

## Paying The Price For Obama's Lack Of A Trade Policy

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**The administration has offered little more than ambiguous rhetoric, and that is costing Americans in a variety of ways.**

President Obama is neither a committed free-trader nor a hard-core protectionist. But his continuing failure to commit to a pro-trade agenda amounts to de facto protectionism and subverts his economic and foreign policy objectives.

Reacting recently to a provision in the climate change bill that would impose trade penalties against nations that do not limit carbon emissions enough, the president said, "At a time when the economy worldwide is still deep in recession and we've seen a significant drop in global trade, I think we have to be very careful about sending any protectionist signals."

In that mild rebuke of protectionism lingers the essence of the administration's nascent trade policy: conditional, ambiguous and not particularly reassuring.

Earlier this year, the president suggested that Congress avoid language in the stimulus bill that could provoke a trade war. Congress responded by pruning the bill's most overtly protectionist provisions. But "buy American" fever has nonetheless permeated the government procurement market. Uncertainty surrounding the arcane rules has caused contractors to render their own judgments about what qualifies. Not only have eligible foreign firms been excluded from the market, but US firms that use imported raw materials (including California's entire steel industry) also have been shut out.

Canadian municipalities have responded with "don't buy American" rules, while the Chinese and others have introduced their own buy-local provisions, all to the chagrin of US exporters and the general economy.

One would expect the president to respond with dispatch, at the very least issuing clear implementing guidelines. Instead, the Obama administration has done nothing but "seek comment." Our comment is this: The president's disregard for the matter is slowing economic recovery, tempting further escalation by our trade partners and cementing the United States' reputation as an international trade scofflaw.

Likewise, when Congress defunded a program that enabled Mexican trucks to operate on our roads – placing the US in violation of the North American Free Trade Agreement, Obama offered assurances of a quick resolution. Five months later, there is no fix in sight. To hasten a resolution, the Mexican government imposed \$2.4 billion in retaliatory duties on about 90 US exports, and a Mexican trucking association filed a \$6-billion lawsuit against the US government.

The reduction in cross-border trade and investment cannot be the economic elixir the president had in mind, nor is the dispute his preferred launching point for diplomatic relations with Mexico. Yet the administration is content, after five months, to just study the problem. How much study is needed



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to conclude that blatant violation of our NAFTA obligations, plus potentially \$8.4 billion in direct costs, plus higher transportation costs on the entire North American supply chain for the benefit of the Teamsters, is a bad idea?

Meanwhile, despite claims that the administration would work with Congress to pass long-pending trade agreements with Panama, Colombia and South Korea, those deals remain hostage to cynical politics.

The president speaks of a renewed internationalism and multilateralism in foreign policy, yet his trade policy whiffs of nationalism and unilateralism. That won't help restore America's image abroad, where most countries regard US trade policy as the face of US foreign policy.

The inconsistency between the president's words and deeds betrays a man concerned with politics above all else. But the politics of trade are changing, and Obama has an opportunity to shepherd his party back from the fringe.

Recent polls indicate that Americans are shedding their skepticism about trade's benefits. The founding of the Congressional Pro-Trade Caucus by Rep. Henry Cuellar (D-Texas) this year suggests that protectionism is not the Democratic Party's creed but rather that of a loud minority led by Sen. Sherrod Brown (D-Ohio) and Rep. Michael Michaud (D-Maine).

Democrats who seek to restrict trade must be held accountable when they also claim to speak for Main Street. Middle-income Americans spend more of their paychecks on imports than do wealthy Americans. Lower-income families spend a higher percentage of their budgets on necessities such as food, clothing and shelter (steel, lumber, cement), all of which face above-average import duties because of the efforts of unions and other protectionist lobbies. Tariffs are a highly regressive tax, which is supposed to be anathema to every card-carrying Democrat.

In the coming days, Obama will make his first major speech on the future of US trade policy. If he really wants to bring his party into the 21st century and is truly committed to economic recovery and diplomatic fence-mending, he must ditch the flaccid rhetoric and launch an unabashedly pro-trade agenda now.

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