



Glimmerings of an Obama Trade Policy

Gary Clyde Hufbauer argues that the passage of healthcare legislation may clear the way for initiatives in the Trans-Pacific Partnership, the Doha Round, NAFTA, and the pending free trade agreements.

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Steve Weisman: Is the Obama administration taking tiny steps toward finally adopting an international trade policy? This is Steve Weisman at the Peterson Institute for International Economics with Gary Hufbauer, senior fellow and expert on trade issues. Thanks for joining me, Gary.

Gary Hufbauer: Thanks.

Steve Weisman: Healthcare legislation has marked a big turning point, signaling that the administration might be taking another look at some other approaches to international affairs. Do you see any signs of that happening in the trade area?

Gary Hufbauer: As you know, healthcare legislation hijacked many other issues on the agenda, including trade policy. And there were clear instances when trade initiatives were deferred because the fear was that votes would be lost on health care. Now, health care is behind us and an optimistic view would be that financial regulation, which is the next big issue coming up, doesn't have the same political dynamics. That is, there are not votes on financial regulation [that] will go against President Obama if he moves on the trade agenda. So, I think it's now possible to walk and chew gum as they always say, and it's possible for trade policy to come forward. And indeed, we've seen some small—and you were right—small steps in that direction.

Steve Weisman: What are some of them?

Gary Hufbauer: The most obvious one is the so-called Trans-Pacific Partnership. Now, this is very, very vaporous but the idea is that the United States would link with several countries in the Pacific, starting with New Zealand and Australia and Singapore and Brunei and Chile, and maybe some others like Vietnam, to form a trade pact. Nervous congressmen have already signaled to the administration that they want to see the details of this before the administration goes forward. But President Obama has flagged this as a possibility.

Steve Weisman: And that discussion is supposed to culminate in a meeting of the Asia Pacific Economic Cooperation [APEC] forum in Hawaii next year. Do you think there's any chance of achieving anything by then?

Gary Hufbauer: I don't think there's a chance of actually nailing down an agreement. There are a lot of technical details as well as political issues here in the United States. But I do think there's a real possibility of a framework for an agreement, which could be concluded over a period [of], realistically, three or four years. It would be a big project and it would take that long just to deal with the details. But in the meantime, there's the famous Doha Round of multilateral trade negotiations, which was started back in 2001 and is now at

kind of the ninth anniversary. Most countries are quite discouraged about the prospects for the Doha Round, and they say it's up to the United States to move first.

Steve Weisman: No signals on that, though, from Washington?

Gary Hufbauer: No. There are no signals.

Steve Weisman: Radio silence.

Gary Hufbauer: Radio silence. Our colleague Jeff Schott was just over in Geneva, talked with a lot of ambassadors, and reported back saying that many of them are eager to go and so forth, but they really want the United States to step forward, and the one thing that's not happening is for the United States to put any new offers on the table.

Steve Weisman: Coming back to the Western Hemisphere, there was a promise by the administration to look again at NAFTA, and that, of course, was snagged by some of the arguments over the stimulus bill on procurement and then the trucking decision barring Mexican trucks from the United States. Has there been any progress in resolving any of those issues?

Gary Hufbauer: There has been real progress with Canada on the procurement issue, the so-called "buy America" question where the United States and the stimulus bills [required] that all the manufacturing products, iron and steel and so forth, had to be made in the United States. That seemed to contradict a lot of our relations with Canada and Mexico under NAFTA. And an agreement has been hammered out with Canada on procurement and they will open their provincial procurement, we will open our procurement on those stimulus bills. That was a very positive step. The trucking, the best that's happened are some technical talks on what are the appropriate safety standards for Mexican trucks and truck drivers coming into United States. I would have to say that's not moving very fast.

Steve Weisman: Is there any chance of revisiting the big three bilateral free trade agreements that have been pending for so long: Colombia, Panama, and, the most difficult perhaps, South Korea?

Gary Hufbauer: Again, I think these are hostages of the political calendar and were definitely put to the back burner and the politics over the healthcare bill. I'm hopeful that in September when the G-20 meets in Seoul, President Obama will give some friendly signals to South Korea. That would be kind of a natural thing to happen in that big meeting. And I expect, as well as hope, that all three will be brought up for ratification in 2011.

Steve Weisman: Really?

Gary Hufbauer: Yes I do. I think the midterm election will be over. President Obama will know what kind of Congress he has to deal with. Typically, in the second two years of a presidential term, there's more attention to foreign affairs. And widely it's seen that unless the United States can move with these agreements, how can we possibly think about the Trans-Pacific Partnership?

Steve Weisman: And President Obama, when he was engaging in that colloquy with Republicans over health care, did mention these agreements in a kind of positive light.

Gary Hufbauer: Oh, indeed he did. And he mentioned them without a date, without a deadline for ratification, and in the State of the Union message. I think he's disposed it on his top advisers: Larry Summers, Tim Geithner, Peter Orszag, and others on the economic agenda, Gary Locke in the Commerce Department, Ron Kirk the [trade] ambassador, they would be very positively disposed.

Steve Weisman: And even Secretary of State Clinton.

Gary Hufbauer: Oh, definitely. She would be disposed because the payback on not ratifying these is not so much in economics but in the politics. And those three partners think they're being cold shouldered, which you could say they probably are being cold shouldered.

Steve Weisman: Well, the auto industry unions and some companies have been the stumbling block on the Korea FTA. But now that the United States is so involved in restructuring the auto industry and scaling it back, the domestic producers, does that give Washington more leverage to say, let's do the Korea deal?

Gary Hufbauer: Oh, indeed it does. The auto industry's problems really have nothing to do with Korea, and I think the auto industry realizes that. It's more of kind of an ideological issue and with [a] little tweaking of the agreement having to do with safety standards, regulatory standards in Korea, this should be a possibility. In terms of the economics of the US auto industry, this is infinitely, definitely small.

Steve Weisman: Gary, thanks very much, very interesting.

Gary Hufbauer: Thank you.

