

# The Obama Trade Agenda: Five Things for Progressives to Like



BY ED GERWIN

FEBRUARY 2015

## Introduction

In his recent State of the Union address, President Obama went all in on international trade.

The Administration has already been aggressively pursuing the most ambitious set of trade agreements in decades—including potentially groundbreaking deals with 11 Asian-Pacific countries (the Trans Pacific Partnership, or TPP), and the European Union (the Transatlantic Trade and Investment Partnership, or T-TIP), as well as agreements in key sectors like services, information technology, and environmental products.<sup>1</sup>

Now, to set the stage for eventual Congressional approval for these deals, the President has launched an Administration-wide effort to obtain Trade Promotion Authority (TPA) from Congress. Under TPA, Congress sets detailed priorities and extensive consultation requirements for U.S. trade negotiators, and agrees to follow special expedited procedures for agreements that meet these rules.<sup>2</sup>

Congressional Republicans largely support TPA and the Administration's trade agenda. There is less support, however, among Congressional Democrats, many of whom have doubts about new trade deals. And, because trade has long been a difficult political issue, it's quite tempting for these trade skeptics to readily side with those who have consistently opposed trade agreements.

Trade-skeptical progressives should resist this temptation. Instead, they should take a thoughtful look at the details of the Obama trade agenda and how it might better position America in the modern global economy. If they do, they're likely to find important policies and initiatives for progressives to like.

We highlight below five examples of how the Administration's plans for trade would serve key progressive goals.

[Trade-skeptical progressives] should take a thoughtful look at the details of the Obama trade agenda and how it might better position America in the modern global economy.

---

## Tapping into Economic Growth

A progressive society that is both prosperous and fair requires strong and inclusive economic growth.<sup>3</sup> The Administration's trade agenda can play an important role in assuring that America can tap into one key source of economic vitality—surging demand in key foreign markets.

[The Obama Administration is] pursuing a raft of specific rules with key trading partners to level the playing field for American trade in markets covering two-thirds of the world.

In past decades, America's middle class fueled much of the demand that drove rapid economic growth throughout East Asia. Now, an exploding middle class in Asia has the potential to return the favor. Over the next 15 years, Asian countries will add some 2 billion new middle class consumers to the global economy. By 2030, Asia's middle class alone will be some 3.2 billion strong—more than eight times larger than America's total population in that year.<sup>4</sup> These increasingly prosperous middle class consumers will demand the products and services that American companies and workers excel at producing—including wholesome foods and modern financial services, improved infrastructure and Internet commerce, and cutting-edge consumer products and better health care. And this demand will drive surging imports into the region. It is estimated that, in 2020, major East Asian markets will import some \$10 trillion in goods alone—and trillions more in services.<sup>5</sup>

But winning this lucrative business will not be easy for the United States. Many of America's competitors already have strong ties to the region and are busy deepening these ties with new trade agreements that would exclude the United States.<sup>6</sup> Meanwhile, American exporters and investors continue to face significant trade restrictions in areas where they are strong, including unfair licensing restrictions for service providers, high duties for food imports, inadequate protection for innovative technologies, and discriminatory standards and testing requirements for manufactured goods.<sup>7</sup>

The Obama Administration is taking a multi-pronged approach to assuring that American companies and workers can benefit from growth in Asia and other key global markets. Through comprehensive trade deals like TPP and T-TIP, it is pursuing a raft of specific rules with key trading partners to level the playing field for American trade in markets covering two-thirds of the world. And it's using these new American-influenced precedents to pressure non-partners, like China.<sup>8</sup>

The Administration has also very significantly stepped up efforts to enforce the rights of American traders and workers under current trade rules—opening up billions of dollars of trade for U.S. exports. Among other efforts, the Administration has brought 19 World Trade organization cases since 2009—including a new case against an extensive series of unfair export subsidies that China provides to its textile, farm, seafood, and manufacturing sectors.<sup>9</sup>

These steps in trade can ultimately help grow America's economic pie. And—if part of a broader progressive agenda—they can help assure that all Americans can enjoy a larger slice.

---

## Democratizing Trade

The Administration’s trade agenda can also help “democratize” trade—empowering both U.S. small businesses and global consumers by assuring that they have better access to new markets, products, and services.

Historically, high costs and complex logistics (e.g., hiring shippers and foreign representatives, and obtaining letters of credit) made it especially difficult for small businesses to compete in foreign markets. However, with the growth of the Internet and services such as eBay, PayPal, UPS, and FedEx, a small American business with a great product or service has the potential to sell globally as easily as a larger competitor. But foreign trade barriers that particularly impact smaller exporters—including high fees and confusing and complex rules, standards and testing requirements—still make it especially difficult for many smaller firms to reach their international potential.<sup>10</sup>

U.S. negotiators are focusing intensively on these and other small business barriers in negotiating the TPP and T-TIP. And they’re working on rules to foster a strong trade and business ecosystem for small exporters—one that assures more transparent regulations, open electronic commerce, and access to the innovative finance and logistics services—all to help smaller traders compete more effectively with larger global competitors.<sup>11</sup>

Democratizing trade for smaller traders can also help boost the U.S. economy and support good jobs for U.S. workers. America’s small businesses account for half of U.S. GDP and two-thirds of net new jobs. But only about one percent of our small companies export. As a result, smart trade rules that promote small business trade can potentially yield significant economic dividends, especially because small businesses that sell internationally are 20 percent more productive—and have 20 percent higher job growth—than small firms that do not.<sup>12</sup>

Democratizing trade also empowers global consumers. Studies by eBay note, for example, that more open Internet-enabled trade promotes greater competition and choice and drives higher standards and quality, all of which give consumers greater economic power.<sup>13</sup> And, in a global economy in which countries like China disrupt electronic communications both to gain economic advantage and stifle political dissent, using trade rules to open global e-commerce can help strike a blow for individual freedom, as well.<sup>14</sup>

## Leading the Way Toward Fairer Trade

Trade agreements like TPP and T-TIP could significantly enhance America’s ability to benefit broadly from better access to global growth. But these proposed initiatives could also do something equally important: They could enable the United States to build and lead stronger coalitions with like-minded countries—from Europe to Oceania—that also seek a fairer global trading system in which abuses like

Smart trade rules that promote small business trade can potentially yield significant economic dividends, especially because small businesses that sell internationally are 20 percent more productive.

---

exploiting workers, despoiling the environment, blocking the Internet, or stealing innovation are no longer accepted means of global competition.

Trade agreements can be an important means of advancing fairness and due process in global commerce. Despite their complexity, good trade agreements are often, at their core, about upholding these vital principles. In chapter after chapter, for instance, U.S. trade deals require trading partners to develop and apply rules in an open and transparent manner, prohibit unfair discrimination against imported products and foreign parties, and protect against seizures of property without due process and fair compensation.

If the United States fails to lead on trade agreements like TPP and T-TIP, it will be significantly more difficult to advance global rules that promote important [progressive] values.

America has shown particular leadership in insisting that its modern trade agreements contain world-leading obligations on labor and the environment. As the result of the May 10, 2007 bipartisan trade deal—an agreement initiated by House Democrats—the United States now requires trade agreement partners to abide by and enforce fundamental labor rights (such as the right to organize and bargain collectively and prohibitions against child and forced labor<sup>15</sup>) and mandates that they adhere to and enforce laws and international agreements on the environment.<sup>16</sup> Significantly, these labor and environmental obligations are now in the core of U.S. trade agreements—having the same standing as commercial obligations—and are fully enforceable under the dispute settlement provisions of those agreements.<sup>17</sup>

U.S. negotiators are leading efforts to include similar high-standard labor and environmental commitments—and important new ones in areas like working conditions and fishing subsidies—in the TPP agreement. And they fully expect that T-TIP negotiations—with a Europe that shares many fundamental values with the United States—will only add momentum toward broader global adoption of high-standard labor and environmental rules.<sup>18</sup> Ongoing negotiations also provide opportunities to uphold other key values, including protecting innovation and assuring an open Internet

If the United States fails to lead on trade agreements like TPP and T-TIP, however, it will be significantly more difficult to advance global rules that promote these important values. Many global competitors do not fully share these key values and do not want to include them in their trade deals. China, for example, has taken issues like labor, the environment, and intellectual property off the table in trade negotiations, and prefers trade agreements that are silent on these and other important issues.<sup>19</sup> With China actively pursuing new trade agreements in its region and beyond—including a 16-country megadeal in East Asia—America’s failure to engage could encourage the spread of trade models that fail to reflect the progressive principles that the United States shares with many allies.<sup>20</sup> This, in turn, could lead to a “race to the bottom” on trade standards, and would place America’s workers and traders at a significant and growing disadvantage.

---

American leadership on trade—and the prospect of greater access to key U.S. markets—can provide significant leverage in advancing fairer trade.

In contrast, American leadership on trade—and the prospect of greater access to key U.S. markets—can provide significant leverage in advancing fairer trade. It is hardly coincidental that Vietnam is engaging in serious—but still difficult—talks on labor reform and worker rights in the context of a TPP deal that could provide it greater opportunities to sell clothing and shoes to the United States. Past trade deals have also led to commitments—in key areas like labor and the environment—that the United States has used to initiate significant enforcement-related actions and engagement with countries like Bahrain, the Dominican Republic, Guatemala, and Peru.<sup>21</sup>

Trade agreements are far from the perfect tool—or the only tool—for building a values-based global economy. Advancing progressive ideals in global commerce is a hard, often-frustrating, and never-ending process that requires continuous work in many forums and a strong commitment from governments, business, labor, and NGOs. But trade agreements—if done right—can enable America to lead in assuring that global markets are increasingly both open and fair.

## Updating Trade Rules

Both the global economy and American trade policy have changed significantly in recent decades. But a time traveler from the early 1990s would often be hard pressed to find very much that is new in America’s debates on trade.

Progressives seeking to move beyond the same-old debates on trade should recognize the Obama Administration’s very significant efforts to update U.S. trade rules and to address emerging global challenges.

Progressives—including President Obama himself—have long sought key updates to the North American Free Trade Agreement (NAFTA). Critics of NAFTA note, for example, that NAFTA’s “side agreements” on labor and the environment contain weaker requirements that are neither embedded in NAFTA nor enforceable under NAFTA itself. Negotiating with Canada and Mexico in the TPP negotiations affords a critical opportunity to update NAFTA to reflect the high labor and environmental standards of the May 10th bipartisan agreement.

The TPP talks offer many other opportunities to extend updated rules and commitments to Canada, Mexico, and nine other new or current U.S. trade agreement partners. The United States and other TPP partners are, for example, pressing Canada to reform its highly restrictive “supply management” system, which severely limits dairy and poultry exports to Canada through tariffs that can exceed 200 percent.<sup>22</sup>

The Administration’s trade agenda also seeks to address new and emerging threats to American traders and workers. American exporters must increasingly compete, for instance, with State-Owned Enterprises (SOEs) that use government subsidies and special privileges to tilt the playing field in their favor. Agreements like TPP would require SOEs to compete on a commercial basis with our private

---

firms.<sup>23</sup> Similarly—in a world in which the Internet has gone from a confusing oddity to the preeminent tool of commerce in just two decades<sup>24</sup>—TPP and other agreements could extend traditional trade principles to electronic commerce by protecting the free flow of digital communications and restricting the ability of countries to unfairly mandate the location of servers and other computer infrastructure.<sup>25</sup>

## Supporting the Broader Progressive Agenda

Finally, in reviewing the Obama trade agenda, it is important for progressives to keep trade in its proper context. Despite sometimes overheated rhetoric from trade supporters and critics alike, trade and trade policy, while vitally important, are only one piece of America’s larger economic puzzle.

An important, recent study of trade and income inequality by Progressive Economy’s Ed Gresser illustrates the role that trade plays—and does not play—in broader economic challenges. Gresser’s analysis concludes that trade growth is likely not a major cause of income inequality and that trade policy is also not a major solution to this serious problem.

Smart, modern trade policy can make solid contributions to addressing income inequality. For example, it can help American workers tap into growing foreign markets, create attractive export opportunities for new entrepreneurs, and lower outrageously-high duties on cheap clothing and shoes that place regressive burdens on lower- and middle-income Americans. But, the major solutions to pressing issues like income inequality are largely domestic ones. These solutions include many initiatives long supported by progressives, such as improved access to education and training, better small business formation, worker adjustment assistance, and investments in infrastructure and innovation.<sup>26</sup>

Thoughtful progressives need to bring this broader perspective to debates on trade policy. They can and should recognize the significant supporting role that trade can play addressing America’s economic challenges. But they must also insist that shared prosperity ultimately requires extensive domestic reform, as well.

## Conclusion

According to recent opinion polls, progressive-leaning Americans are more supportive of trade and trade agreements than critics often suggest. For example, some 60 percent of Democrats believe that TPP and T-TIP are “good thing[s] for the United States.” And millennials—whose long-term economic future will be shaped by new trade deals—are particularly supportive, with over 65 percent in favor of both TPP and T-TIP.<sup>27</sup>

Polling on trade, of course, can be tricky. And thoughtful progressives shouldn’t embrace the Obama trade agenda simply because it seems to poll well. But these surveys do suggest that the American public—a public that has weathered a Great

TPP and other agreements could extend traditional trade principles to electronic commerce by protecting the free flow of digital communications.

---

Recession and lives on a daily basis in an increasingly globalized economy—wants its leaders to move beyond stale debates on vital economic issues. For progressives, this means taking a fresh and serious look at how new trade policies and initiatives can help advance important progressive goals and help build a fairer global economy and a more prosperous America.

## Endnotes

- <sup>1</sup> Statement by United States Trade Representative Michael Froman at the Senate Committee on Finance, Jan. 27, 2015: <https://ustr.gov/about-us/policy-offices/press-office/speechestranscripts/2015/january/statement-united-states-trade>.
- <sup>2</sup> Office of the U.S. Trade Representative, Trade Promotion Authority: <https://ustr.gov/trade-topics/trade-promotion-authority>.
- <sup>3</sup> Michael Mandel, The Case for Pro-growth Progressivism, Progressive Policy Institute, May 5, 2014: <http://www.progressivepolicy.org/issues/economy/the-case-for-pro-growth-progressivism/>.
- <sup>4</sup> Homi Kharas and Geoffrey Gertz, The New Global Middle Class: A Cross-Over from West to East, Wolfensohn Center for Development at Brookings, 2010: [http://www.brookings.edu/~media/research/files/papers/2010/3/china%20middle%20class%20kharas/03\\_china\\_middle\\_class\\_kharas.pdf](http://www.brookings.edu/~media/research/files/papers/2010/3/china%20middle%20class%20kharas/03_china_middle_class_kharas.pdf). U.S. Census Bureau, Population Projections, 2014 National Populations Projections: Summary Tables: <http://www.census.gov/population/projections/data/national/2014/summarytables.html>.
- <sup>5</sup> Ed Gerwin, America Makes . . . Will Asia Take? Third Way, Sept. 2012: <http://www.thirdway.org/report/america-makes-dot-dot-dot-will-asia-take>.
- <sup>6</sup> Asian Development Bank, Asia Regional Integration Center, Free Trade Agreements: <http://aric.adb.org/fta-country>.
- <sup>7</sup> Office of the U.S. Trade Representative, 2014 National Trade Estimate Report on Foreign Trade Barriers, Mar 31, 2014: <https://ustr.gov/sites/default/files/2014%20NTE%20Report%20on%20FTB.pdf>.
- <sup>8</sup> Wang Jinbo, International Rules Restructuring and China's Response, China Institute of International Studies, Jun. 20, 2014: [http://www.ciis.org.cn/english/2014-06/20/content\\_6996254.htm](http://www.ciis.org.cn/english/2014-06/20/content_6996254.htm).
- <sup>9</sup> Office of the U.S. Trade Representative, The Obama Administration's Record on Trade Enforcement, 2015: <https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2015/january/fact-sheet-obama-administration's>. Office of the U.S. Trade Representative, United States Launches Challenge to Extensive Chinese Export Subsidy Program, February 2015: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2015/february/united-states-launches-challenge>. The Administration has also established the Interagency Trade Enforcement Center to bring new resources and additional specialized capabilities—in key areas like foreign language and economics—to U.S. trade enforcement efforts.
- <sup>10</sup> U.S. International Trade Commission, Trade Barriers that U.S. Small and Medium-sized Enterprises Perceive as Affecting Exports to the European Union, Inv. No 332-541, USITC Pub. No. 4455, Mar. 2014: <http://www.usitc.gov/publications/332/pub4455.pdf>.
- <sup>11</sup> Office of the U.S. Trade Representative, Small Business: <https://ustr.gov/issue-areas/small-business>.
- <sup>12</sup> Edward Gerwin, Jr., Small business exports can drive big growth, *Republic 3.0*, Apr. 2014: <http://republic3-0.com/small-business-exports-little-engine-drive-big-growth/>. U.S. International Trade Commission, Small and Medium-Sized Enterprises: Characteristics and Performance, Inv. No. 332-510, USITC Pub. No. 4189, Nov. 2010: <http://www.usitc.gov/publications/332/pub4189.pdf>.
- <sup>13</sup> eBay Inc., Micro-Multinationals, Global Consumers, and the WTO – Towards a 21<sup>st</sup> Century Trade Regime, pp.17-19: [http://www.ebaymainstreet.com/sites/default/files/Micro-Multinationals\\_Global-Consumers\\_WTO\\_Report\\_1.pdf](http://www.ebaymainstreet.com/sites/default/files/Micro-Multinationals_Global-Consumers_WTO_Report_1.pdf).

- 
- <sup>14</sup> Simon Denyer, Is this North Korea? Chinese netizens squirm as party tightens grip on Internet, *Washington Post*, Jan. 29, 2015: [http://www.washingtonpost.com/world/asia\\_pacific/is-this-north-korea-chinese-netizens-squirm-as-party-tightens-grip-on-internet/2015/01/28/79cfc809-21ea-4437-9d4b-5ece2cfc75f6\\_story.html](http://www.washingtonpost.com/world/asia_pacific/is-this-north-korea-chinese-netizens-squirm-as-party-tightens-grip-on-internet/2015/01/28/79cfc809-21ea-4437-9d4b-5ece2cfc75f6_story.html).
- <sup>15</sup> Office of the U.S. Trade Representative, Labor – Bilateral and Regional Trade Agreements: <https://ustr.gov/issue-areas/labor/bilateral-and-regional-trade-agreements>.
- <sup>16</sup> Office of the U.S. Trade Representative, Environment – Bilateral and Regional Trade Agreements: <https://ustr.gov/issue-areas/environment/bilateral-and-regional-trade-agreements>.
- <sup>17</sup> U.S. Trade Representative Michael Froman, A Values-Driven Trade Policy – Public Remarks at the Center for American Progress, Feb. 18, 2014: <http://cdn.americanprogress.org/wp-content/uploads/2014/02/Center-for-American-Progress-Remarks-Ambassador-Froman-2-18-14.pdf>.
- <sup>18</sup> Ibid.
- <sup>19</sup> China’s 2011 free trade agreement with Costa Rica, for example, contains no provisions on labor and the environment. People’s Republic of China – Costa Rica Free Trade Agreement, entered into force Aug. 1, 2011: <http://aric.adb.org/fta/peoples-republic-of-china-costa-rica-free-trade-agreement>.
- <sup>20</sup> Asian Development Bank, Asia Regional Integration Center, Free Trade Agreements: China, People’s Republic of: <http://aric.adb.org/fta-country>.
- <sup>21</sup> U.S. Trade Representative Michael Froman, A Values-Driven Trade Policy – Public Remarks at the Center for American Progress, Feb. 18, 2014: <http://cdn.americanprogress.org/wp-content/uploads/2014/02/Center-for-American-Progress-Remarks-Ambassador-Froman-2-18-14.pdf>.
- <sup>22</sup> Office of the U.S. Trade Representative, 2014 National Trade Estimate Report on Foreign Trade Barriers, p. 48, Mar 31, 2014: <https://ustr.gov/sites/default/files/2014%20NTE%20Report%20on%20FTB.pdf>.
- <sup>23</sup> U.S. Trade Representative Michael Froman, A Values-Driven Trade Policy – Public Remarks at the Center for American Progress, Feb. 18, 2014: <http://cdn.americanprogress.org/wp-content/uploads/2014/02/Center-for-American-Progress-Remarks-Ambassador-Froman-2-18-14.pdf>.
- <sup>24</sup> Maura Judkid, Katie Couric and Bryant Gumbel’s Super Bowl 2015 BMW commercial tries to understand this internet thing, *Washington Post*, Feb. 1, 2015: <http://www.washingtonpost.com/blogs/style-blog/wp/2015/02/01/katie-couric-and-bryant-gumbels-super-bowl-2015-bmw-commercial-tries-to-understand-this-internet-thing/>.
- <sup>25</sup> Office of the U.S. Trade Representative, TPP: E-commerce and Telecommunications: <https://ustr.gov/trade-agreements/free-trade-agreements/trans-pacific-partnership/tpp-chapter-chapter-negotiating-6>.
- <sup>26</sup> Edward Gresser, Trade and Inequality: Cause? Cure? Diversion? *ProgressiveEconomy*, Dec. 2014: <http://progressive-economy.org/files/2014/12/Inequality-Trade.pdf>.
- <sup>27</sup> Edward Gresser, 20 million 2016 eligible voters were born after the NAFTA debate in 1993, *ProgressiveEconomy*, Jan. 28, 2015: <http://progressive-economy.org/2015/01/28/20-million-eligible-2016-voters-were-born-after-the-nafta-debate-in-1993/>.

## About the Author

*Ed Gerwin is a senior fellow for trade and global opportunity at the Progressive Policy Institute.*

## About PPI

*The Progressive Policy Institute (PPI) is an independent research institution that seeks to define and promote a new progressive politics in the 21st century.*