

**THE PRESIDENT'S
TRADE POLICY AGENDA**

I. THE PRESIDENT'S TRADE AGENDA: MAKING TRADE WORK FOR AMERICAN FAMILIES

President Obama has charted a course for economic recovery that will restore growth and promote broad-based prosperity. It will emphasize improvements in the living standards of American families while reorienting our economy to meet today's challenges – energy, the environment, and global competitiveness.

The President's trade agenda will contribute to achieving these objectives. It will reflect our respect for entrepreneurship and market competition, our environment, opportunity for all, and the rights of workers. We seek to benefit Americans and the world by pursuing trade policies that embody these values. We particularly recognize the need to pay special attention to how our policies influence the well being of people struggling both at home and in the poorest regions of the world. Fundamentally, our trade policy needs a keen appreciation of its economic consequences for our workers, their families, and their communities, a fact recognized in the progress our Congress is making to upgrade our existing adjustment assistance programs for workers.

Eliminating barriers to trade in the face of serious turmoil in our economy and financial markets will be a challenge. In enacting the Economic Recovery Act, the Congress affirmed our commitment to comply with the rules that govern international commerce and reached agreement to improve our trade adjustment assistance programs. These acts recognize the importance of trade to our economy and our responsibilities to those who face the highest hurdles in adjusting to changing trade patterns.

The President will use all available tools to address this economic crisis including achieving access to new markets for American businesses large and small. One of these tools is the authority Congress can grant the Executive to negotiate trade agreements and bring them to the legislature for an up or down vote. We will only ask for renewed trade negotiating authority after engaging in extensive consultation with Congress to establish the proper constraints on that authority and after we have assessed our priorities and made clear to this body and the American people what we intend to do with it.

Trade is a significant and increasingly important factor in contributing to the U.S. and global economies. In 2008, U.S. goods and services trade (exports plus imports) were equal to 30.8 percent of U.S. Gross Domestic Product (GDP), and exports alone accounted for 13.1 percent of the U.S. economy. World goods and services trade accounted for an estimated 33.5 percent of global GDP in 2008 (about \$20.8 trillion dollars). In other words, trade is a large and growing part of our everyday commerce, and the jobs produced by these transactions are significant and well-paying.

Yet, there are signs that trade, which has grown consistently in recent years, is slowing markedly. For the first time since 1982, global trade flows are projected to decline in 2009 by 2.1 percent to 2.8 percent. U.S. trade in goods and services already dropped by 14 percent between the 3rd and 4th quarters of 2008.

Pressing economic conditions require the discipline to respond to immediate problems while staying true to our long-term goals. The President's approach will be to promote adherence to the rules-based international trading system in order to promote economic stability, while introducing new concepts – including increasing transparency and promoting broader participation in the debate – to help revitalize economic growth and promote higher living standards at home and abroad. We are in the process of developing a plan of action to address the pending trade agreements in consultation with Congress. We

hope to move on the Panama Free Trade Agreement (FTA) relatively quickly. And we plan to establish benchmarks for progress on the Colombian and South Korean FTAs.

The President's agenda will take account of the changing contours of the world economy by underscoring the importance of continuing education and the mastery of new skills to ensure we continuously strengthen our competitiveness. The President's agenda will also stress the importance of harnessing new technologies to help our citizens learn, conduct business, and compete. It recognizes the impact of transportation and energy infrastructure on the location and productivity of economic activity. The President's agenda also recognizes the necessity of pursuing energy and environmental policies that ensure a sustainable and prosperous future for our planet. These changes will make environmental dynamics more central to the direction of the world economy.

We also want to expand the universe of those who benefit from trade and fully address the costs it creates. For example, trade and commercial policies should help small and medium-sized firms become more integrated as effective competitors in the global marketplace. Our goal should not only be to help them respond to competitive imports, it also should be to create conditions that help them become effective exporters.

Open world markets can incentivize people and capital to move from less productive to more productive jobs and uses. This process ultimately stimulates higher wages and innovation while lowering prices for consumers. But trade outcomes do not lift everyone up in the short run, and cause painful adjustments for some. It is the responsibility of government to ensure that people receive the assistance they need to make those adjustments. Our trade policy needs a keener appreciation of the consequences of trade for our workers, their families, and their communities. The Congress has already made meaningful progress on this front by upgrading our existing adjustment assistance programs for workers.

To make support for global markets sustainable, our consideration of the effects of trade can not stop at the edge of our borders. Trade is more beneficial for the world, and fairer for everyone, if it respects the basic rights of workers. Our trade policies should build on the successful examples of labor provisions in some of our existing agreements.

Also, as we tackle the issues of equity, we need to ask how trade policy can respond to mounting global environmental challenges. These range from climate change to dangerously depleted resources such as fisheries. We should aim to make trade a part of the tool kit of solutions for addressing international environmental challenges.

The clear implication of these global challenges is that simply lowering tariffs and eliminating tariffs will not produce a successful trade policy. Managing our nation's trade policy and engagement in the world economy has become an ever more complex challenge. Therefore, we must bring the same vigor and innovation to making trade policies more transparent and accountable that we are now applying to the process of developing and implementing our domestic economic policies.

PRESIDENT OBAMA'S POLICY PRIORITIES

Support a rules-based trading system

This Administration reaffirms America's commitment to a rules-based trading system that advances the well being of the citizens of the United States and our trading partners. We all win from building on the foundations for peaceful commercial exchange created since 1945.

We shall continue this country's commitment to the World Trade Organization's (WTO) system of multilateral trading rules and dispute settlement. The WTO is both a venue for multilateral liberalization through negotiation and a defense against protectionism. We will aggressively defend our rights and benefits under the rules-based trading system. This is in the interest of all Americans.

A strong, market-opening agreement for both goods and services in the WTO's Doha Round negotiations would be an important contribution to addressing the global economic crisis, as part of the effort to restore trade's role in leading economic growth and development. The Administration is committed to working with our trading partners for such an outcome. However, it will be necessary to correct the imbalance in the current negotiations in which the value of what the United States would be expected to give is well-known and easily calculable, whereas the broad flexibilities available to others leaves unclear the value of new opportunities for our workers, farmers, ranchers, and businesses.

Advance the social accountability and political transparency of trade policy

As the scope of trade policy expands to address non-tariff and other barriers to trade, we need trade policy to meet strong standards of social accountability and political transparency.

Social accountability includes tackling adjustment issues for the work force that are created by changes in global trade. In the stimulus, the Congress expanded eligibility for Trade Adjustment Assistance (TAA) by adjusting the criteria for receiving benefits and broadening the sectors of the workforce (*e.g.*, services workers) eligible for TAA.

Social accountability also means working with our trading partners to improve the status, conditions, and protections of workers. We need to ensure that expanded trade is not at the expense of workers' welfare and that competitiveness is not based on the exploitation of workers. Building on the provisions concerning labor in some of our FTAs is a way forward in this regard.

In addition to promoting social accountability, U.S. trade policy development needs to become more transparent. Many stakeholders are frustrated with the lack of consultation involved in the development and implementation of trade policy, but we can and should expand public participation in advising U.S. trade negotiators. The methods for doing so will have to evolve but improved websites for the trade policy agencies and more public consultation venues outside the established advisory groups are important steps toward this goal.

Make trade an important policy tool for achieving progress on national energy and environmental goals

The President has called for new policies to advance a cleaner environment, a stronger response to the challenge of climate change and more sustainable natural resources and energy supplies. Trade policy makers will be working to examine how trade can advance these goals.

We should build on the environmental goods and services negotiations begun in the Doha Round, whether at the WTO or in other negotiating arenas. We should assure that the frameworks for trade policy and for tackling global climate complement each other so as to reinforce sustainable economic growth. We should ensure that climate policies are consistent with our trade obligations, but we also should be creative and firm in assuring that trade rules do not block us from tackling this critical environmental task.

Make sure that trade agreements are addressing the major unresolved issues that are responsible for trade frictions

As tariff levels have declined, other impediments to world trade have become more significant. American firms increasingly focus on “behind the border” measures and other non-tariff barriers (NTBs) as major impediments to their access to other national markets. We will negotiate for improved transparency and due process in our partners’ trade practices and policies, including government procurement and the crafting of market regulations. We will seek to open markets and secure fair treatment for American services, which are an increasingly important element of our trading profile. We will protect American innovations and creativity by negotiating and enforcing strong and effective intellectual property protections. We will pursue advances in trade facilitation and consumer product safety, through plurilateral negotiations if appropriate. And we will work with our trading partners to develop and implement policies that address the heightened security threats associated with trade in the least trade-impeding manner possible.

Build on existing Free Trade Agreements and Bilateral Investment Treaties in a responsible and transparent manner

The Bush administration has left a legacy of numerous pending agreements and negotiations. We will conduct extensive outreach and discourse with the public on whether these agreements appropriately advance the interests of the United States and our trading partners. In particular, we will promptly, but responsibly, address the issues surrounding the Colombia, Korea and Panama Free Trade Agreements. We shall also review the implementation of our FTAs and bilateral investment treaties (BITs) to ensure that they advance the public interest.

We will also work with Canada and Mexico to identify ways in which NAFTA could be improved without having an adverse effect on trade. We will do this in a collaborative spirit and emphasize ways in which this process can benefit the citizens of all three countries. And, we will consider proposals for new bilateral and regional agreements when they promise to deliver significant benefits consistent with our national economic policies. If new negotiating authority is required, we will seek that from Congress.

Uphold our commitment to be a strong partner to developing countries, especially the poorest developing countries

Expanded trade can make an important contribution to boosting growth in developing countries and lift their national income levels. Economic growth in these countries benefits the American economy by expanding markets for American exporters. We shall promote trade policies, including technical assistance for capacity building, that will help these countries engage successfully with the world economy.

Trade preference programs help entrepreneurs in developing countries compete effectively in the world trading system. Many of our nation’s trade preference programs are coming due for legislative review. We will work with the Congress and public stakeholders on their renewal and reform. We will give careful consideration to proposals to concentrate benefits more effectively on the poorest countries and those that need the margin of preference to compete.

In addition to preferences, building trade capacity in developing countries will help them to reap the benefits of the global economy. The United States is already the largest bilateral provider of trade capacity building assistance, and we will continue to support these efforts.

Finally, especially in this time of an international financial crisis, credit for trade financing is critical. We will work with international financial institutions and export credit facilities to ensure that there is adequate trade financing available, especially for small and medium-sized exporters.

Conclusion

This agenda addresses the underlying goals and priorities for this Administration's trade policy within the context of a financial crisis and rapidly changing economies. A reading of the last Administration's trade policy record that follows in this volume makes clear that there are many strategic and programmatic choices that must be made to advance the President's agenda. These choices will be the work of 2009. Our agenda 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. If we work together, free and fair trade with a proper regard for social and environmental goals and appropriate political accountability will be a powerful contributor to the national and global well being.

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