

## Trade

Will Obama Give Entrepreneurs  
Protection or Free Trade?



## Barack Obama's Trade Plan at a Glance

Barack Obama supports free trade so long as it is “fair” to workers both in the U.S. and abroad. He would demand strong environmental and labor protections in any trade agreement the U.S. might sign, and advocates renegotiating NAFTA to beef up those protections. Obama is sympathetic to certain tariffs and subsidies, including tax credits and other assistance for creating jobs in the U.S. He supports expanding worker retraining under the current Trade Adjustment Assistance program, also with flexible accounts.

## The Obama Agenda, in Detail

In speeches, Obama [acknowledges](#) that globalization can't be stopped and has [said](#) that he “believe[s] in free trade.” His [published](#) agenda, however, emphasizes fair trade. “I strongly reject the Bush-McCain view that any trade deal is a good deal,” Obama [explained](#) in a Miami speech. “We cannot accept trade that enriches those at the top of the ladder while cutting out the rungs at the bottom. It's time to understand that the goal of our trade policy must be trade that works for all people in all countries.”

Obama would demand stronger environmental and labor provisions in future negotiations, and would seek to amend existing agreements, especially NAFTA. (NAFTA, he's said, was “oversold to the American people.” In the primary campaign, Obama even [flirted](#) with the notion that the U.S. “use the hammer of a potential opt-out” of NAFTA should renegotiations prove unsuccessful, even as a senior adviser reportedly tried to reassure our Canadian trading partners that he wouldn't really do it. More recently, he's softened his tone on NAFTA considerably.) Obama opposes ([pdf](#)) the pending [South Korea](#) trade deal because “it fails to ensure that U.S. products -- especially our cars and trucks, rice and beef -- receive fair treatment in the Korean market.” He [rejects](#) the [Colombia](#) pact “because the violence against unions in Colombia would make a mockery of the very labor protections that we have insisted be included in these kinds of agreements.”

Obama would use membership in the World Trade Organization as a carrot to change other behaviors of countries such as [Iran](#) and [Russia](#). [According](#) to The New York Times, Obama's plan to cap greenhouse gases would punish countries that don't reduce their emissions with import tariffs, though the [material](#) the campaign has posted online doesn't mention this.

Obama would defend U.S. trading rights by bulking up the office of the U.S. Trade Representative and making enforcement its “top priority.” He would pressure the WTO to enforce trade agreements and enjoin other governments from unfairly subsidizing their exporters or erecting “non-tariff barriers” on U.S. goods. Obama [accuses](#) China of manipulating its currency and failing to enforce U.S. copyrights and trademarks.

At the same time, he supports some protectionist measures here in the U.S. These include agricultural subsidies and tariffs, particularly for ethanol producers. He would also offer automakers **\$4 billion** in loan guarantees to ease the transition to manufacturing clean cars. Finally, he would end the tax preference that allows companies to shelter income earned overseas while proposing a tax credit for companies that create jobs here.

### **Dislocated Workers**

Obama would require 90 days' notice for layoffs due to plant closings. He would improve **Trade Adjustment Assistance**, a federal program administered by the states intended to help workers who lose jobs to globalization, expanding it to include all manufacturing jobs that go abroad, not only those lost to countries with trade agreements, and he would make service jobs eligible, too. He would provide additional health care assistance. TAA's retraining component would embrace "flexible education accounts" and be available to workers before they lose their jobs. He would nurture "apprenticeship programs to help workers get credentials and skills in crafts" that promise entry into the middle class.

Finally, Obama proposes an "**Advanced Manufacturing Fund**", a peer-reviewed grant program based on the **Michigan 21st Century Jobs Fund**. This would appear to be the same initiative as one described elsewhere ([pdf](#)) that is aimed at revitalizing manufacturing centers. In this program, Washington would disburse grants worth \$1 billion annually, enabling states to "identify and support local manufacturers with the most compelling plans for modernizing existing or closed manufacturing facilities to produce new advanced clean technologies."

### **The Obama Record**

Obama rates poorly on the Cato Institute's trade **scorecard** -- he voted with the organization only 36 percent of the time on opposing trade barriers, and none of the time (of two votes cast) in opposition to subsidies. (Like McCain, Obama missed all of the trade votes that Cato considered crucial in 2007 and 2008.)

In 2005, he voted against CAFTA, **saying** "it does less to protect labor than previous trade agreements, and does little to address enforcement of basic environmental standards in the Central American countries and the Dominican Republic." However, he voted in favor of the free trade agreement with Oman in 2006 and publicly supported a similar deal with Peru, though he missed the vote on it. He supported the 2005 Schumer measure to force China to revalue its currency and voted against tabling it.

Obama co-sponsored the **Patriot Employers Act** to give tax credits to firms that, among other things, keep their headquarters in the U.S. and add U.S.-based employees, as well as **legislation** to expand (though not revamp) Trade Adjustment Assistance in the manner he's proposed as a candidate.

## What the Experts Say

Most experts believe that on balance trade has delivered much more good than harm to the U.S. Still, some question the free trade agreements that have proliferated in recent years. [Writing](#) in the World Policy Journal, journalist Paul Blustein claims the bilateral deals are usually oversold: Their benefits are likely to be modest, because trade barriers are for the most part already pretty low, and, more importantly, the extensive rules of origin add needless complexity. “Partly for this reason,” he writes, “only about five percent of the goods Singapore ships to the United States come in under the terms of the U.S.-Singapore Free Trade Agreement.” In the case of Colombia, even if U.S. exports to the South American nation somehow were to double in the year after a trade agreement was approved, he notes, it still “would add less than .07 of 1 percent to the U.S. gross domestic product.” Worse, he concludes, these pacts undermine the World Trade Organization, which is a better and fairer avenue for trade.

On the other hand, it’s much easier in bilateral talks to negotiate a meaningful agreement on corollary issues like intellectual property rules and food safety standards -- or labor and environmental protections. According to Lael Brainard, a vice president at the independent Brookings Institution (where Blustein is a journalist in residence), the provisions that Barack Obama wants to strengthen are a “natural fit” in modern trade deals. Trade pacts “are not just about tariffs any more,” she says. “They have come to encompass deep reforms of economic integration.” Still, Brainard says trade agreements can only do so much. “We have to think more broadly about how we engage with developing countries on economic integration. Our primary instrument can’t be a trade agreement.”

Obama promises vigilance when it comes to protecting U.S. trading interests. Brainard says that’s a shift from current policy. “It was a big priority in the Bush Administration to get new agreements, but it was just not a priority to enforce -- there was a big diminution in the enforcement.” The Bush Administration typically brings three cases to the WTO annually, she says, far fewer than the 11 cases the Clinton Administration normally pursued each year. (Given the growth in trade, and trading partners, Brainard estimates that Clintonian aggressiveness today would result in 17 complaints a year.)

### Dislocated Workers

On the other hand, the efforts to blunt trade’s sharp edge have a mixed record. The Government Accountability Office, the investigative arm of Congress, has concluded, in a [string of reports](#) dating back to the 1970s, that Trade Adjustment Assistance has often failed to deliver training to dislocated workers, for a variety of reasons. Even today, says Brainard, it’s administered with indifference: a large number of workers are disqualified from participation, while only a small portion of those eligible actually obtain services. (In 2007, for instance, 77 percent of the workers who petitioned received certification; of these, only about a third entered training, and slightly fewer collected income support.) Often, they say, states lack the resources to provide training to everyone who wants it.

Obama’s reforms would address some of these concerns, but as conservative critics [point out](#), a larger question still looms: Does trade adjustment training help workers find

higher-paying new jobs? There's no way to know -- this specific program has never been studied. The most Brainard can say is that there are "broader studies that show that training programs under certain circumstances are associated with modest improvements in earnings." And Brainard argues that worker retraining is only part of solution. The current program has a community assistance component, she says, but it's very small. Yet "the community or the regional affect is hugely important. You need to have leaders of the community come together and figure out how to reorient themselves in the global landscape, which needs special help at these critical junctures."

