already pending. But that's the sort of pipe dream that the administration can ponder in the comfortable knowledge that such an outcome would happen on someone else's watch and after the exhibition of someone else's political courage.

Are you using the #1 Investing Strategy?

In the American Association of Individual Investors latest study, IBD's CAN SLIM® System outperformed all other investing strategies. Take a [free trial](#) and learn IBD's #1 Investing Strategy. [Free eIBD Trial!](#)

*American Association of Individual Investors independent study. Cumulative return from Jan. 1998 - June 2009.

Introducing The 60-Day Satisfaction Guarantee.



MAY THE BEST CAR WIN.™

Click here for details and limitations >>

Most Popular



Most Viewed Highest Rated

All Articles Media

[Indexes Extend Gains In Choppy Trading](#)

[Stocks Log Sixth Straight Gain, But Volume Still Weak](#) \$

[Yes, Janet, There Is A 'War On Terror'](#)

[Five Decades Of Cooling Ahead](#)

[Indexes Mark '09 Highs In Short Session](#) \$

12/29/2009 11:00:22 AM ET

Investing Tip

Avoid depending on stock tips; do your own research instead.



Third, although Kirk's announcement of talks and his call for public comment adheres to "fast-track" procedure, in fact that formal authority expired in July 2007. The ability of the administration to submit a trade deal to Congress for an expedited up-or-down vote without the possibility of amendments, also called "trade promotion authority," or TPA, is a valuable — if not necessary — tool for U.S. negotiators.

Some powerful members of Congress dismiss the value of TPA, suggesting that so long as the administration stays in close consultation with Congress, then all should be well. But those procedural considerations ignore the external value of TPA. Without it, trade partners fear that their American counterparts do not have the credibility to make concrete offers.

Why would mercantilist-to-their-bones trade negotiators offer market openings that alienate powerful interest groups at home if they feared such offers could all come to naught when Congress gets involved? TPA may not be a sufficient condition for shepherding a trade deal though Congress, but it does appear to be necessary.

Finally, Ambassador Kirk's letter also contained words comforting to the neo-protectionists in Congress: This agreement will be one for the 21st century, he assures us, one that will "update ... the U.S. approach to traditional trade issues, address ... new issues, incorporate ... new elements that reflect our current values and priorities."

That includes an intention to "work with Congress to enhance the agreement's focus on environmental protection and conservation ... (and) workers' rights and protections."

Those latter "updates" have been consistently and firmly opposed by developing country members in the past, who rightly see labor and environmental standards as protectionism in blue and green drag.

While this new approach might go some way to appeasing the most vocally anti-trade Democrats, it might also scupper any chance the talks would have had in succeeding and undermine the economic development that is the ultimate end of freer trade.

Being seen to be open to trade agreements that are of little economic benefit to Americans or the global trading system gives trade skeptics some immunity from charges of being anti-trade, even as they seek to bog down those agreements with anti-competitive standards and leave more valuable agreements on the shelf.

The American public should not let them get away with it.

- James is a trade policy analyst at the Cato Institute.

Avg. Rating: (6) Your Rating: 
 Email | Print | Comment |  BOOKMARK 

« [Previous Article in Viewpoint](#)

See Also

- [Yield Curve Is Tilting Toward Miniboom](#) 12/23/2009 05:58 PM ET
- [Grover Cleveland's Presidential Lessons](#) 12/22/2009 06:07 PM ET
- [The Vacuity Of The Double Climax In Copenhagen And The Congress](#) 12/21/2009 06:29 PM ET
- [Quest For Health Care Legislation Turns Into A Parody Of Leadership](#) 12/18/2009 06:22 PM ET
- [Penetration Even At The Pentagon: Muslim Spies Setting Muslim Policy](#) 12/17/2009 07:34 PM ET

Comments 2 Comments [Leave a comment](#)


Posted By: Old Navy(45) on 12/29/2009 | 3:08 AM ET
 Veryfedup. The same map that shows the 57 states clearly shows that Peru and Chili are in Asia. I am surprised at your lack of sophistication.


Posted By: veryfedup(25) on 12/28/2009 | 10:18 PM ET
 Since when are Peru and Chili in Asia.



\$0 Stock Trades
 Get Started Now >>> **zecco TRADING**
 10 free trades/month with \$25,000 or 25 trades/month, \$4.50 otherwise. Zecco Trading, Inc. Member FINRA/SIPC.

Trading Center



















- Lessons on Buying Stocks
- Lessons on Selling Stocks
- What is CAN SLIM?
- How to Invest in Options
- Investing Education Videos



[Obama will give you \\$2,500 a year to go to school](#)



[Do you qualify for a credit card bailout?](#)

Leave a Comment

[Back to Top](#)

To participate in Community areas, please [Sign In](#) or [Register](#)

Stock Research	eIBD	News & Analysis	Education	Community	IBD TV	Store
IBD Charts		Investing	Daily Stock Analysis	Forums		
Stock Checkup		Business	Online Courses	Meetups		
Screen Center		Economy	Ask IBD	Calendar		
Options Center		Technology	Financial Dictionary			
ETF Center		Management	IBD Workshops			
IBD Indexes		IBD Editorials				
Daily Graphs Online		Blogs				
		Special Reports				
		Economic Calendar				

[Add Your Business Directory Listing](#)

[FREE Small Cap Stock Picks!](#)

Enter Symbol/Keyword Get Quote Search Site



[Home](#) | [About IBD](#) | [Advertising](#) | [Contact Us](#) | [Classifieds & Partner Offers](#) | [Retail Locations](#) | [IBD Editorials](#) | [CAN SLIM Advisors](#) | [Affiliates](#)

INVESTOR'S BUSINESS DAILY

Investor's Business Daily, IBD and CAN SLIM and their corresponding logos are registered trademarks of Data Analysis Inc. © 2000-2009 Investor's Business Daily, Inc. All rights reserved. [Copyright and Trademark Notice](#) | [Privacy Statement](#) | [Terms and Conditions of Use](#)



© 2009 William O'Neil + Co. Incorporated. All Rights Reserved. The William O'Neil + Co. Database and all data contained herein are provided by William O'Neil + Co. Incorporated and are used by IBD under license agreement. Daily Graphs and Daily Graphs Online are trademarks of William O'Neil + Co. Incorporated or its subsidiaries.

This site is powered by Interactive Data Corp. Real Time Services market data. Price and Volume data is delayed 20 minutes unless otherwise noted, is believed accurate but is not warranted or guaranteed by Interactive Data Corp. Real Time Services and is subject to Interactive Data Corp. Real Time Services terms. All times are Eastern United States.