Trade, Growth, and Jobs

U.S. Trade Policy in the Obama Administration

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Introduction

From the outset of his Administration, President Obama laid out his vision for a trade policy that creates economic growth, supports American jobs, and strengthens the middle class. In the intervening eight years, the Office of the United States Trade Representative (USTR) has worked closely with our agency partners, Congress, and a diverse array of stakeholders to turn that vision into a reality.

Our agenda has focused on removing foreign barriers to U.S. exports, leveling the playing field by raising global standards, and enforcing U.S. trade rights. By doing this, we help support additional high-paying American jobs. Through our trade policy, we bolster our partners and allies, lead efforts to write the rules of the road for fair trade among partners, and promote broad-based development. Trade done right is essential for our economy here at home and for America's position in the world. We have advanced that vision in four key ways:

1. We have negotiated and concluded high-standard trade agreements like the Trans-Pacific Partnership (TPP) to expand the export of "Made-in-America" goods and help make the U.S. economy the world's production platform of choice.

2. We have doubled down on tough enforcement of our trade agreements. Over the course of the Obama Administration, we brought 24 trade enforcement cases to date to the World Trade Organization (WTO) – including 15 cases against China – and won each case that has been decided. These enforcement efforts level the global playing field, ensuring that other countries are playing by the rules.

3. We have spurred sustainable and inclusive growth, both at home and abroad. At the WTO, we updated the multilateral trading system to the realities of the 21st century, tackling emerging issues important to developed and developing economies alike. Through our preference programs, we promote development and provide opportunities for the world's poorest people.

4. We have engaged with other countries – bilaterally, regionally, and multilaterally – to strengthen our trade and investment partnerships and unlock opportunity for American workers and industry.

From the depths of the financial crisis, our economy has emerged stronger and more stable, and trade is a key part of that story. But this work is not finished. There remains much we can and should do to shape the profound changes to the U.S. and global economy that have occurred over the last decade and make the global economy work for all Americans. Globalization is a force that shapes our lives in profound ways, and we see it plainly in trade. The cost of shipping goods across borders has dropped dramatically. The expanding potential of the Internet has reshaped the way we do business. And automation has changed how we produce almost every good and service and has affected job and wage growth. These forces are not going away, but are in fact accelerating.

The fundamental economic question of our time is not whether we can stop globalization, but whether we can use all the tools at our disposal to shape globalization in a way that helps the majority of Americans, and reflects not just our economic interests, but our values. We need to continue to create good jobs, grow wages, and address income inequality. This has been the guiding principle of trade policy under President Obama, and I am proud of our record. In the pages that follow, I will recount some of our key successes, and offer my thoughts on a vision for future progress.

Track Record

"Trade that's fair and free and smart will grow opportunity for our middle class. It will help us restore the dream we share and make sure that every American who works hard has a chance to get ahead."
– President Barack Obama

Trade and Recovery from the Crisis

At the outset of President Obama's Administration, the U.S. economy faced the greatest economic crisis since the Great Depression. In the fourth quarter of 2008, GDP was contracting at its fastest rate in 50 years and by early 2009, nearly 800,000 American jobs were vanishing each month. As the crisis spread worldwide, U.S. exports fell by $259 billion – the biggest loss ever in dollar-terms, and the worst in percentage terms since 1938.

The Obama Administration implemented a multifaceted response to the economic crisis, including through fiscal stimulus, programs rescuing the American auto industry, and by reforming the financial system.

We also helped ensure that world markets remained open. One of the key lessons of the Great Depression is that by raising tariffs and reverting to protectionism, governments made the Depression longer and worse. In 2009, we worked with other major economies through the G-20 to stave off protectionism, helping to avert another depression, preserve jobs, and support growth.

In the intervening years, we put the economy back on a path toward growth and prosperity. U.S. businesses have created 15.6 million new jobs since early 2010, and at 4.6%, the unemployment rate is now below the pre-recession average of 5.3%. Real manufacturing value-added output is up 12.6% since the trough of the recession in the first quarter of 2009 to the second quarter of 2016, and 807,000 new manufacturing jobs have been created since their low in early 2010.

Exports have played a key role in this recovery. Under President Obama, U.S. exports have increased by over 40 percent from the beginning of 2009, growing two and a half times faster than the economy as a whole. Exports have added an additional $678 billion dollars to our economic output. This surge of exports means jobs. Each billion dollars of increased annual exports supports between 5,300 and 7,300 jobs, on average. Since 2009, exports have supported 1.7 million additional private sector jobs – jobs that pay up to 18 percent more on average than non-export jobs.

Raising Standards, Expanding Exports, and Promoting American Values

When trade is free <u>and</u> fair, it is a key part of a strategy to create jobs, promote growth, and raise wages for the American worker. Over the course of the Obama Administration, we have worked to negotiate, conclude, and implement strong trade agreements that not only open markets for U.S. exports, but create a level playing field for workers and businesses by ensuring that other countries can't undercut worker and environmental protections or steal American intellectual property (IP). We implemented the values-based approach to the global economy President Obama campaigned on in 2008: putting the strongest enforceable labor and environmental standards at the core of our trade agreements, improving the transparency of policymaking, strengthening enforcement of existing agreements, and addressing new and emerging issues such as digital trade. Below are some of our key accomplishments:

Concluding the Trans-Pacific Partnership. In October 2015, the United States and eleven other countries in the Asia-Pacific successfully concluded the most ambitious and high-standard agreement of its kind, the Trans-Pacific Partnership (TPP). The TPP will grow the American economy, support well-paying American jobs, and strengthen the American middle class. Because TPP includes Canada and Mexico, it also lives up to President Obama's promise to renegotiate the North American Free Trade Agreement (NAFTA), ensuring that it includes stronger and enforceable labor and environmental protections.

Trade Promotion Authority. In June 2015, President Obama signed the Bipartisan Congressional Trade Priorities and Accountability Act of 2015. Also known as TPA, the bill sets clear expectations for high-standard trade agreements, and demonstrated the bipartisan support for U.S. leadership in establishing the rules for global trade.

Trade Adjustment Assistance. In June 2015, President Obama also signed the Trade Adjustment Assistance Reauthorization Act of 2015, which provides a six-year renewal of assistance to workers adversely affected by trade. This program has already provided help for 145,000 dislocated workers across the country.

Bilateral Free Trade Agreements. Under President Obama's leadership, we renegotiated, strengthened and implemented free trade agreements with Korea, Panama, and Colombia, with stronger labor provisions and improved benefits for workers and manufacturing industries.

Expanding the Information Technology Agreement (ITA). The ITA – the first major tariff-cutting deal at the WTO in 18 years – eliminated tariffs on $1.3 trillion in annual global exports of information and communications technology products. The ITA supports U.S. manufacturing and technology industries, and opens key overseas markets for some of America's most competitive companies and workers.

Trade Facilitation Agreement (TFA). We led the conclusion of TFA - the first multilateral agreement since the creation of the WTO. Once fully implemented, the TFA is estimated to generate hundreds of billions of dollars in economic activity.

Promoting Broad-Based Economic Growth. Under President Obama, we revived our key preference program, the Generalized System of Preferences. We also secured long-term extensions of the African Growth and Opportunity Act, in addition to the Hemispheric Opportunity through Partnership Program for Haiti, through 2025. These programs promote economic growth in the developing countries, contribute to the alleviation of poverty, and support U.S. jobs by helping keep American manufacturers competitive, and encouraging beneficiary countries to emerge as export markets through growth and appropriate policy reforms.

Enforcing our Trade Rights

During this Administration, USTR has filed 24 enforcement actions to date at the World Trade Organization (WTO) on behalf of American workers, manufacturers, farmers, and businesses. This is more enforcement actions than any other WTO member has brought during this period. And we have demonstrated a track record of success: in every case that has been decided to date, we have won.

We have focused in particular on bringing cases which have broad, systemic benefits. Challenging India's local content requirements was not just about increasing solar panel exports to India, but was intended to send a message to governments all over the world that the United States would not tolerate this new form of protectionism to exclude our products from their markets, contrary to their WTO commitments. Challenging China's use of export restrictions on rare earth materials not only provided important relief to U.S. manufacturers dependent on those materials as inputs, but also provided an opportunity to send a message to China's government and other governments not to use such restraints in any sector to gain a trade-distortive advantage over U.S. competitors.

Of the 24 enforcement actions, 15 have targeted China's unfair and WTO-illegal policies, ranging from illegal barriers to auto imports, agricultural subsidies to grain producers, discriminatory taxes, barriers to services trade, and barriers to U.S. exports of high-tech steel. We also brought economically significant cases against India's illegal, non-science-based ban on U.S. poultry, European subsidies to civil aviation, and Argentina's import restrictions.

Our trade enforcement successes have positively affected billions of dollars of U.S. exports. For example, our case against China for illegally imposing anti-dumping duties opened up that market to $5 billion of auto and auto parts exports. Our case against India's local content requirements for India opened up an estimated $1 billion market. And our case against China's illegal duties on U.S. poultry is worth an estimated $1 billion.

The Obama Administration has pioneered efforts to create a whole-of-government approach to enforcement. In 2012, President Obama created the Interagency Trade Enforcement Center (ITEC), which brought together resources and expertise from across the federal government to provide critical investigative and analytical resources. In February 2016, the President signed the Trade Facilitation and Enforcement Act of 2015, which included new tools and resources to help ensure our trading partners live up to their commitments. One key provision of the Act is to codify this interagency approach by permanently establishing in USTR the Interagency Center on Trade Implementation, Monitoring, and Enforcement (ICTIME). This collaborative structure has allowed the Administration to rapidly and strategically deploy resources in our effort to proactively enforce U.S. trade rights and to maximize the systemic impact of our trade enforcement efforts. It has allowed us to bring more complex cases with greater systemic impact.

Economic Successes

Our pro-worker, pro-growth trade policies have been a core part of President Obama's promise of a new foundation for growth – helping to raise U.S. exports; strengthen America's manufacturing, agriculture, and tech sectors; and support manufacturing jobs, farm incomes, and R&D investments.

Since 2009, U.S. exports have grown from $1.6 trillion to $2.3 trillion in goods and services. Some of the highlights include:

- Nearly $400 billion in manufacturing export growth from 2009 to 2015, including $50 billion in aerospace export growth, $56 billion in automotive products, $5 billion in textiles and apparel, $9 billion in medical equipment, and $11 billion in integrated circuits and computers.

- A net gain of 27,000 new small- and medium-sized business exporters between 2009 and 2014 (last complete data), with SME exports rising by $173 billion.

- A 35 percent increase in agricultural exports.

As these export and revenue figures have increased, industries have expanded; wages have begun to rise; and output has grown. Exports in 2015 supported 11.5 million jobs, up from 9.6 million in 2009. Manufacturing output is near an all-time high, and up by an inflation-adjusted $200 billion from 2009. From 2010 to 2015, the manufacturing sector added jobs over 6 consecutive years – the longest streak of continuous manufacturing job growth since 1961-1969. The U.S. has become the world's largest destination for manufacturing investment, with $243 billion in FDI flowing into the U.S. manufacturing sector in 2015. Agricultural exports have risen from $110 billion to $130 billion, bringing income and growth to rural America. And America's trade imbalance has been sharply reduced, now standing at one of its lowest levels relative to GDP since 1998.

Today, Americans enjoy a more productive economy with higher exports, higher savings, and stronger commitment to research and development. The strength of the economy is reflected at home as well as in national figures: in 2015, median household income rose by $2,800, the highest rate of growth on record; the count of Americans living in poverty down by 3.5 million; unemployment fell to 5.0 percent as layoff rates fell to a 21st-century low; and private-sector employment grew by 2.7 million jobs. These trends have continued through 2016, with continued strong job growth and unemployment falling to 4.6 percent. The data clearly show the success of the President's economic and trade policies.

The Path Forward

"[The] answer cannot be to back away from trade and the global economy. It is here to stay. It's not possible to cut ourselves off given how integrated our economies are. And trying to pull up a drawbridge on trade would only hurt us and hurt our workers. So the answer is to make sure that globalization and trade is working for us, not against us."

- President Barack Obama

Shaping Globalization through Trade Agreements

The U.S. economy is stronger today than when President Obama took office. But despite the gains, there is more to do. Wages have grown far too slowly. Too many Americans feel disconnected from the global economy, sensing that many of the benefits of globalization have passed them by.

Every day, the U.S. economy steadily grows more open to flows of goods, information, and ideas. This process exists entirely separate from U.S. trade policy; it is principally because technology and logistics steadily reduce the transactional costs of trade. Each year brings expansion of the global container shipping fleet, the deployment of new and more powerful fiber-optic cables, the expansion of the Internet, and other impersonal forces that raise capacity to move goods and information around the world, reduce the cost of doing so, and reduce the efficiency of static trade barriers such as tariffs.

From a consumer perspective, trade liberalization has added an estimated $13,000 to each American family's income on average. It has been particularly important to low-income Americans who spend a higher proportion of their disposable income on tradable goods, such as clothing, footwear and food. While the U.S. is largely an open economy, with an average applied tariff at a relatively low rate of 1.5 percent and 70 percent of all imports coming in duty free, the tariffs on remaining imports of consumer goods tend to be regressive, having a disproportionate effect on low-income Americans.

We cannot expect these trends to stop or to slow, and we should be aware of the remarkable benefits they bring to many Americans. A world of cheaper shipping, eased access to global customer bases, and precision search technology enables American farmers and small businesses to find hundreds of millions of new customers and empowers American families to choose the best and cheapest of the world's goods. A world market in which trade focuses more heavily on Internet-enabled services and innovation is also one that plays to the strengths of the United States in innovation and creativity, everywhere from online entertainment and advanced manufacturing, to agricultural biotechnology.

But these forces also bring change and instability. That is why we have sought to shape globalization through our trade agreements, and ensure that other countries are playing by the rules. An effective trade policy will not only open markets for exporters, but ensures that businesses and workers have fair rules of the road and are not disadvantaged by abusive labor policies, subsidies, reckless exploitation of the environment, or subsidized competitors.

Our efforts to secure a fairer global economy are why we have pursued the Trans-Pacific Partnership, which cuts over 18,000 taxes on American exports – eliminating everything from Vietnam's 70 percent tariff on Made-in-America cars to Japan's 17 percent tariff on U.S.-grown apples – and strengthens labor and environmental protections, promotes innovation and protects U.S. intellectual property, and writes strong rules for the digital economy and to level the playing field between state-owned enterprises and private companies. It is why we have worked to secure greater access to the European market through the Transatlantic Trade and Investment Partnership (T-TIP). The U.S.-EU trade and investment relationship is the largest in the world, and with T-TIP and TPP combined, the U.S. would have unfettered access to nearly two-thirds of the global economy. And it is why we have pursued agreements to strengthen the rules governing services trade through the Trade in Services Agreement; to open markets for high-tech goods through the Information Technology Agreement, to support U.S. exporters and America's world-leading logistics firms through the Trade Facilitation Agreement; and to promote trade in environmental technologies through the Environmental Goods Agreement.

These agreements offer a positive vision for American leadership in the global economy. This vision is vitally important, because in the absence of U.S. guidance and leadership, the world is likely to turn to alternative policy models that will put the United States at a permanent disadvantage.

The Choice: The U.S. or China

If the United States steps back from engagement with the global economy, other countries will step in to take our place. Right now, there are competing visions for how the global economy should work. The choice is between the open, rules-based system that the United States helped create, and a more mercantilist approach – one in which there are no labor or environmental protections, no emphasis on intellectual property rights enforcement, no disciplines on state-owned enterprises, no commitment to a free and open Internet, and no disciplines on currency manipulation.

There are countries who are eager to replace the United States as the leader of the global economy. They pursue state-directed industrialization policy, reliant on subsidies to build industry; coercive intellectual property policies that allow for theft or require the transfer of technology; and agreements untied to higher labor and environmental standards, or the guarantees of Internet freedom. Contrary to the U.S. vision, there are some countries who see no place for creating a more level playing field through strengthened labor and environmental standards and who have flatly opposed Internet freedom – offering instead a concept of "national clouds," providing governments unfettered and arbitrary rights to control, block, and censor flows of information.

If we step back from a global leadership role, it will be our loss and China's gain. For example, China is working to conclude the Regional Comprehensive Economic Partnership Agreement, a 16-country accord that would not protect labor and the environment, would not ensure Internet freedom, would not protect patents or trademarks or copyright from infringement, counterfeiting, and piracy, and would impose no disciplines on state-owned enterprises. Moreover, this alternative vision would place a large portion of America's industry at risk of lost exports and create powerful incentives to invest in Asia in order to sell in Asia. Should this alternative come to dominate the next generation of trade agreements, the consequence will be an erosion of economic security and opportunity for all Americans.

Supporting the American Worker

Despite the economic gains we have made over the past eight years, there is legitimate anxiety about our economic system. There is a sense that after decades of wage stagnation and rising income inequality, the system is not working for the many, but is working only for the few.

And while trade and globalization are frequently blamed for these challenges, most economists believe that automation has more to do with the changing nature of the workforce and the suppression of wages than globalization.

Think about the impact of automation on the American workforce. While over 800,000 manufacturing jobs have been created since early 2010, automation and technology are changing the way we make things, not just here in the United States but around the world. As manufacturing output is near an all-time high and productivity is higher than ever, employment is seeing fragile growth. Factories that once employed 10,000 workers are now able to produce more with just 50 workers and an assembly line of robots. This trend is not slowing down. As we speak, technologies are being developed and deployed that will automate everything from trucks to your grocery store's cash register.

But we don't get to vote on automation. We don't really get to vote on globalization, which is a force all its own. We do get to vote on trade agreements, however; and so trade often becomes a scapegoat for all varieties of economic concerns, even in instances where it doesn't play a significant role.

We must not ignore these concerns. We must address all of them head-on. There is an increasingly broad consensus that we should do more to address income inequality, increase wages, and create jobs and security for our middle class. President Obama has proposed meaningful steps in this direction. And although most of these were not acted upon by Congress, there is broad enthusiasm for tools that can support workers who are not just displaced by trade, but by automation or globalization. Some have suggested increased investment in worker training and relocation assistance. Others have focused on improving our education system, investing in apprenticeship programs and providing life-long learning. Indeed, ideas to address income inequality abound, from strengthening our unemployment system, investing in infrastructure, to reforming our tax code. I urge the next Administration and the next Congress to address these issues head-on as they consider the best way to spur economic growth across the country.

Future policymakers will have to decide what shape their economic policies will take. But the absence of strong trade agreements and of domestic adjustment and competitiveness policies that meet the needs of changing times will not help the American worker. Closing our borders and insulating ourselves from the global economy will fail to ease competitive stress – just as the protectionism and isolationism of the early 1930s worsened rather than eased the Depression – and will deprive the United States of the ability to take advantage of our great strengths.

Toward the Future

I am proud of our accomplishments over the past eight years and the foundation we have laid for the future. From pursuing high-standard trade agreements like the Trans-Pacific Partnership to executing a robust program to enforce our existing trade deals, we have raised standards; created export opportunities for workers, farmers and businesses; defended American rights; and helped to level the playing field for American workers. At a time of political gridlock, we worked with Members of Congress from both sides of the aisle to pass important trade bills and craft trade policy. We have engaged with a broad cross-section of Americans – from manufacturers and farmers to workers and environmental groups – to pursue policies that help all Americans benefit from the global economy

The next Administration and the next Congress will inherit a stronger economy and global trading system than the one President Obama encountered on his first day in office. And they will have important choices to make about the future of trade policy, U.S. leadership, and engagement in the global economy.

I am optimistic about our future. As President Obama has said, we have the best, most productive workers in the world. American workers produce more than 30 percent more per worker than Germany, and three times as much as China. We have a large and attractive market, governed by a strong rule of law. We have an entrepreneurial, internationally minded, and ethnically diverse small business community, whose ability to tap world markets for growth and exports is unmatched. We have abundant sources of affordable energy, making us a hub for manufacturing investment. We remain the most innovative economy on the planet, a global nexus for R&D and creativity and the center of the global digital economy. Our universities attract the best and brightest from across the world.

We have the opportunity to make the 21st century another American century – if we seize it.