



Presidential Transition Brief Trade and Development

“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.”

– President-elect Obama, May 23, 2008

The Problem

US trade policies affect Americans as well as people around the world. Poverty, disease and lack of economic opportunity in developing countries are a human tragedy, but they also have implications for America’s long-term security and prosperity. While our foreign policy seeks to address such problems, our trade policy has often exacerbated them. Demands for greater access to export markets in the developing world and more favorable rules for US investors can lead to greater poverty and inequality by undermining developing country farmers, limiting access to affordable medicines, and constraining the use of policy tools that developing country governments can use to protect their own citizens. US trade policy can and should do much better.

We need a new trade policy that is focused on spreading the benefits of trade as widely as possible, in the developing world as well as in the United States, recognizing that the welfare of people here is inextricably linked with the well-being of people across the globe. A new set of trade rules is needed to help reverse the trend of increasing inequality that has led to greater exclusion in the global economy. In general, we need a US trade policy that places development at its core. In particular, we need to strengthen the multilateral trading system and prioritize the completion of a pro-development trade deal at the World Trade Organization (WTO).

President-elect Obama should design a new trade policy that includes as a core objective the promotion of economic development in poorer countries. The best way for the new administration to approach trade policy would be to focus efforts on the multilateral trading system to achieve a successful conclusion of the Doha Development Agenda, while working with Congress to pass legislation providing for duty-free and quota-free market access for all Least Developed Countries (LDCs). This would send a clear signal of a break with the Bush administration trade policy of focusing on bilateral FTAs, which has generated so much opposition.

Short-term Recommendations – First 100 Days

President Obama should:

- Take initiative to restart the WTO talks and get the Doha Development Agenda back on track to make global trade more open while addressing developing country needs. A successful conclusion to the round will take time and need not be rushed, but an early indication of US leadership that reaffirms the priority of the multilateral system to the new administration and its willingness to engage on the original Doha agenda, would be a tremendous contribution toward that end.
- Restore Bolivia’s designation as a beneficiary country under the Andean Trade Preference Act (ATPA), as amended, and the Andean Trade Promotion and Drug Eradication Act of 2002 (ATPDEA), an action that the President may take by first notifying the House and Senate of his intention and then issuing a Presidential Proclamation.
- Put an end to the Bush administration’s policy of bilateral free trade agreements, such as the one proposed with Colombia, because they impose far-reaching rules that undermine development.



Long-term Recommendations – First Term

President Obama should:

- Work with Congress to pass legislation providing trade preferences to all LDCs while also improving upon existing preference programs. Make it a priority to enact a bill to provide duty-free and quota-free access to the US market for all LDCs, while authorizing funds for trade capacity building to promote small businesses, agricultural development and poverty reduction. An example of such a bill is the New Partnership Development Act (H.R. 3905), introduced in the 110th Congress by Mr. McDermott with twenty four bipartisan cosponsors.

Additional Background Information

Trade policy has become a controversial and hot-button issue in recent years, even as the global economy has become increasingly more integrated, national economies have become more dependent on one another, and trade volumes have expanded. Yet the real controversy has not been over trade itself, but rather over US trade policy, which determines the winners and losers from trade. While inequality and the concentration of wealth have increased in the United States and developing countries alike, those benefiting from US trade policy have been increasingly concentrated among the economic elite both here and abroad.

Re-building a strong constituency in support of expanded trade will require both domestic policy reform and a new approach to trade policy. The domestic agenda should include health-care reform, bolstering job security, and jump-starting local economies beginning at the community level. Trade policy should seek to expand opportunities for working people to gain a greater share in the benefits of trade, rather than focusing on locking in place new rules and economic policy prescriptions that facilitate capital flows in search of profit maximization. This means supporting open markets and avoiding protectionism, while enabling adequate government regulation and use of policy tools.

Trade can be an important engine for development and poverty reduction, but the rigged rules and double standards of international trade have undermined the ability of developing countries to benefit from trade. Reform of trade rules at the multilateral level is crucial so that poor countries have a chance to compete and harness the benefits of trade for development. Yet negotiations to date fall far short of the pro-development reform that was originally promised when the Doha Development Agenda was launched seven years ago. The US and other rich countries have offered largely illusory reforms while demanding in return real and risky concessions from developing countries, such as greater market openings without adequate flexibilities and safeguards. In order for multilateral negotiations to successfully conclude, a deal must be reached that delivers on development goals. This will require real cuts and tighter disciplines on US and other rich country spending on agricultural subsidies, while allowing developing countries to have proper flexibilities to promote rural livelihoods and adequate space to develop their industries.

In this globalized world of increasingly interdependent economies, US trade policy should establish as a core objective development in poor countries. To that end, the new administration should work toward a successful multilateral conclusion of the WTO Doha Round, take action to provide full market access to all LDCs, and stop pursuing bilateral FTAs with far-reaching rules that undermine development.

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