

Not Protection But Passivity: The Declining U.S. Interest in Trade Policy

Presentation by Craig VanGrasstek to the conference on
“New Protectionism: A Threat to World Trade?”
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Thesis

A country's trade policy can be characterized not just by its overall *direction* but also by its *purpose* and *intensity*. The latter are where we have seen important changes in U.S. trade policy:

The overall *direction* of U.S. trade policy has remained generally devoted to open markets, but has been grown more discriminatory in recent decades (i.e., stressing preferential agreements and programs over multilateralism).

The *purpose* of U.S. trade policy has changed with the rising level of discrimination, leading policymakers to emphasize the extrinsic value of trade as a tool of foreign policy rather than its intrinsic importance to the U.S. economy.

The *intensity* of trade policy has diminished gradually over the long term, and the decline has only accelerated since the outbreak of the financial crisis and Obama's inauguration.

My chief emphasis is on the third point. The main problem is not protectionism but passivity, which in turn means that the United States does not provide leadership in multilateral liberalization.

The Declining Intensity of Trade Policy

Intensity means both the political profile of an issue within a country and how significant trade policy is in the country's relations with others. The diminished intensity of U.S. trade policy can be seen in both the private and public sectors:

Firms, unions, and other economic interests show less interest in trade, both in negative ways that are easily quantified (e.g., use of the trade-remedy laws) and in positive ways that are less susceptible to quantification (e.g., the promotion of new, market-opening initiatives).

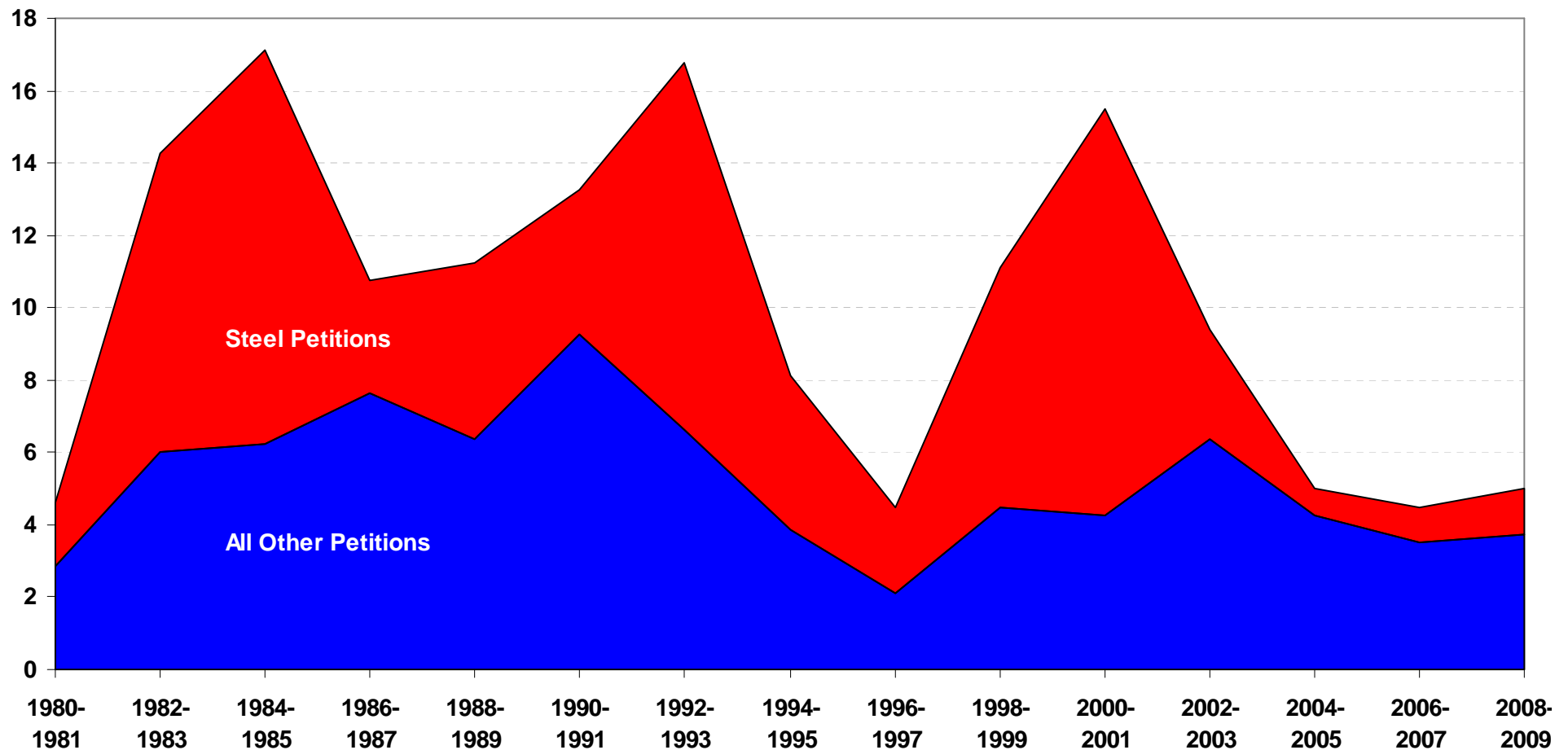
Elected officials devote much less time to trade today than they did in past decades, although some of the other issues that they instead address have an indirect effect on trade (e.g., via government procurement, subsidies, etc.).

The direction of causation is not always clear: Does demand drive supply (i.e., are elected officials less interested in trade because it matters less to the private sector), or do firms simply respond to the priorities of policymakers?

The Demand Side: The Declining Interest of the U.S. Private Sector in Trade Policy

Long-Term Decline in the Demand for Protection via the Antidumping Law

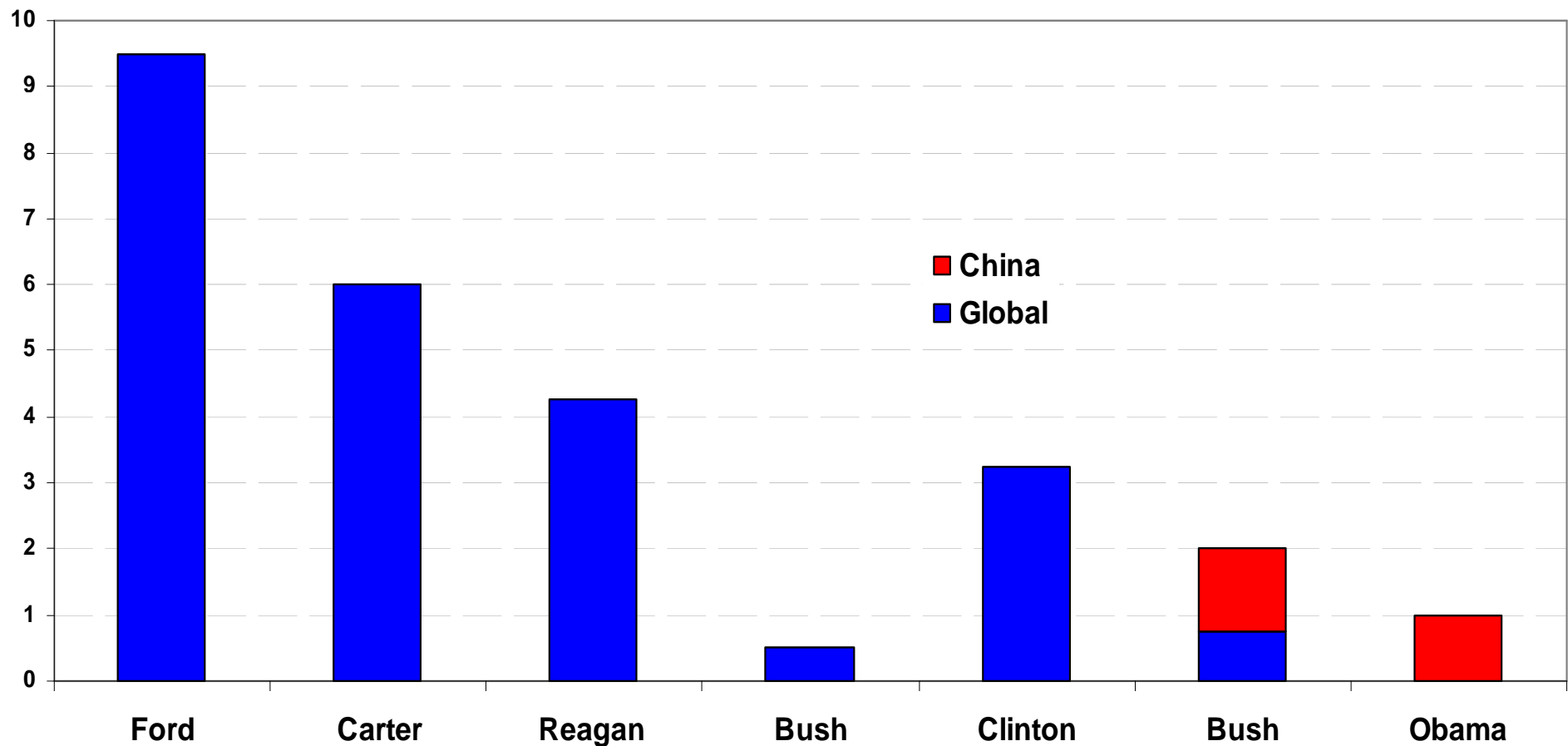
Average Number of Antidumping Petitions Filed Per Quarter, 1980-2009



Source: Calculated from Bown's Global Antidumping Database and USITC data

Long-Term Decline in Demand for Either Global or China-Specific Safeguards

Average Annual Safeguard Petitions Per Presidential Term, 1975-2009



Source: Calculated from U.S. International Trade Commission data.

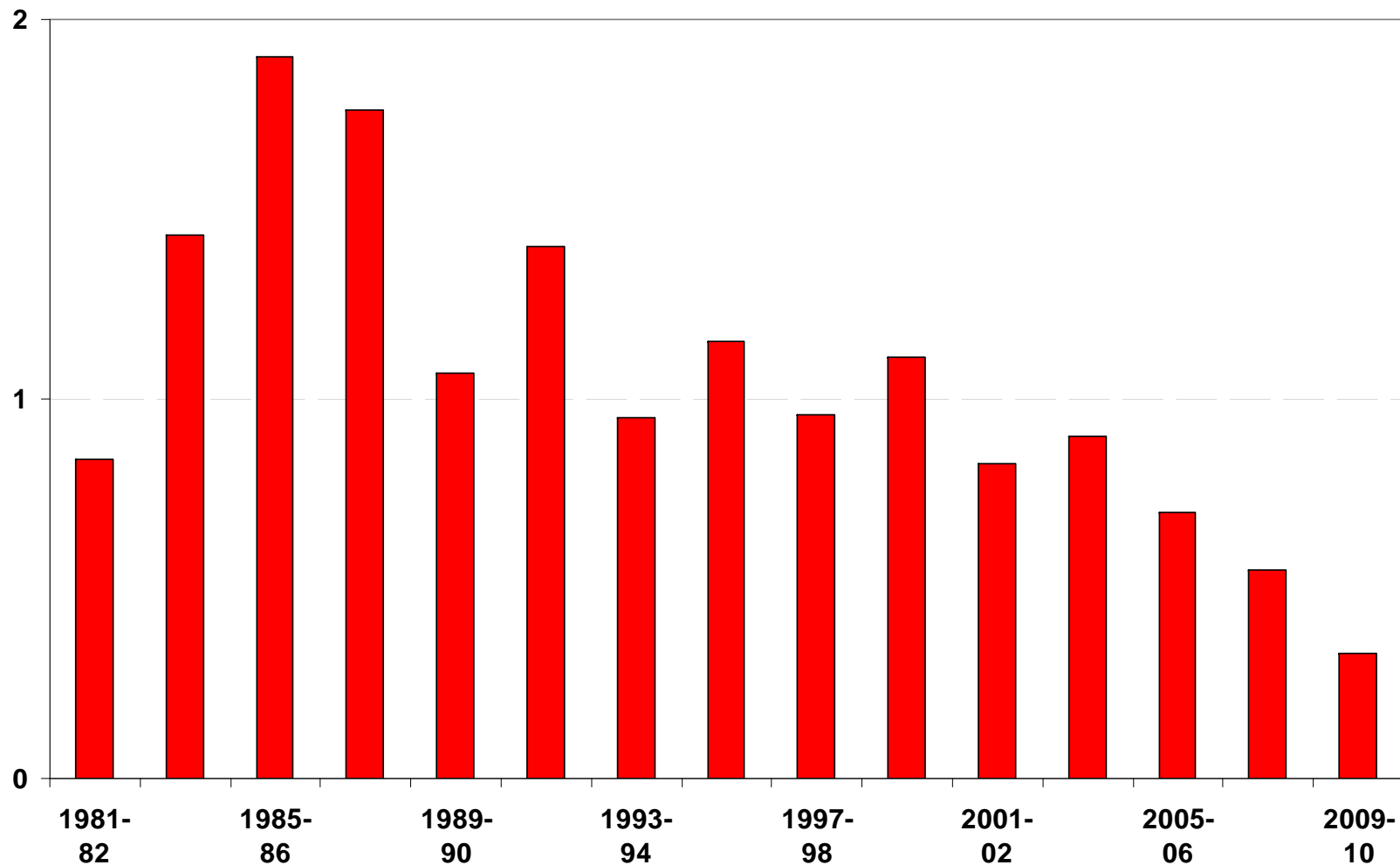
Other Trends that Are Not Easily Quantified

- The private sector places less emphasis on trade now than during the Uruguay Round
- The pressure to negotiate new free trade agreements, or even to approve the three pending ones, is quite low
- Trade is even a lower priority among the critics of globalization, who now have positive initiatives to attract their attention (e.g., climate change)

The Supply Side I: The Declining Interest of Congress in Legislating on Trade Policy

The Long-Term Decline in Congressional Interest in Trade Legislation

Shares of Bills Introduced in Congress that Would Amend the Trade Act of 1930 and/or the Trade Act of 1974, 1981-2009



Source: Calculated from data on Thomas.gov.

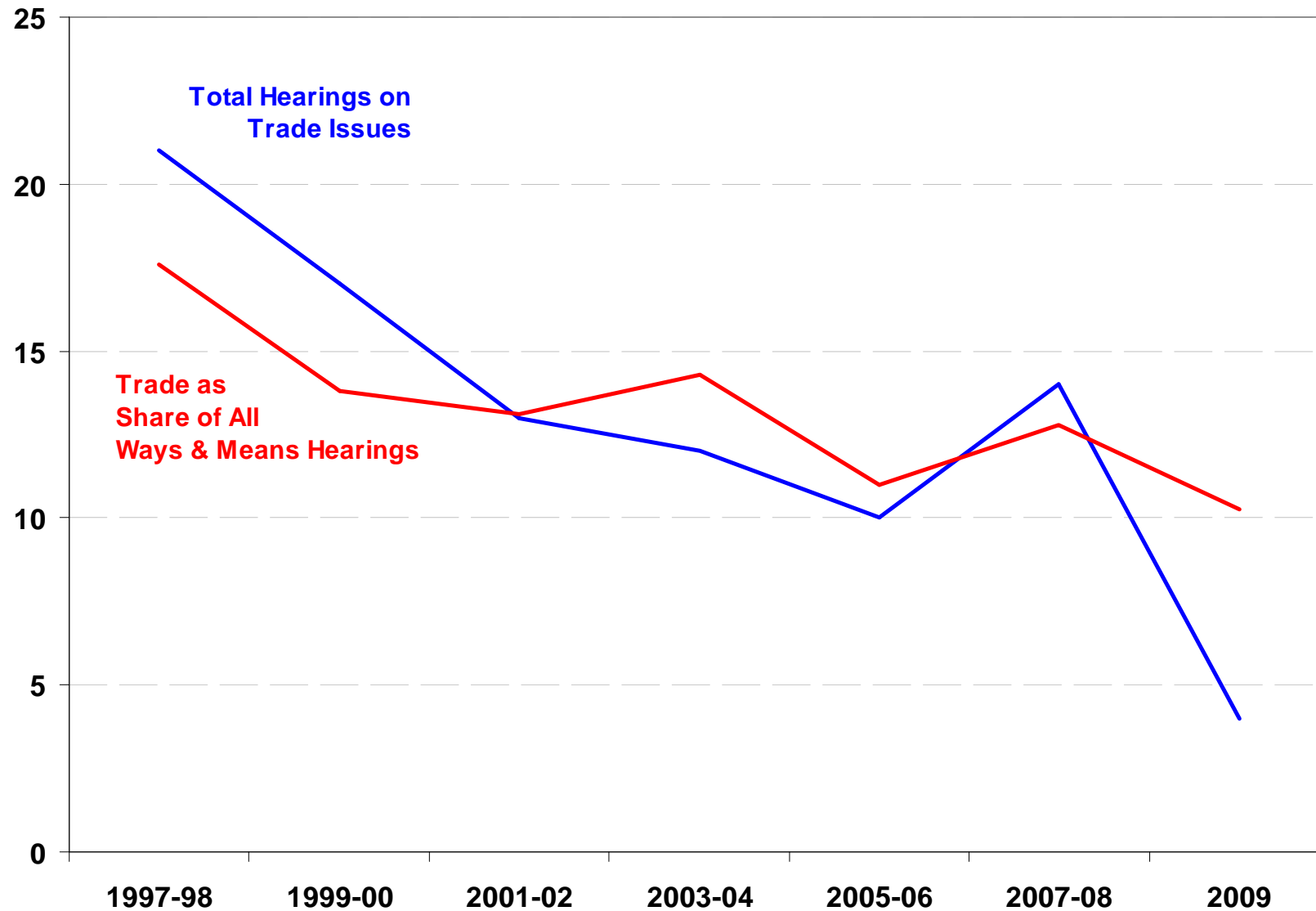
Activities of the “Trade” Committees in Congress: Topics Addressed in Hearings and Legislative Mark-Up Sessions in 2009

	Health Care	Nomi- nations	Taxes	Energy & Climate	Trade	Social Security	Other
House Ways & Means	8	0	9	3	4	5	10
Senate Finance	17	18	2	6	4	1	4
Total	25	18	11	9	8	6	14

Only 8.8% of these two committees’ time in 2009 was devoted to trade. Two of the eight trade hearings were about trade and climate change. If we discount those two hearings, the share of time devoted to traditional trade policy was just 6.6%.

Source: Calculated from data on the two committees’ websites.

The Ways & Means Committee's Declining Attention to Trade

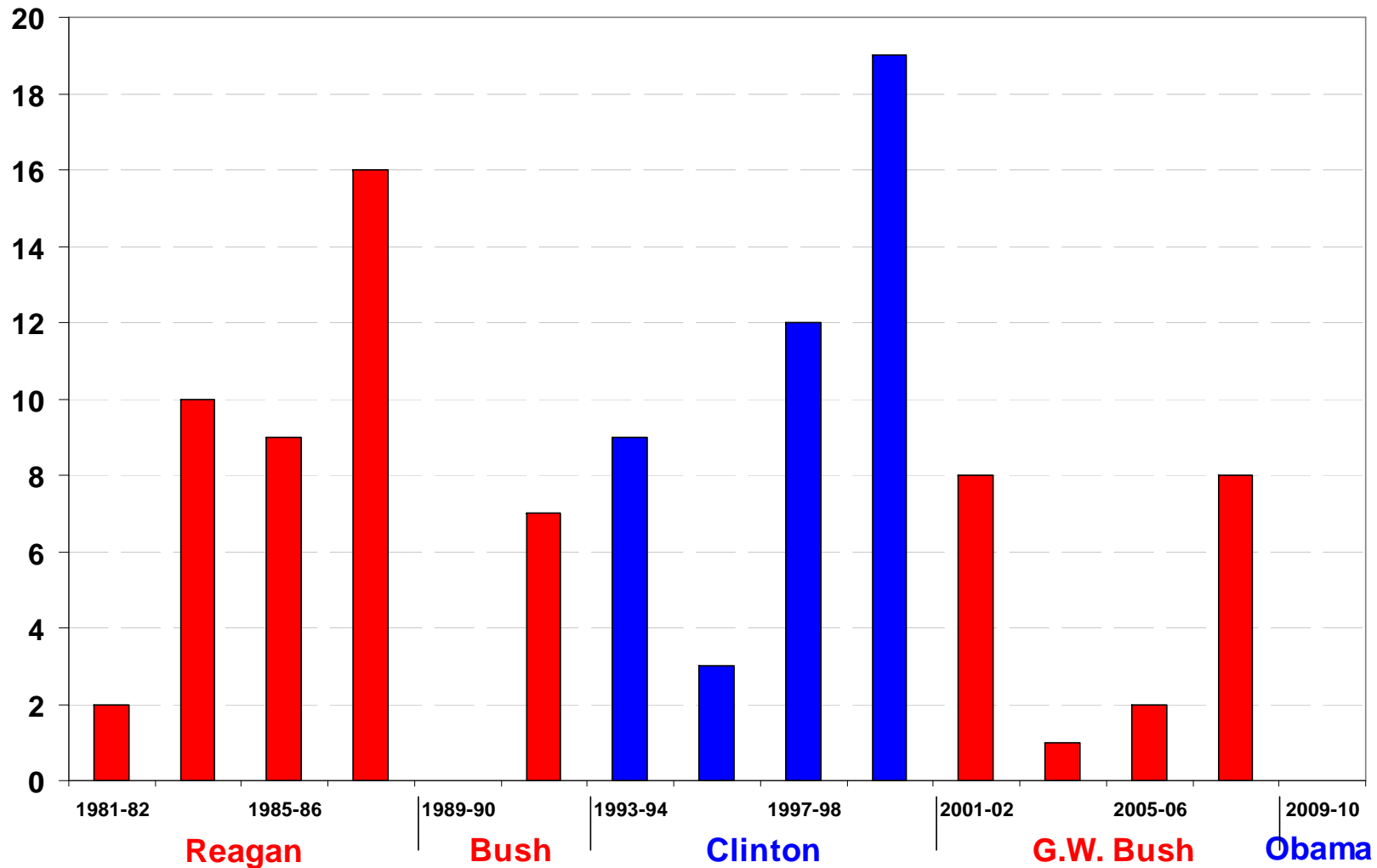


Source: Calculated from data on the Ways and Means Committee's website.

The Supply Side II: The Varying Levels of Presidential Interest in Dealing with Trade

Presidents Tend to Be More Interested in Trade Policy Later in Their Terms

Number of Times Presidents Use the Word "Trade" in State of the Union Messages, in Two-Year Increments, 1981-2009



Trade Took Up a Small Fraction of President Obama's Time in 2009

During January 20-December 31, 2009 he held 1301 events. Apart from his daily economic briefing, trade policy was at issue in just 14 of these events (1.1%) and marginal in several of them:

- Participated in a discussion on trade as part of the G-8 summit in L'Aquila, Italy (July 7).

- Participated in five meetings with Chinese officials at which trade was presumably discussed (July & November).

- Held a one-on-one meeting with USTR Ron Kirk (April 15).

- Held one Cabinet meeting at which USTR Ron Kirk was in attendance (April 20).

- Held two diplomatic events at the White House at which USTR Ron Kirk was a guest (July & November).

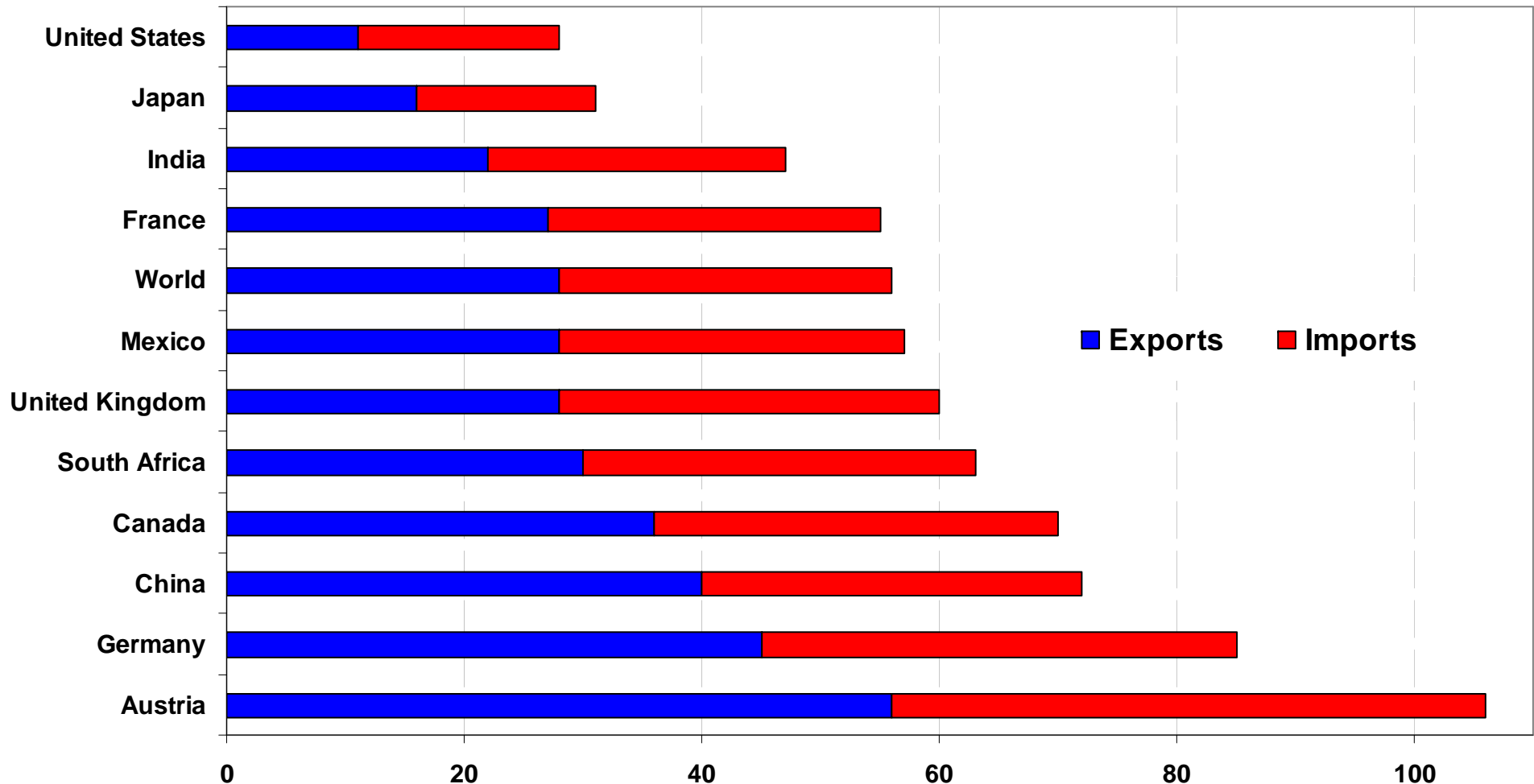
- Played golf with USTR Ron Kirk four times.

Source: Calculated from the Washington Post's POTUS Tracker.

Speculation on the Causes for the Long- and Short-Term Declines in Intensity

Trade Matters Less to the United States than It Does to Most Other Countries

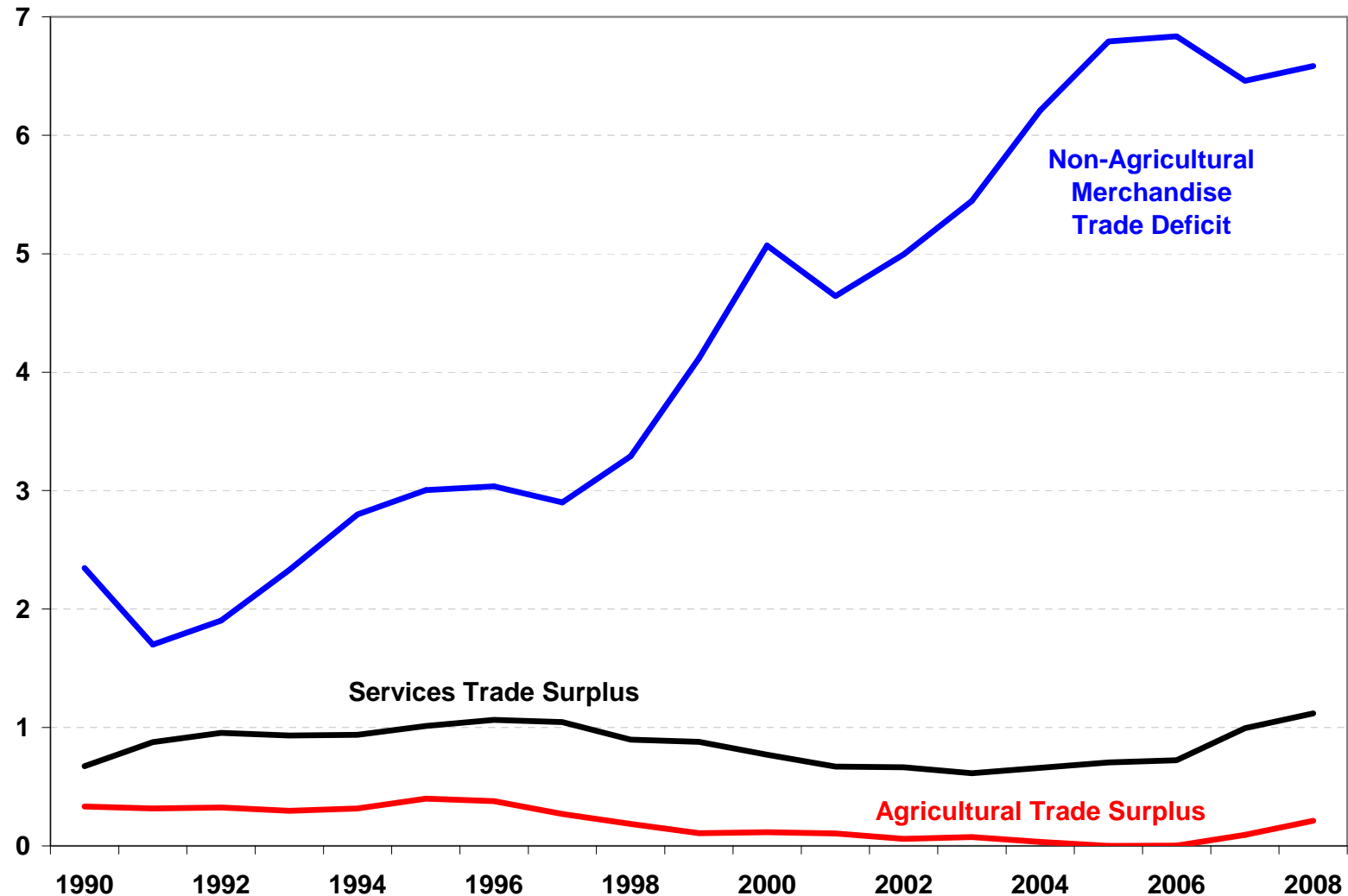
Exports and Imports of Goods and Services as a Percentage of GDP, 2006



Sources: World Bank data.

The Perceived Failure of the Uruguay Round's Market-Access Deals

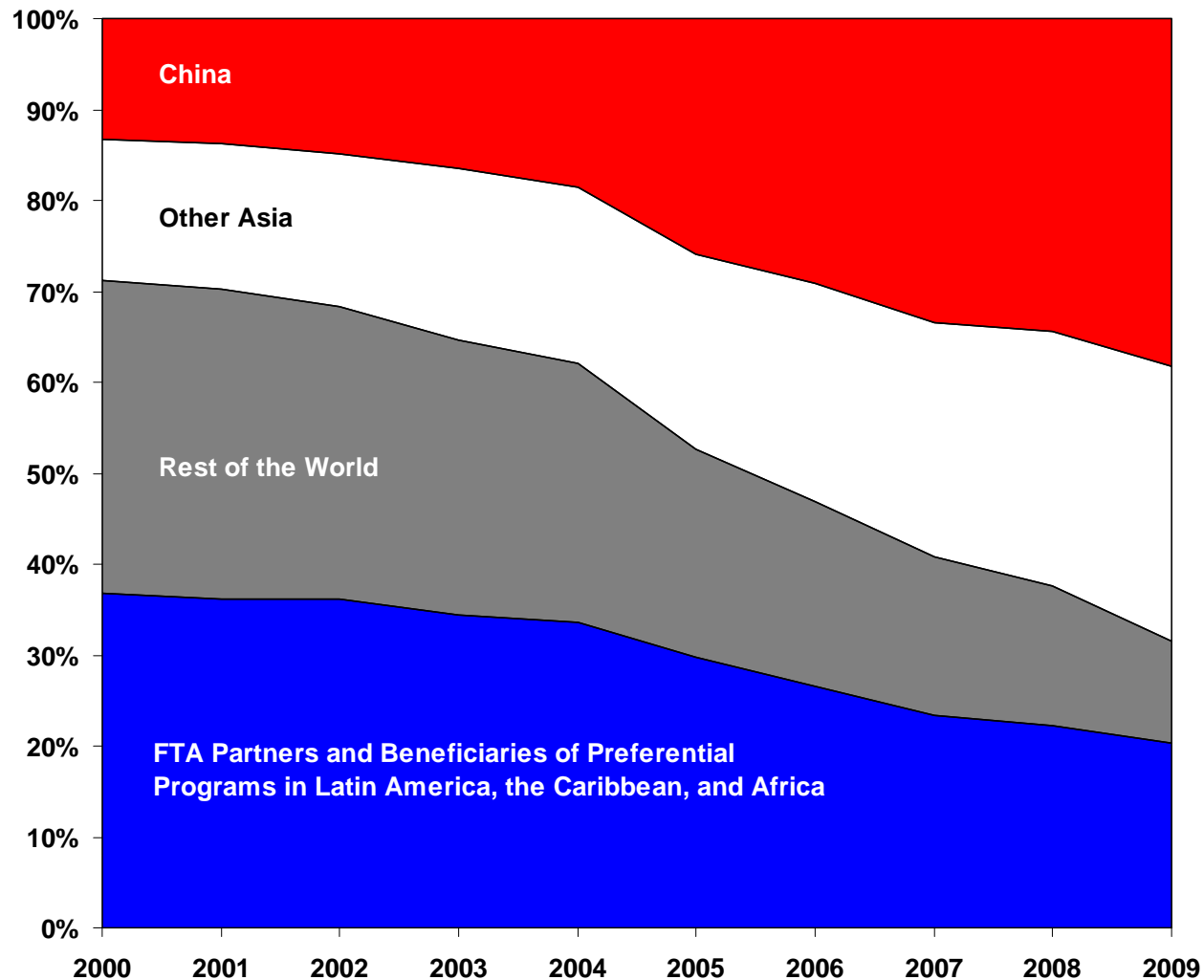
U.S. Balances on Merchandise and Services Trade as a Percentage of Gross Domestic Product, 1990-2008



Sources: GDP and services trade data from the Bureau of Economic Analysis, merchandise trade data from the U.S. International Trade Commission.

The Consequences of a Shift in Purpose: Multilateral Liberalization Means Reduced Preferences and Shares for Favored Partners

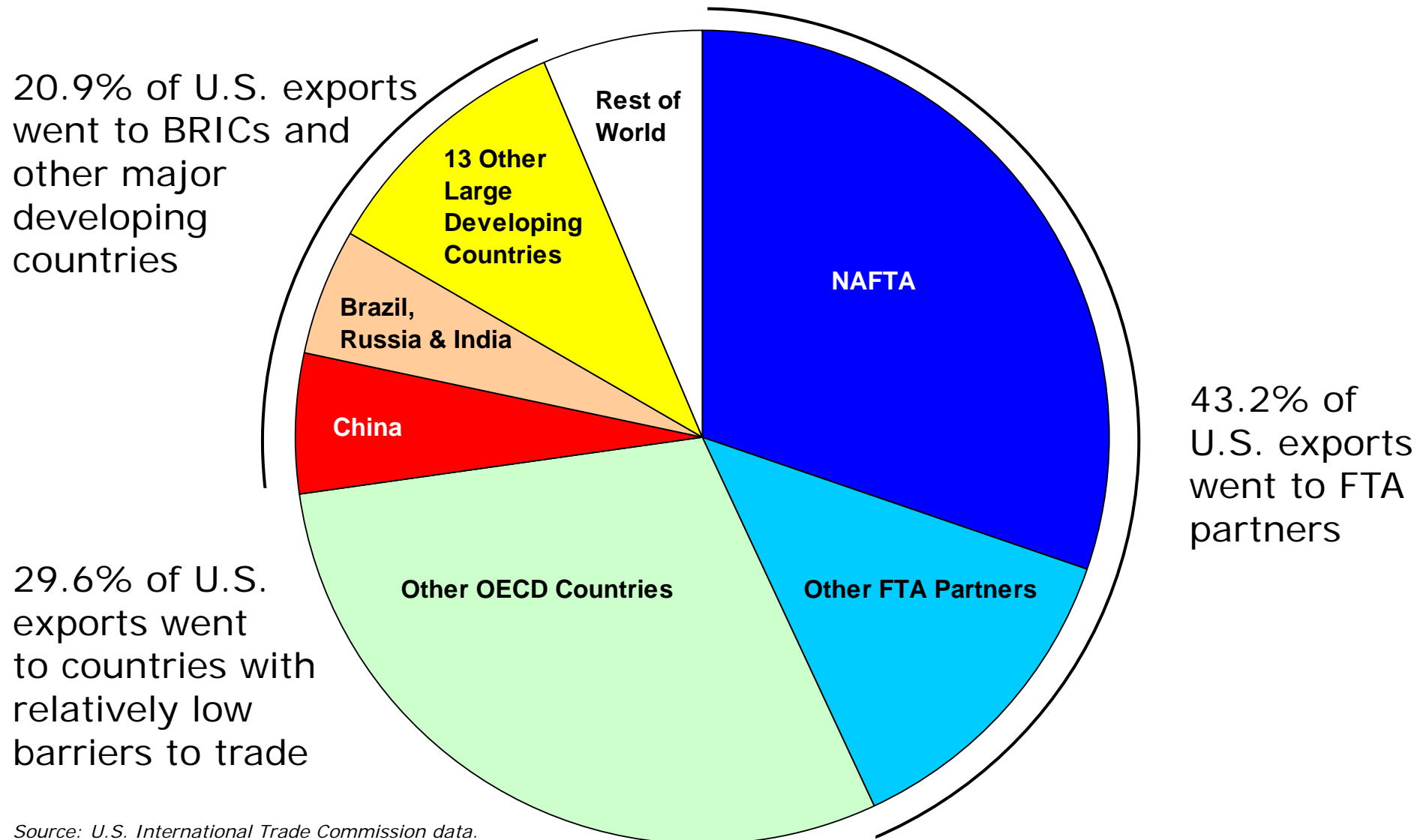
Shares of the U.S. Apparel Import Market, 2000-2009



Source: from U.S. International Trade Commission data.

More Consequences: Fewer U.S. Exports Are Affected by Multilateral Liberalization

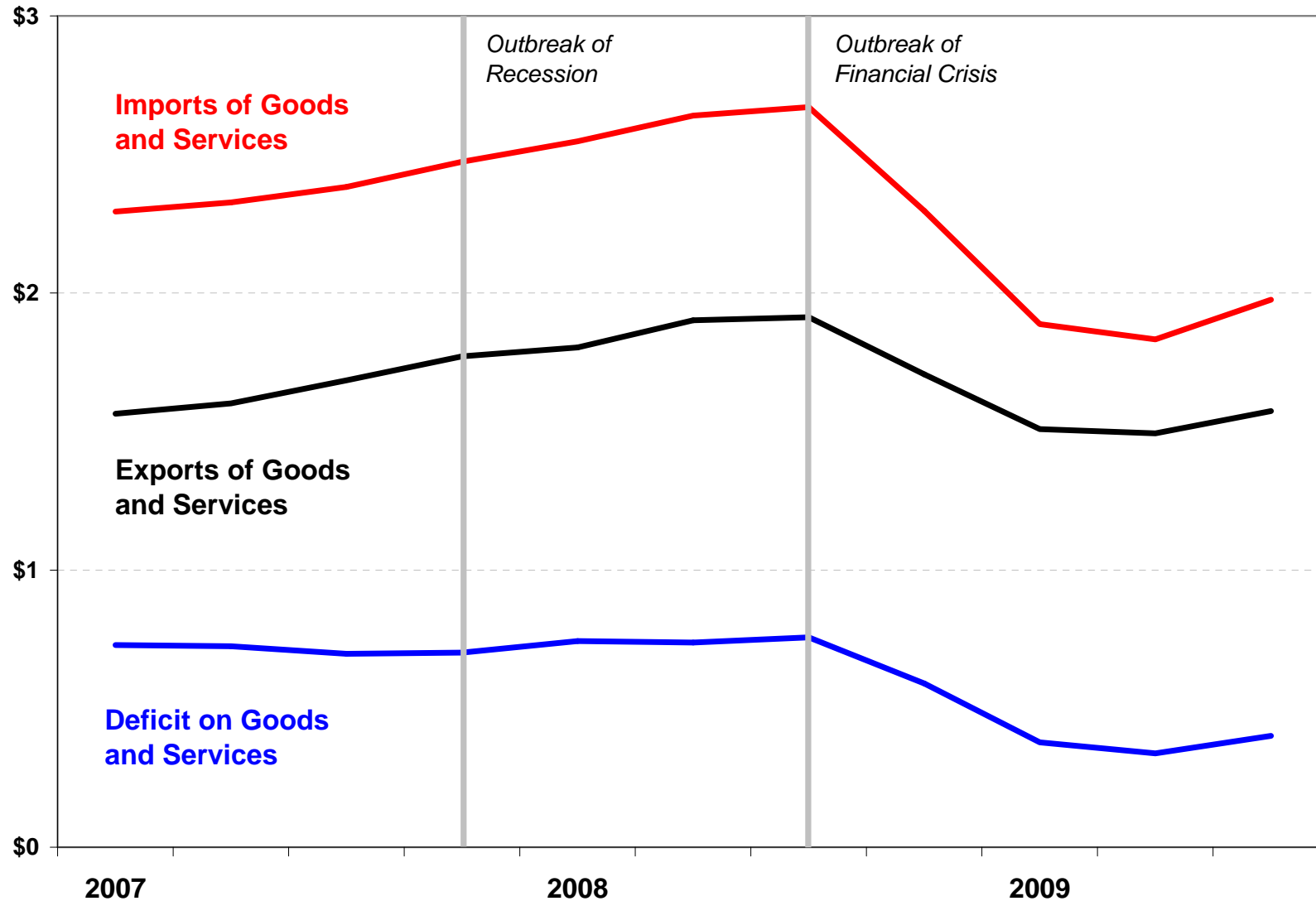
Shares of U.S. Exports, 2008



Source: U.S. International Trade Commission data.

There Is Little Perceived Short-Term Need to Address the Merchandise Trade Deficit

Quarterly Data, Trillions of Dollars



Sources: U.S. Department of Commerce data.

Conclusions

- There is little sign that either branch of the U.S. government, or even the private sector, will make trade a priority in the near term
- The real danger lies not in classic or even “new” protectionism, but instead in the failure to pursue new trade liberalization
- Trade-related policies (e.g., Buy American and climate change) may nonetheless produce episodic confrontations over restrictions
- If past patterns hold, we may see this administration show increasing interest in trade over the longer term (especially if Obama is elected to a second term)