

## Keep trade on the back burner, please

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Trade has remained on the back burner this past year while the Obama administration has dealt with domestic issues, especially health care, with the little activity on the issue being largely negative. There was the early caving into pressure from organized labor over allowing Mexican trucks on U.S. roads (part of America's contractual obligations under NAFTA), and another capitulation in September, when President Obama agreed to slap tariffs on Chinese tires at the behest of the steelworkers.

So one might be forgiven for thinking free traders saw a glimmer of hope on international engagement from President Obama recently. First, he sent U.S. Trade Representative Ron Kirk on the offensive to pitch the Trans-Pacific Partnership, a new regional trade agreement with seven Asia-Pacific countries. Then he gave a major speech outlining the administration's strategy for meeting their much-hyped goal of doubling exports within five years.

Neither of these initiatives, however, are worth much. Four of the seven TPP partners, for example, already have a free trade agreement with the United States. The other three are relatively small markets – and are already attracting criticism from domestic lobby groups concerned about competition from imports. Free trade in dairy products from New Zealand, for example, could bring significant benefits to U.S. consumers paying through the nose for dairy products. Alas, though, the dairy farmers and their sponsors in Congress have already stepped up the fight to protect their turf. Similarly, the textile lobby has warned that textile and apparel from Vietnam would not be welcome.

Nor is the administration's sales pitch for the TPP particularly inspiring. When asked why the administration is pushing the TPP instead of the deals with South Korea, Panama and Colombia, Ambassador Kirk assured the press that Congress would be more amenable to the TPP compared to other, already negotiated deals, because it would be a good fit for the political calendar. Similarly, he sees the ability of Congress to insert deal-killing standards on labor and the environment as a positive development. Try selling that to our trade partners, who often see social standards as a poison pill.

Deferring to Congress on trade is rarely a good idea. And the 111<sup>th</sup> Congress, in particular, is not friendly to trade.

Most Democrats have signed on to the so-called TRADE Act, which proposes changes to trade negotiation strategies that would bog deals down with a wishlist of social standards. When the House Trade Working Group, made up of trade-skeptic members, wrote to Kirk expressing concerns with the TPP deal, he wisely responded with a noncommittal letter promising not much more than to consult people who have submitted comments on the deal.

The groups Ambassador Kirk chose to single out in the Working Group letter, however, were hardly representative. "We are conducting follow-up meetings with [groups who submitted comments]," Kirk wrote, "including the AFL-CIO, the United Steelworkers, the Sierra Club, Oxfam, and Global Trade Watch, among others, to ensure we are hearing the full range of views on these issues. That some of the most anti-trade and anti-market groups in Washington are considered a "full range of views" is *not* a good sign.

The other recent trade move—President Obama's announcement on the strategy for doubling exports—was equally lackluster.

First, the target is ambitious-bordering-on-unrealistic. The United States has not seen its exports double for many decades. Meeting that target would require a 15 percent rate of export growth every year for five years, double the rate of growth of the five years before the 2008 recession.

Second, the strategies for achieving the export growth were more of the same bureaucratic micromanagement from Washington. The ideas floated include an "Export Promotion

Cabinet” and a “Trade Promotion Coordinating Committee,” who would come up with a “coordinated, detailed plan.” Color me skeptical.

In the same speech, President Obama showed his true protectionist colors by implying that many job losses in the United States were as a result of our trade partners cheating. Enforcement of trade agreements—another prong of the administration’s export strategy—is a treacherous road in any case: The U.S. itself has a blemished record on complying with trade rulings.

Exporters missing out on billions of dollars worth of sales to Brazil (in retaliation for the U.S. failure to comply with a World Trade Organization ruling on cotton subsidies) and Mexico (those trucks again) would be forgiven for doubting the administration’s concern about exports, at least as far as it conflicts with the wishes of politically powerful special interests.

If this is the best the Obama administration can do, maybe having trade on the back burner isn’t so bad after all.

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