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On trade, it's put up or shut up

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With his signature health care legislation now law, President Obama has a little under three months to prove that he actually supports free trade. After that, all bets are off.

By almost any metric, the Obama administration's trade policy has been a disappointment. Inaction pervades, and our trading partners have gone from mildly annoyed to downright hostile. But the American trade agenda didn't always look to be headed this way. In Spring 2009, the White House dramatically reversed the protectionist campaign rhetoric of then-Senator Obama. U.S. Trade Representative Ron Kirk launched an aggressive campaign advocating free trade and denouncing protectionism. The White House's first [Trade Policy Agenda](#) called for ratification of the pending U.S.-Panama Free Trade Agreement "relatively quickly," and sought to advance other completed FTAs with Colombia and South Korea. The Agenda also unequivocally supported the World Trade Organization and NAFTA, and anticipated congressional renewal of the President's "fast track" trade negotiating authority.

Then political reality set in.

Immediately following the shift in White House trade rhetoric, congressional protectionists, almost all within Obama's own Party, launched a stifling counter-offensive. Senator Sherrod Brown (D-OH), for example, expressed [disappointment](#) with USTR's pro-NAFTA rhetoric and pledged to make it clear to President Obama that "our trade policy is not working and that it needs fixing." Such comments proved effective. The White House abandoned overt free trade actions and speeches in order to secure needed health care votes from anti-trade Democrats – a move that Rep. Henry Cuellar (D-TX) apologetically confirmed at June 2009 Cato Institute event.

As the health care debate stagnated, so did US trade policy, and it remains that way today. Signed FTAs remain shelved, despite the fact that the EU, China and others have negotiated preferential deals with the same FTA partners, each to the competitive disadvantage of American companies. The WTO's Doha Round negotiations are comatose, even though an ambitious Doha deal would provide billions in benefits to US economy. And US

exporters endure superfluous pains because the White House has failed to resolve several bilateral trade disputes, including \$2.4 billion in Mexican tariffs resulting from the United States' NAFTA-illegal ban on Mexican trucking, and the threat of almost \$900 million in Brazilian sanctions based on US non-compliance with WTO rulings against American cotton subsidies.

Despite these problems, some might argue that the National Export Initiative and the Trans-Pacific Partnership negotiations are concrete evidence that the Obama administration is dedicated to free trade. But real free trade policies – like the pending FTAs – involve immediate market liberalization at home and abroad. The NEI, by contrast, is a one-sided, non-controversial program which seeks to expand US exports through a timid combination of margin-tweaks that most economists believe will have little effect on US trade flows. Thus, calling the NEI “free trade” is like calling onanism “free love.”

The TPP Agreement, on the other hand, could yield significant trade gains, but would take years complete. Indeed, USTR Kirk lauded the TPP negotiations precisely because they won't be completed for years. Of course, this is the same USTR whose 2010 Trade Agenda mentioned the word “import” only five times, and never once in terms of domestic market access. So Kirk's statements about the TPP and the administration's advancement of the NEI are hardly surprising. They're just par for the cowardly course.

Throughout all of this, administration officials and the few free trade Democrats in Congress have quietly reassured the US business community that America's free trade legacy will re-emerge once the contentious health care debate is over. In September 2009, Transportation Department officials told a concerned group of affected exporters that the White House would not resolve the Mexican trucking dispute because the President needed Teamster support for ObamaCare. And at an October 2009 event, Reps. Cuellar and John Tanner (D-TN) assured their audience that the FTAs would progress once the health care debate ended.

Well, folks, health care's over. Time to put up or shut up.

Most of the United States' current trade irritants are within the White House's control to fix, as long as the President willing to expend an iota of political will to get things done. Signed U.S. FTAs have already been ratified by the partners countries and now only require the President to send their respective implementing legislation to Congress for ratification. While many congressional Democrats will resist such legislation, Obama can expect significant support from Republicans, many of whom, like House Trade Subcommittee Ranking Member Kevin Brady (R-TX), have routinely called on the President to submit the trade deals. Other issues show similar potential for bi-partisan resolution. All they require is an end to the White House's politically-motivated ambivalence.

In late June, Washington will turn its attention to the November mid-term elections, and controversial legislation will become untouchable. If President Obama and his free trade supporters really mean what they've said over the past year about the President's commitment to free trade, the White House will move on one or more of the unresolved trade issues before this “silly season” begins.

If, on the other hand, June comes and goes, and these issues are still unsettled because of the administration's political calculations, then the die will have been cast. And no amount of excuses will be able to convince American businesses and consumers that this President really cares about free trade.

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