

# Trade Policy: The Road Ahead

**Emerging trade policies contain a number of potential land mines that companies will have to watch out for, but Obama appears to be steering things in a positive direction.**

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As I said in last month's column, the threat of protectionism continues to evolve. Since then, concerns about a resurgence of restrictive trade policies have only grown--fed by the tentative but steady imposition of new barriers to commerce between nations as the global economy continues to lose ground. This trend threatens to undermine the rough and unsteady coalition of world leaders who've so far managed to stave off more draconian measures many believe would plunge the international economic system into chaos.

In this historic crisis, the world is looking to the U.S. for leadership. There's been particular interest in whether President Barack Obama, whose election campaign focused so prominently on change, would seek to remedy the worst economic situation in decades by forging ahead with fundamental changes to U.S. domestic and international economic policy.

The good news is that, in both word and deed, Obama has largely allayed fears of a U.S. withdrawal from world markets. He's followed through on his inaugural vow that America is ready to lead by reaffirming the U.S. commitment to a free and open global trading system and taking a strong and consistent stance against protectionism. He and his advisers appear to have a firm understanding that today's world is economically interdependent and that the U.S. cannot attempt to go it alone without damaging itself severely in the process.

The annual trade agenda the White House issued in February is perhaps the most comprehensive example of this approach to date. To be sure, this agenda was issued before any of the top trade officials at the administration's lead trade agency had taken office, so it contains relatively fewer details than would ordinarily be expected.

Nevertheless, the agenda is unequivocal in its support for continued U.S. engagement in world markets as a key part of the effort to reverse the ongoing downturn. The goal of the Obama administration, the report asserts, "is to combine the best elements of previous trade policies, especially a rules-based system of global trade, with a determination to make trade policy a powerful contributor to the president's national economic agenda for revival of the global economy and renewal of growth that benefits all people."

On the campaign trail, Obama appeared to be a trade skeptic, from threatening to renegotiate a seminal trade pact with the country's largest trading partner to pledging to keep a sharp eye on low-cost imports. In office, however, the president has not only softened the rhetoric of his candidacy, which is to be expected, but has also moved in some unanticipated directions. His lead officials on trade policy are a former mayor of Dallas who has been strongly supportive of

NAFTA and a former Washington state governor who actively promoted trade ties with Asia. He also emphasized that the "Buy American" provisions in the economic stimulus bill will only be implemented in accordance with U.S. obligations under international trade rules. Steps like these have found favor in the business community but have raised alarm among labor unions and similar groups that were among the president's strongest campaign supporters.

The 2009 trade agenda reinforces this approach, painting a picture of an administration that intends to pursue all possible avenues to boost the ability of U.S. manufacturers, service providers and others to compete in a globalized economy. There are some interesting tidbits here as well, including plans to secure congressional approval of free trade agreements the Bush administration negotiated with Panama, Colombia and Korea and an openness to new FTAs and the "fast-track" authority that would help speed them through Congress.

At the same time, the administration's emerging trade policy contains a number of potential land mines that companies will have to watch out for. Reviews are planned of existing trade and investment deals, including NAFTA, to look for unintended effects and possible improvements. Unilateral preference programs could be overhauled and benefits reduced or eliminated for specific products or countries. The U.S. will maintain pressure on advanced developing countries in the long-running Doha Round negotiations and "aggressively defend" its rights at the World Trade Organization. And China will of course remain under close scrutiny, although Obama has said he will continue the "talk first, fight later" approach the U.S. has generally adhered to since China joined the WTO in 2001.

What we are beginning to see, then, is a more modest and measured approach to trade but one that recognizes the necessity of U.S. involvement in the global marketplace. With economies the world over in free fall, with international trade declining for the first time in more than 25 years, and with the worst possibly yet to come, the U.S. cannot afford to backtrack on its commitments. Closing America's doors would inexorably lead to similar measures abroad, shutting off the markets U.S. companies need to pull themselves back up. So far, at least, that's a path the new administration has signaled it's not willing to pursue.