

Free Trade In the Slow Lane

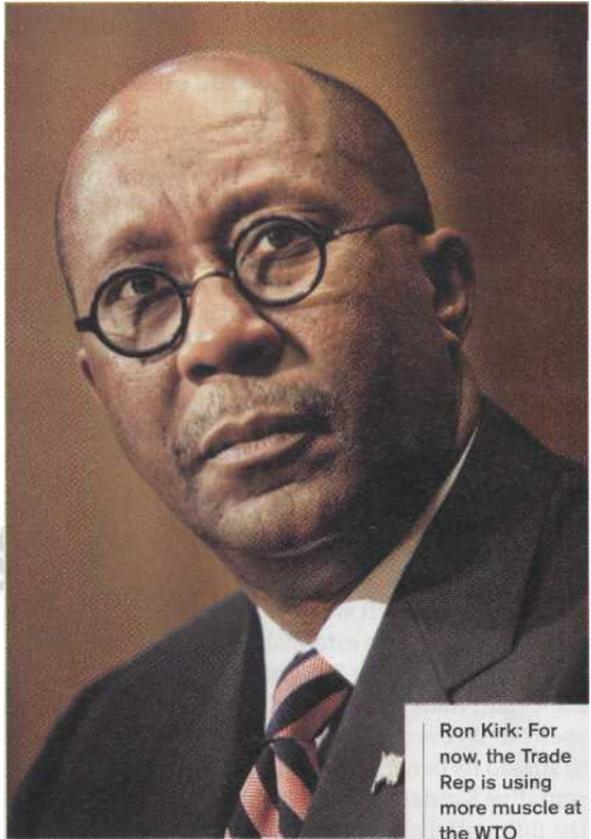
Why the White House is delaying deals with Panama and Colombia in favor of mending fences at home

By Steve LeVine

President Barack Obama's high-wire act on trade keeps getting harder to pull off.

When he assumed office, Obama had to deal with two opposing factions on trade inside his own party. Centrist Democrats favored more pacts with other countries to lower tariffs further on imports and secure more opportunities abroad for U.S. exporters. Progressive Democrats condemned the rapid expansion of free trade as a pernicious way to cost U.S. workers their jobs and move more industries offshore.

Early in his term, Obama favored the centrists. The President made it clear that the financial crisis would only worsen if free trade were in any way curtailed and trade wars broke out among the major economies. He and his U.S. Trade Representative, Ronald Kirk, signaled that a new trade accord with Panama was possible within months, while a pact with Colombia by year's end wasn't excluded. Drafts of both accords had been drawn up by the Bush Administration to lower trade barriers between the two Latin American countries and the U.S. The prospect of a Colombia pact especially angered progressives and their union



Ron Kirk: For now, the Trade Rep is using more muscle at the WTO

allies, who charged the Colombian regime with harassing local labor groups.

Now neither deal appears likely this year or next. Free trade advocates have more hope that Obama and Kirk will push the World Trade Organization's global trade talks to a successful conclusion. The talks, known as the Doha Round, stalled last year over opening up the major emerging markets of India, China, and Brazil, and over reducing farm subsidies in the developed world. Kirk has engaged vigorously in the recently revived talks, but only wild

optimists predict any major progress before the end of 2010.

What happened to Obama the free-trader? In the past eight months the President has used up a lot of the political capital he had with the progressives. The Democratic left wing now thinks he has favored corporate interests too often, from bailing out the banks to waffling on Wall Street bonuses.

Obama still needs the progressives to back him in the big battles

in exchange for signing Doha. The Administration has also doubled the size of a two-year-old intellectual property enforcement team within the State Dept.'s Bureau of Economic, Energy & Business Affairs. And the Senate is considering a bill to require the appointment of a trade compliance czar who would closely monitor existing trade agreements.

A key moment for trade policy comes on Sept. 17, when Obama must decide

TRADE: THE STATE OF PLAY

	ISSUE	STATUS
China	President Obama vowed to be tougher on trade issues with China	A Sept. 17 decision on cheap Chinese tire imports will signal how tough Obama is
Enforcement	The Administration has stressed enforcement over consummating new pacts	So far the USTR's record on enforcement is no tougher than its predecessors'
Doha	The White House says it supports completion of the latest round of global trade talks	The USTR wants commitments for lower tariffs before getting serious about Doha
Foreign Trade Agreements	Tentative pacts with Panama and Colombia were inherited from the Bush Administration	The U.S. continues to negotiate with the two countries, but agreements are stalled

Data: U.S. Trade Representative, *BusinessWeek*

over health-care reform and carbon emissions control. So before he risks antagonizing his left with free-trade initiatives, he has to establish his bona fides as a protector of U.S. jobs. "It is important that the Administration spell out its overall trade policy, how to spread its benefits," says Representative Sander Levin (D-Mich.), the influential chairman of the House subcommittee on trade, through which new trade legislation passes. Levin wants to enforce existing agreements and get stricter on future deals.

CHOOSING SIDES

No surprise, then, that Kirk is getting tougher. The USTR's office has filed a complaint with the World Trade Organization against China's decision to limit exports of raw materials needed by U.S. steel and chemicals manufacturers. In early September, Kirk demanded better access for U.S. banks and insurers to Brazil, China, and India

whether to punish companies exporting tires from China. In July the U.S. International Trade Commission recommended a three-year tariff of up to 55% on Chinese tires, agreeing with a United Steelworkers complaint that the imports unfairly deprived U.S.-made tires of market share and cost American jobs.

Coming just before Obama meets Chinese President Hu Jintao at the Group of 20 Summit in Pittsburgh, the decision will force the President to side with his labor constituency or with a much needed trading partner. The betting is he'll back the USW: A possible settlement would have China voluntarily reduce its tire exports. One State Dept. trade official says Obama needs to decide not just the tire case but another one or two big complaints in labor's favor: "[The President] needs to demonstrate to Congress that he gets the message that American workers are concerned about their jobs and an unfair playing field in trade."