

U.S. Trade Agenda 2009

While the U.S. trade agenda in 2009 has many of the same issues that were pending in 2008, the priorities as well as the environment in which policy is being set have changed. President Obama has already put his stamp on U.S. trade policy by adding a new set of goals with which he must work with the U.S. Congress to achieve.

Support for Workers Displaced by Trade Agreements

President Obama and the Democrats and Republicans in Congress have arrived at consensus in one area -- the need to revamp the Trade Adjustment Assistance program which provides assistance to U.S. workers who have lost their jobs because of increased imports or outsourcing. The Economic Recovery Act containing the stimulus package also revises the program and includes provisions to expand the program to cover service workers, better capture the reality of the global supply chain and so broadens the understanding of when workers are affected by trade, and provides for improved and expanded training for affected workers.

Free Trade Agreements

President Obama has signaled his intention to negotiate with Congress a renewal of the President's authority to negotiate trade agreements that meet specific requirements in return for a "yes" or "no" vote in Congress on the agreements (trade promotion authority). This indicates that the Obama Administration will continue to engage in trade negotiations.

President Obama's Trade Agenda http://www.ustr.gov/assets/Document_Library/Reports_Publications/2009/2009_Trade_Policy_Agenda/asset_upload_file810_15401.pdf however, enunciates a new set of policy priorities for trade agreements. In addition to ensuring that trade agreements deliver significant benefits to U.S. workers and farmers the policy says that they must:

- Ensure that workers benefit from trade and work to improve the status, condition, and protection of workers so that trade does not occur at their expense.
- Make trade an important tool for achieving progress on national energy and environmental goals by ensuring that the frameworks for trade policy and for tackling environmental issues complement and are consistent with each other.
- Ensure that they address not just remaining tariff barriers but the new forms of protectionism that have emerged in the domestic policies of trade partners, e.g. government procurement and currency manipulation.

Translating this rhetoric into reality will be challenging. However, the immediate impact is a continued hold on the trade agreements that have already been negotiated (Colombia, Panama, and South Korea which have been pending before Congress for the past two years) while the Administration reviews them to see if they advance the current definition of what is in the U.S. interest. The Obama Administration is also open to negotiating new trade agreements that meet these criteria.

WTO Doha Round Trade Negotiations

The perception, generally shared by the Administration and by Democrats and Republicans in Congress, is that a wide gulf remains between the U.S. negotiating positions and those of its major trade partners, in particular the emerging economies of Brazil and China. Because of this perception, support in the U.S. Congress for the Doha negotiations is uneven and lackluster. However, with the elections behind it the Administration will be able to re-focus its energies on these negotiations. Arriving first, at an agreement with the U.S. Congress on trade promotion authority (discussed above) will be essential in re-engaging both the Congress and U.S. trade partners in these negotiations.

Trade Enforcement

Strengthening the ability of the United States to insist that its trade partners comply with their trade obligations, as understood by the United States, remains on the priority list for Congressional Democrats with more cautious support from their Republican counterparts. The primary focus is the continued manipulation of its currency by China and attempts will again be made to introduce legislation to address these issues. Like the Bush Administration, the Obama Administration will have to be concerned about ensuring that any such efforts are, in turn, compliant with U.S. obligations as a WTO member.

Trade Relations with Developing Countries

This is a second area of consensus as the President, and the Democrats and Republicans in Congress agree on the need to make U.S. trade policy work better for developing countries, in particular the least developed countries. From the U.S. perspective, this means ensuring that trade preference programs, such as the Generalized System of Preferences (GSP) and Caribbean Basin Initiative (CBI) that provide duty-free entry on a unilateral basis are reformed to more effectively concentrate the benefits on the poorest countries and those that really need the margin of preference to be competitive. Currently, twelve (12) countries, including such strong U.S. competitors as Brazil and India, account for the giant share of trade under the GSP program.

Republicans and Democrats in Congress have expressed a commitment to get reforms enacted into legislation this year. At the same time, it is quite likely that these efforts will be an opportunity to build further conditions for market access under these programs, as was the case with the revamped CBI program for Haiti passed last year. It is, however, also the opportunity to reform the complicated rules of origin determining the products

that qualify under these programs and to include more provisions for capacity-building and credit for trade financing in particular for small and medium-sized exporters. An expected outcome of this process is that a number of countries will be graduated from the program and expected to negotiate a more “mature” trade relationship with the United States, either in the context of the multilateral negotiations in the WTO or of a bilateral trade agreement.

What Does This Mean for the Caribbean?

The Caribbean holds an interesting place in U.S. trade policy with developing countries. Its size makes it difficult for anyone to define the region as posing a threat to U.S. economic position and its proximity suggests advantages that could make a trade agreement both appealing to free traders and non-threatening to protectionist interests. On the other hand, the CBI program is the only preference program that does not expire and so is not subject to the pressure from expiring deadlines.

The region could benefit from reforms to the CBI to address the onerous rules of origin, include services, as well as address shared areas of interest in energy and the environment. On the other hand, the Obama Administration could be open to moving away from the rigid model on which the United States has relied to negotiate FTAs meaning that these issues could also be addressed in the context of bilateral trade negotiations and without the strings that come with a unilateral preference program.

The region faces a choice: does it want to continue to benefit from unilateral trade preferences or from negotiation of a bilateral agreement? Whatever the decision, an unprecedented opportunity exists to engage with the Obama Administration and the U.S. Congress and to formulate a new U.S.-Caribbean trade relationship for the 21st century.