

U.S. to Toughen Its Stance On Trade

New Policy Reflects Growing Dissatisfaction With Global Markets

By Anthony Faiola
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The Obama administration is aggressively reworking U.S. trade policy to more strongly emphasize domestic and social issues, from the displacement of American workers to climate change.

Even as world trade takes its steepest drop in 80 years amid the global economic crisis, the administration is preparing to take a harder line with America's trading partners. It will seek new benchmarks before supporting already-written trade agreements with Colombia and South Korea and is suggesting that it will dig in its heels on global trade talks, demanding that other countries make broader concessions first.

"I believe in trade and will work to expand it, but I also know that not all Americans are winning from it and that our trading partners are not always playing by the rules," Ron Kirk, President Obama's nominee as U.S. trade representative, said in confirmation hearing testimony last night before the Senate Finance Committee.

The shift underscores the mounting pressures confronting any effort to expand trade during the economic crisis. Even before the global economy went code red late last year, talks aimed at expanding global trade stalled as Western countries warred with emerging giants like China and India over how to further open markets.

Those divides appear to be more unbreachable than ever as world leaders move to protect their domestic industries from the ravages of the financial crisis, embracing new trade barriers aimed at imported goods and other measures meant to restrict the flow of capital outside their borders. In the United States, more Americans are blaming cheap imports for job losses at home and congressional leaders pressed successfully to include a "buy American" provision in the \$787 billion stimulus program to give an edge to U.S.-made products.

"Our consensus to advance international trade is frayed," Sen. Max Baucus (D-Mont.) said at Kirk's hearing yesterday. "Our faith in the international trading system is badly shaken."

During the campaign, Obama said he generally supports free-trade policies but also signaled a tougher approach that is only now beginning to be outlined. Both in Kirk's testimony yesterday and in a policy statement issued by new Obama appointees at the Office of the U.S. Trade Representative, the administration vowed to make tougher labor and environmental standards prerequisites for trade deals. Rather than stressing the signing of new agreements, the administration indicated that it will instead prioritize stricter enforcement of existing ones before the World Trade Organization -- the Geneva-based body that arbitrates global trade.

In what appeared to be a jab at the Bush administration's zealous pursuit of free-trade agreements, Kirk, a former mayor of Dallas, said: "I do not come to this job . . . with deal fever. We're not going to do deals just for doing so."

The administration, he said, is conducting a review of trade agreements signed by the previous administration with South Korea, Colombia and Panama. He said outright that the deal with South Korea, as currently written, "is simply unfair." He added that "we are prepared to step away from that" if it is not reworked.

The new administration policy statement, released by the trade representative's office last week, said Obama would seek new benchmarks for the passage of the agreements with South Korea and Colombia. South Korea has come under fire for its hurdles for U.S. automakers, while U.S. unions have said Colombia has not done enough to combat violence against labor leaders there. Though Kirk declined to detail what those benchmarks may be, analysts have suggested that they might involve, for instance, a U.S. insistence that murders of union leaders be sharply reduced in Colombia before lending support to the deal.

The trade representative's office also stated that trade policy must now contain a new element of "social accountability," including on issues such as climate change. "We should aim to make trade a part of the tool kit of solutions for addressing international environmental challenges," the statement said.

"The result will be a complete rethink on what U.S. priorities are on trade and what trade agreements look like in the future," said Randall Soderquist, senior trade program associate at the Center for Global Development. "This could mean starting from scratch versus just taking the baton from the Bush administration."

Yet the administration still appears to be toeing a line, saying it will move to address the concerns of American workers while also carefully avoiding words and deeds that directly smack of protectionism.

Though Obama said before the elections that he would seek to renegotiate the North American Free Trade Agreement, he has since backed away from that statement, vowing during his recent trip to Canada to avoid protectionism. Obama's opposition to a stronger version of the "buy American" provisions added to the stimulus bill last month by congressional Democrats is also viewed as a major reason it was eventually watered down before the bill reached his desk for signing.

In addition, Kirk -- who appears headed for confirmation despite an admission that he mistakenly underpaid his taxes by \$10,000 -- is viewed by many as a pragmatist who in the past has supported the notion of free trade.

Yet the administration, analysts say, is also up against an American public that is increasingly blaming the open U.S. trade policies of the past as part of the toxic mix at the root of the nation's economic problems. Kirk suggested as much yesterday.

"It is true that cheaper foreign products helped squeezed American families stretch their dollars, and the sale of our goods and services abroad support American families," he said. "But it is also true that the overarching benefits of trade are difficult to appreciate when a plant closes in a small community because of increased foreign competition."