



# RESPONSIBLE LEADERSHIP SUMMIT

## SHAPING OUR FUTURE

### Conflicting early signals of Obama's trade policy

February 3, 2009

During an afternoon roundtable session on the final day of the Responsible Leadership Summit at IMD, an expert panel chaired by IMD Professor of Leadership and Strategic Change Maury Peiperl examined the contradictory early signals over trade policy emerging from the Obama Administration.

"President Obama faces a formidably challenging agenda: the financial crisis, rising unemployment, the Middle East, Iraq, Afghanistan, climate change, etc.," explained Jean-Pierre Lehmann, IMD Professor of International Political Economy and Founding Director of The Evian Group. "The trade agenda risks being given low priority or, worse, mishandled. In fact it underpins virtually all of the issues on his agenda. A good trade policy could definitely improve many perspectives, a bad trade policy could be catastrophic on all fronts."

Although there is a risk that political and social pressures could lead to protectionist policies, particularly in light of the economic downturn and the uncertain implications of the stimulus package, the general feeling was that the new Administration has multilateral leanings. Given time and space, the US under Obama should be a responsible trading partner.

"The US government will need time to define its vision," said Gérard Depayre, Economist Advisor with Trade Strategies, Switzerland. "Under what conditions will it re-engage in the WTO negotiations? Will some of the key premises of the Doha deal be questioned?"

Claude Barfield, Resident Scholar at the American Enterprise Institute, brought in a key element of the current uncertainty by reminding the audience and panel that the Democratic Party is deeply divided over trade, more so than under Clinton. "The House of Representatives is particularly sceptical in its perceptions of globalization," he said. One of the key elements is going to be Obama's capacity to stand up to interest groups within his party.

An area in which the Obama Administration's potential stand on trade shows signs of structural pressure to be more protectionist is with regard to the "buy American clause" and the particular concerns this raises for the US' partners in NAFTA - Canada and Mexico. Over recent weeks, Canada has been lobbying solidly to secure an exemption to this clause and the EU has announced it will challenge the clause as being in violation to WTO rules and commitments.



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The US government has signalled a clear change in its approach to environmental concerns and this will have an impact on US trade policy. Bruce Stokes, International Economics columnist with the National Journal, suggested that the consensus in Washington is that it will be difficult to pass climate change legislation without introducing border adjustment measures. This would represent a failure in international cooperation, as many emerging countries would perceive such green taxes as a barrier to exports.

Building on previous roundtable discussions, a central issue in US trade policy is how it will decide to interact with China. Mr. Rengang Huang of the Permanent Mission of China to the WTO said that the US – China relationship can, and will, be sensitive from time to time. The management of this all-important bilateral relationship requires vision, responsibility and leadership.

The objective of the roundtables was to provide a thoughtful and inspiring roadmap for trade policy, trade philosophy, and business leadership in setting the framework for the 21<sup>st</sup> century. The intention was not to produce a piece of advocacy, though it was aimed at countering protectionism and strengthening the multilateral rules-based trade regime and trade environment as a path to peace and prosperity.

The third day of the Responsible Leadership Summit was organized in partnership with the International Chamber of Commerce and the Evian Group at IMD.



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