

US Trade Snooping Won't Open Markets

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The recent “three amigos” summit put US President Barack Obama’s trade identity crisis on full display. On the one hand, he praised open markets and again vowed to resist protectionist impulses. On the other hand, Mr. Obama’s Canadian and Mexican counterparts gave him an earful about US policies harming trade between the three nations.

Such is the state of US trade policy, and nowhere are Mr Obama’s current problems more evident than the administration’s new trade enforcement initiative. Announced last month, the programme bolsters the efforts of the Office the United States Trade Representative (USTR) to snoop in other nations’ closets and ferret out illegal restrictions to US exports. But while increasing foreign market access for US goods and services is a laudable goal, until the US gets its own (glass) house in order, the administration’s plans will be ineffective at best and counterproductive at worst.

The White House’s new trade enforcement initiative can be whittled down to three “S”s: more searching, more shaming and more suing. The office has promised to expand its targeting of foreign barriers to US exports, to increase diplomatic pressure on trading partners to remove these barriers and, where diplomacy fails, to bring more cases to the World Trade Organisation.

Trade representative Ron Kirk justified the decision to make trade enforcement a “centerpiece” of US trade policy on the fact

that “we need access to foreign markets.” In that sense, he’s right: expanded market access for US farmers, manufacturers and service providers is critically important to the future success of the US economy.

The US has some very valid market access concerns. Mischief abounds in this difficult economic climate. But enforcement can only be a centerpiece of US trade policy when America meets its own international obligations. Why will countries respect America’s rights in the global trading system when we so commonly and brazenly disrespect their co-equal rights?

When diplomacy fails, there’s always litigation. But compliance with adverse rulings from the WTO—the only global body handling trade disputes between governments—is voluntary. Nations that violate WTO rules can accept retaliatory tariffs against their exports instead of opening their markets.

So after the administration’s new diplomacy fails and it resorts to WTO litigation, a “victory” in Geneva will most likely mean less market access around the world. And the big losers will be American consumers.

The WTO also will lose out. Because the trade body has no enforcement powers, a fundamental motivation for nations to comply with adverse rulings is to maintain the integrity of the trading system. Non-compliance is supposed to be a last resort. So when the US and other countries increasingly take this route, the system suffers.



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