

“A Time to Choose: Trade & the American Nation”

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I would like to begin by thanking the Heritage Foundation for inviting me to speak today. Since 1973 Heritage has been a vital force in the promotion of free markets, limited government, individual liberty, and a strong national defense. The leadership of Ed Feulner is a testament to what one person can accomplish through determination, principle, and an unfailing belief that ideas *do* have consequences. I deeply appreciate all the work Heritage has done – in foreign and domestic policy – and look forward to building on our cooperation in the years ahead to help advance freedom and open markets around the world.

I would also like to express my appreciation for the advice and help that I have received from Congressman Cal Dooley. I'm delighted that he is here today. Cal Dooley does not fit any mold – because he is an independent thinker. While I would not claim to be an expert on the Democratic Party, it appears to me – as at least as an informed outsider – that Cal is at the forefront of

a new generation that is emphasizing internationalism in foreign policy, accountability in domestic policy, and fiscal discipline and open markets in economic policy. Indeed, one might call them “compassionate . . . centrists.” Regardless of the label, in my nearly five months as U.S. Trade Representative, Cal Dooley has been a valuable ally in rebuilding the bipartisan consensus on trade. Even more important, I consider him a friend and a partner.

Eleven years ago this month, I witnessed a moving event in Berlin at Checkpoint Charlie. That day was literally moving day: Checkpoint Charlie was lifted by a crane and moved on a flatbed truck to a local museum, where it now rests as an enduring symbol of division between East and West Berlin, between autocracy and democracy. Amidst all the bustle of the race to unify Germany, on that day one could not help but pause to reflect when we saw that symbol of an old world being lifted away. It was only three years earlier that Ronald Reagan spoke at the Brandenburg Gate in Berlin and urged Mikhail Gorbachev to “tear down this wall.”

Checkpoint Charlie’s demise was a sign of the revolutionary changes that were sweeping East Germany, and the world. A dark era in human history was ending, and a new era was beginning – one full of new political, economic and spiritual freedoms for the people of central and eastern Europe.

I had the extreme good fortune of being present during this transition, serving as an Under Secretary at the State Department and helping to negotiate the “Two-Plus-Four” treaty. I was the last in a line of Americans – dating back 45 years – who kept the U.S. pledge to our German allies: A policy toward a divided Germany, to paraphrase Adenauer, of *Freiheit und Einheit*, “freedom *and* unity.”

It was no surprise to me – and to many at Heritage, who were on the front lines of this struggle – that after decades of oppression, the peoples of central and eastern European desperately wanted to look westward – in search of economic and political liberty. A decade later, they are much better for it, both materially and spiritually, and show no signs of giving up even in the face of hardship.

Yet, today, after a decade, the stakes are again high for the United States. As Congressman John Tanner told me, “America’s place in the world is going to be determined by trade alliances in the next ten years in the way military alliances determined our place in the past.” We have an unparalleled opportunity to shape the post-Cold War, globally integrated world to promote our values and our interests – while safeguarding our sovereignty.

But history is not shaped by the faint of heart. We must move now if we are going to build on the global trends favoring private markets, business competition, deregulation, limited taxation, open trade, and flexible labor policies. These trends are sparking economic creativity and dynamism, while helping to knit the world together in new ways.

Consider the following: Ten years ago, the global market economy drew from the energies of about one billion people; today about four billion people are taking part. An average of three million people travel internationally every day, up from one million 20 years ago. Last year, Siemens, Germany's leading engineering and electronics corporation, had more sales in the United States than in Germany for the first time in its 153-year history. Even the funeral business has gone global, with a Houston-based company now selling funeral plots in 20 countries.

This post-Cold War era presents new opportunities and new ideas for opening markets and creating prosperity throughout the world. Yet opportunity is not always foreordained. In fact, a similar sense of optimism pervaded popular thought a century ago. Like today, the world of 1900 was an era of inventions that seemed to draw nations, and peoples, closer together. There were new forms of transportation, such as cars and planes; new forms of communication, such as the telephone and the wireless; and unifying social movements, such as the revival of the Olympics in 1896. Then there was my favorite invention of the era: safety razors with removable blades.

Two best selling books in Europe captured the confidence of the times. The first, published in 1899, was written by the German biologist Ernst Haeckel. Entitled *The Riddle of the Universe*, Haeckel argued that science would soon solve all the world's problems – including war. A decade later, Norman Angell wrote the worldwide best seller, *The Great Illusion*. Angell claimed war was useless and unlikely in the modern economic era, given the complex financial and commercial interdependence of the world's leading powers.

Tragically, the First World War, the Depression, and then the Second World War, provided cruel lessons for those who believed that economic integration and technological innovation alone would insure peace and prosperity.

The hopeful prospects of 100 years ago were overwhelmed by the dangerous ideas of the early 20th century – imperialism, fascism, authoritarianism, communism, corporatism, isolationism, and protectionism. We learned anew that ideas can also lead to cruelties and tragedies: wars, depression, mass starvation, and economic disasters. Thus the growth in trade over the past 50 years has served mostly to reverse the declines experienced in the first half of the 20th century. Indeed, Federal Reserve Chairman Alan Greenspan has pointed out that the degree of global integration today is not much greater than it was a century ago.

Our challenge at the dawn of the 21st century is to learn from the mistakes of the 20th century so we do not repeat them.

We are now facing a new set of challenges. Trade has been an integral part of the world's extraordinary economic progress since the end of World War II, but this progress is now facing new threats. Not from dictators, but from dictates, promulgated by pressure groups who malign free trade and free markets in an attempt to advance a social agenda based on hyperbole and fear.

They recognize that trade creates change, and that change breeds anxiety. They have adroitly tapped into this anxiety. Today, many public opinion polls in the United States reflect unease with free trade and globalization.

We must be clear: Erecting new barriers and closing old borders will not advance the plight of child laborers. It will not liberate the persecuted Christians in China. It will not save the rainforest or reverse the spread of AIDS.

We know from the experience of East and West Germany that the human spirit thrives on fairness, opportunity, transparency, and freedom. Our fear should not be that the pace of economic liberalization is too fast – but that it is too slow. And if we're not careful, it may come to a screeching halt. That could have disastrous consequences – as we saw in the 1930s, when the Smoot-Hawley bill raised tariffs to their highest level in U.S. history, intensified the Depression, and allowed tyrants to exploit the misery that followed.

If we are going to prevent such colossal failures from occurring again, we will need to win the battle of ideas currently being waged over trade. What happened in Seattle has become a potent symbol of that battle – a worrying tale for those of us committed to free trade and open markets around the world.

The challenge for free traders at the dawn of the 21st century is to be vocal, articulate advocates for free trade. We need to showcase the promise and potential of open markets, highlight the perils of isolationism, and champion a level playing field for American interests. We need to convey that the American economy can be beaten by no one – that we are that “shining city on a hill” that acts as a magnet for the best and the brightest entrepreneurs of the world. We also need to pursue free trade in a way that draws on compassion and fairness, is consistent with our values, and respects American sovereignty. And we should be sure to emphasize not just the economic benefits of trade, but also explain how trade is intertwined with security, political cooperation, and the spread of individual liberty and democratic values.

The World Bank conducted a study recently of developing countries that opened themselves to global competition in the 1990s, and of those that did not. The results are very interesting. The income per person for globalizing developing countries grew more than five percent a year. For non-globalizing countries, it fell a little over one percent a year. The absolute poverty rates for globalizing developing countries fell sharply over the past 20 years.

As much as the United States and other nations have benefited from trade, we could benefit even more. While the zone of freedom in the world has greatly expanded – thanks to the spread of political and economic liberty – this zone could expand even more. And while trade and economic growth have helped liberate hundreds of millions of people, we want to liberate even more.

Thus the situation before us today: We have, as Ronald Reagan said at the 1964 Republican national convention, “come to a time for choosing.” As the debate over trade and free markets plays out, which ideas will we choose: those of stasis and fear or those of optimism and freedom? And who will we trust: the persecuted Christians in China who have tasted greater freedoms as Chinese society has deepened its economic integration with Western nations? The striving entrepreneurs from countries such as Ethiopia, Estonia, and El Salvador whose simple wish is to buy and sell goods and services on the global market? Or those who seek to paralyze trade by introducing unscientific and cumbersome burdens on trade?

Regaining Momentum on Trade

I recently returned from my second visit to Europe within about a month. Led by the President, our aim has been to reenergize the launch of a new global round of trade liberalization in the WTO. Frankly, the preparations for new global negotiations had been moving, at best, at a snail’s pace. The repercussions of the debacle in Seattle had left many dispirited. Working closely with the European Union and others, including some key developing countries, we are now seriously discussing frameworks for negotiations. But we have less than 20 weeks before Trade Ministers meet in Doha to reverse the damaging economic and political legacy of Seattle.

Three weeks ago, I was in Shanghai at an APEC meeting of trade ministers from across the Pacific. While in China we negotiated a breakthrough on China's accession to the WTO. After 15 years of discussions, we are now well-positioned to work with the other WTO members to bring the PRC – and Taiwan – into the WTO this year. Moreover, the Chinese joined us and others in sending a clear signal to the nations of the Asia-Pacific that the train for the launch of the new WTO round is moving, spurring interest in getting aboard.

WTO membership will help integrate China into the world's rules-based trading system – a landmark achievement given the size of China's economy and the likelihood that in the years ahead it will become a leading center for exports and imports. While in Shanghai, I also wanted to make some points publicly about Taiwan. I talked in a press conference about Taiwan's thriving democracy. I noted its impressive economic gains. Taiwan must be treated with the respect it deserves. Indeed, it stands as a model of democracy.

Within our own hemisphere, President Bush used the Quebec City Summit of the Americas in April to press forward the negotiations on the Free Trade Area of the Americas. The FTAA will create a free-trade zone encompassing 34 nations – the largest free trade area in the world.

Strategy & Leadership

Stepping back, one can see that we are starting to move key pieces of the President's trade strategy into proper position: We are advancing trade liberalization and America's interests – globally, regionally, and bilaterally. We are creating a “competition in liberalization” with the United States at the center of a network of initiatives.

The elements of the President's trade strategy – global, regional, and bilateral negotiations; enforcement and dispute resolution; action against unfair trade practices; and safeguards and adjustment – are mutually supportive. We are backing words with actions across this agenda. We are starting to see results.

By leading, the United States ensures its ability to shape the future. By leading, the United States is guiding the merger of regional integration within an open global system. By leading, the United States helps create models of liberalization that we can apply elsewhere. As a result, the United States can add to its leverage on behalf of America's farmers and ranchers, industries and service providers, workers and families. When American businesses are free to engage and compete in the global marketplace, with a common set of rules, we win.

Yet the Executive branch cannot successfully lead alone. We need a partnership with the Congress to get the best deal for American farm products, goods, and services. We need a partnership with the Congress to break down barriers to the spread of American entrepreneurship. We need a partnership

with the Congress to help us export individual freedom and the rule of law. The Congress enjoys the Constitutional authority to regulate commerce with foreign nations. Therefore, we need a partnership with the Congress to restore American leadership on trade.

If the Congress stalls, others will lead, the United States will fall behind, and Americans will pay the price.

Consider the facts. Today, the European Union has 27 free trade or special customs agreements around the world, 20 of which it negotiated in the 1990s; moreover, the EU is negotiating another 15 right now. Last year, the EU and Mexico – the second largest market for U.S.

exports – negotiated a free trade agreement. Countries throughout East Asia are quickening the pace of special trade negotiations. Japan is negotiating a free trade agreement with Singapore, and is exploring free trade agreements with Canada, Mexico, Korea, and Chile. In our own hemisphere, there are 30 free trade agreements, and the United States is party to only one.

A trade stalemate is of particular concern for America's small businesses. Ninety-seven percent of America's exporters have fewer than 500 employees, and 65 percent have fewer than 20 employees.

Another group threatened by a trade impasse is America's farmers and ranchers. One in three acres of U.S. agricultural production is exported, and 25 percent of gross farm income is generated by exports.

Ninety-six percent of the market for food is overseas and there's only so much more Americans can eat. Trade agreements help create fairer rules and provide mechanisms to enforce those rules.

Trade helps the families who are the backbone, muscle, and genius of America. Together, the two landmark trade agreements of the 1990s – NAFTA and the Uruguay Round – have boosted the annual income and lowered the cost of purchases for an average family of four by \$1300 to \$2000. Trade restrictions amount to invisible taxes, as everyday products like food, clothing, and appliances are more expensive when they face tariffs.

These benefits are not denominated in dollars alone. Open trade advances political reform. Open trade swells the ranks of independent businesses, and reduces the level of government intervention in national economies throughout the world. The African Growth and Opportunity Act, signed into law one year ago, is sparking an entrepreneurial revolution in some parts of Africa. And open trade is bringing new technologies to China and other nations, providing access to unfiltered information about freedom and democratic values. That is why many Chinese dissidents believe the United States should expand its economic ties with China. They know that these ties will build momentum for reform, and help to open minds throughout Chinese society.

Consider this forecast: If we are unable to overcome the breakdown in Seattle by launching a new Round of global trade negotiations, special trade agreements will proliferate even more quickly, most often without the United States. America will not be at the table helping to set the rules of the 21st century. Our absence will curtail consumer choice, increase prices, and undermine American competitiveness. The President needs to have the negotiating authority to help achieve a successful global trading round and to protect our trading interests regionally and bilaterally.

Conclusion

This is a time to choose. Through the vote on U.S. Trade Promotion Authority, Americans will make a choice between two competing sets of ideas. Will we fight for America's national interests through an open trading system? Will we continue to help tear down walls to economic and political freedom around the world? Or will we preserve existing walls, erect new ones, and retreat as a nation?

In order to succeed, we need a partnership with the Congress. Wherever I go, whatever progress we make, I am asked the same question: Will the Congress join with the Administration in supporting trade?

These are not questions for Democrats or Republicans. They are for Americans.

This is not an abstract debate on trade policy. I'm at the table now – every day – negotiating with countries from around the world. They have the full authority to negotiate for their nations' interest. I need it too. So now it is time. Not next year. Not later this year. But now.

When the Congress returns from its recess, we need it to move with dispatch to provide the President with the negotiating authority prior Congresses granted to each of the five previous presidents, and which has been at the heart of America's trade policy since 1934.

Just as the Reagan administration and the first Bush administration laid the groundwork for the eventual collapse of the Berlin Wall, the current Bush administration will seek to shatter the remaining walls to prosperity. We will do so because we believe in what Americans can accomplish when given a fair chance. And we will do so because we dream of a world living in peace, where liberty is blooming and tyranny is in retreat.

Thank you.