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USTR Message On Panama FTA Signals End To Six-Week Trade Frenzy

With a clear signal from Assistant U.S. Trade Representative for the Americas Everett Eissenstat last week that the Obama administration is not ready to send up the U.S.-Panama free trade agreement in the near term, hopes among the business community for quick action on pending FTAs appear dashed, roughly six weeks after they had come to the forefront following the Summit of the Americas.

Some business lobbyists that were left deflated by last week's message on the Panama FTA are now wondering if all the expectations for quick trade action following the April 17-19 summit were just a mirage.

The reality is probably more prosaic. U.S. Trade Representative Ron Kirk declared after the summit that President Obama wanted to move both the Colombia and Panama trade deals "sooner rather than later." But in the ensuing weeks, it became clear **the White House was not willing to pay the political price to do so.**

Trade remains extremely controversial in Congress, especially at the time of the economic downturn, and the White House apparently does not want to spend political chits on a trade deal the U.S. International Trade Commission has assessed as economically insignificant overall, especially when those chits are needed for such administration priorities as health care reform and legislation to combat climate change.

No change here from any other administration in the recent past, where trade has often taken the backseat to other domestic and international priorities.

This is also no different from the usual pattern that leaves it up to USTR to push ahead trade goals until they are assessed by the political advisers in the White House that weigh trade against the larger agenda. This is true for the White House under Obama, where the National Economic Council and other advisers provide input to USTR on all major trade decisions, according to an informed source.

The new message that the Panama FTA cannot be seen in isolation, but rather as part of a larger framework of policies, was delivered at the Finance Committee hearing last week by Eissenstat, not by Kirk himself.

Some observers see this as further underscoring the point that once the White House made the decision that it could not agree to send up the Panama FTA at this time, as demanded by the leaders on that committee, the administration sent Eissenstat to the hearing to avoid a possible confrontation between Kirk and Senate leaders.

But others see it as a routine decision that an official of Eissenstat's rank testified rather than Kirk or newly confirmed USTR Deputy Demetrios Marantis, who is focusing work

on Asian trade and not the Panama FTA. There is still no deputy USTR confirmed to deal specifically with the Western Hemisphere, one source pointed out.

Thinking back to the Summit of the Americas, you may remember that Kirk's message and the statements made by Obama himself at the summit surprised a lot of people -- even pro-FTA lobbyists -- that had predicted that these FTAs would remain on the back burner this year in light of other administration priorities.

These lobbyists saw the promise of quick action as affirmation of their hopes generated by the appointment of Tim Reif as USTR general counsel. Late last year, as a senior House Ways and Means aide, Reif advocated quick action on the pending trade deals to dispense with the agenda inherited by the Bush administration and clear the plate for new trade initiatives, and pro-FTA lobbyists hoped Reif would spread that message at USTR.

While FTA opponents were also surprised at the earnest desire expressed by USTR to press ahead with pending trade deals, they used the ensuing weeks post-summit to clearly convey their opposition to the Panama FTA to the administration, arguing that it would be politically costly to send up that trade deal.

They knew that they had to fight the Panama FTA, especially if they wanted to hold off congressional approval of other, more controversial FTAs with Colombia and South Korea, which are further away from consideration.

At least for now, that strategy appears to be working.