

Is it Possible: More Incompetence in U.S. Trade Policy?

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Are American trade officials born politically and tactically clueless? Or are they simply vetted for these qualities before being allowed to sign on at USTR? Our question is prompted by the embarrassing performance delivered by Assistant U.S. Trade Representative Wendy Cutler in recent remarks on the Korea-U.S. Free Trade Agreement.

The deal is currently stalled in Congress largely due to refreshing skepticism over the Korean market-opening promises accepted by the Executive Branch. So Cutler, the lead U.S. negotiator, decided to warn Congress, "Korea is not standing still, waiting for us to approve the FTA." Seoul, she explained, is pursuing trade accords with Canada and other countries with far smaller and less promising markets.

Cutler obviously hopes to convince Congress that Korea could easily blow off the United States and bestow its trade favors on others instead. But how could anyone even minimally knowledgeable about U.S. trade flows believe this? And how could anyone even minimally street-wise hope to earn Congress's trust with such an extravagant display of gullibility?

After all, where else can Korea find a market as big and open as America's? Protectionist Europe? Even more protectionist Japan (and a long-time adversary to boot)? Export-obsessed China? Indeed, in 2006, Korea bought only 3.3 percent of U.S. goods exports, while the United States accounted for 13.3 percent of Korea's overseas sales. And the latter figure omits the flood of electronics exports sent by Korean companies to America annually from China and other low-cost Asian export platforms.

Worse, Cutler's Chicken Little act – which the Clinton administration performed as well – can only undermine America's negotiations with our other trading partners. Such ridiculous pronouncements by U.S. trade officials inevitably will encourage other countries to bluff and hold out for better terms merely by threatening to open talks with their other trading partners. No wonder so many U.S. trade agreements have been so ineptly negotiated, the trade deficit has exploded, and domestic producers have lost sales or been put out of business altogether.

If Cutler and the rest of the administration want at least a prayer of impressing Congress and the public, they should show some self-respect and play hardball with the Koreans – and the rest of the world. For instance, if Korea gives other countries trade breaks not also awarded to the United States, Washington should respond by raising tariffs on Korean products at least by the equivalent, or imposing non-tariff barriers at least as

formidable. And these potential penalties should form an integral part of the U.S.-Korea Free Trade Agreement.

In his famed Inaugural Address, President Kennedy warned his countrymen never to “negotiate out of fear.” For the sake of America’s future prosperity and security, it’s a warning that President Bush and his trade negotiators should heed, and perhaps add naivete alongside fear.

(Sources: “US officials says failure to ratify SKorean trade deal could ruin U.S. image in Asia,” Associated Press, November 27, 2007; calculated from Trade Dataweb, U.S. International Trade Commission, <http://dataweb.usitc.gov>; and “South Korea: Fact Sheet,” Economist.com, <http://economist.com/countries/SouthKorea/profile.cfm?folder=profile-FactSheet>)

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