

# Trading Up To Global Recovery

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President Obama faces two immediate challenges: restoring economic growth and renewing global faith in America's judgment. A robust trade policy is essential to both.

Over the past 40 years, the share of trade in the U.S. economy has tripled, to 30 percent of gross domestic product. The benefits are clear in significant income gains, record pre-crisis manufacturing output and exports, and robust services and farm trade. Exports, which support 20 percent of U.S. manufacturing jobs, are now our only significant source of private-sector growth.

As the Senate considers the president's choice for U.S. trade representative, former Dallas mayor Ron Kirk, lawmakers should keep in mind that trade spurs development, building alliances and security as economic integration creates shared interests. It is critical that, as Obama suggested last month in his speech to Congress, the United States avoid trade restrictions during this economic crisis. From this base, a three-pronged agenda can promote growth, and support foreign policy and global stability. It should:

-- Do what counts. Economic expansion is key. Instead of small agreements with small countries, and rounding-error results for our economy, finish the Doha round of global trade talks on acceptable terms, then pivot to the big partners and fastest-growing industries. A model free-trade agreement among the United States, Europe and Japan covering the largest, newest sectors of our economies -- services trade, emerging technologies such as "green" infrastructure, energy and medical services -- could be negotiated under the auspices of the World Trade Organization and opened to all countries wishing to join.

Meanwhile, we should focus on Asia, which remains the world's most dynamic region, starting with the pending U.S.-South Korea free-trade agreement. Obama should put his stamp on the pact by obtaining additional commitments to liberalize the Korean auto market, followed by a guaranteed up-or-down vote in Congress. Repudiating South Korea -- an ally and Asia's third-largest economy -- is not desirable. This agreement, along with existing bilateral pacts with Singapore, Chile and Australia, and last year's transpacific initiative, should push a revitalized Asia-Pacific Economic Cooperation forum toward Pacific integration with the United States as a full partner rather than a marginal player. Robust engagement with China is also vital, with a sharpened emphasis on macroeconomic policy (including exchange rates), energy, climate change, nonproliferation and rogue states.

-- Support development and security. We can do more for the world's poor and our national security by reforming our own trade regime. For example, the highest U.S. manufacturing tariff is the 48 percent tax on cheap sneakers. The United States makes no cheap sneakers; they are produced in very poor countries such as Cambodia and in large Muslim states such as Pakistan. The same goes for many cheap clothes and household goods. Why tax these countries' meager

profitability and the American pocketbook? It is similarly sensible to make permanent our programs offering duty-free access for the least-developed countries.

U.S. security concerns center on the Middle East, from the Maghreb to Central Asia. That area includes some of the world's poorest regions, with high unemployment rates that further radicalize young populations. Attempts to solve its political problems without addressing economic stagnation have not worked. A better option, modeled on the duty-free program for Africa, would be to waive tariffs for reforming Muslim countries that cooperate with U.S. efforts to fight terrorism.

Development and security also require a new strategy on Latin America. The pending free-trade agreements with Colombia and Panama should be passed, with an added provision in the Colombia pact for joint oversight of targeted union violence and extra assistance for police, courts and other institutions to ensure the full enforcement of laws. The United States should then seek to combine and modernize the four existing Latin American free-trade agreements, including NAFTA, into a single pact that would include disciplines on labor and the environment. This modernization would also provide a process in which to productively engage Brazil.

-- Foster common action. The global system serves America's interests and aspirations. The more we adjust to new economic realities and demand constructive engagement from the developing world -- India, China and others -- on international economic governance, the more stable that system will become. These countries should have enhanced voting rights in the International Monetary Fund, the World Bank and other organizations, but they must accept more responsibility for stewardship of the global order from which they benefit. In combating today's economic crisis, that includes providing additional liquidity, coordinated stimulus and assistance to the poorest countries as well as cooperation toward a global system of regulation.

To be sure, sensible domestic policies must accompany an effective trade policy. Progressive tax policies, portable pensions, comprehensive health care and other measures are necessary to help spread the benefits of globalization more equitably. But a comprehensive trade policy is as essential as these domestic policies.

Trade policy is challenging. Some may be tempted to view it as too politically taxing given an already crowded agenda. It is imperative for growth and American leadership, however, that Obama and Congress confound the skeptics and move forward on a robust trade agenda.

*The writer was the U.S. trade representative from 1997 to 2001.*