

**Statement of
Robert B. Zoellick
U.S. Trade Representative-designate
before the
Committee on Finance
of the
U.S. Senate
January 30, 2001**

Chairman Grassley, Senator Baucus, and Members of the Committee:

I would like to thank each of you for taking the time during a hectic period to talk with me individually. Our discussions have helped me gain a better understanding of your ideas and concerns. Frequent substantive consultation with this Committee is enormously important to me, so if confirmed, I look forward to working closely with you.

I am honored and deeply appreciative of the President's nomination to this post. I know well the importance the President assigns to trade policy as part of his international and domestic agendas.

You are familiar with President Bush's strong preference for setting priorities as a means of leading and governing. Two of the five priorities the President identified in his major international address at the Reagan Library stressed the vital role of open trade: so as to "promote a fully democratic Western Hemisphere, bound together by free trade" and "lead toward a world that trades in freedom."

In undertaking this charge, I know well that the Constitution vests Congress with the authority "To regulate Commerce with foreign Nations." Indeed, the history books recount almost 150 years of contentious Congressional debates over tariff bills, some even leading to movements for Nullification and Secession. But the disastrous experience of setting protectionist tariffs for over 20,000 individual items in the Smoot-Hawley bill of 1930 led Congress four years later to try a different approach: a partnership with the Executive to negotiate lower barriers to trade around the world.

Launched by strong and innovative leaders, Franklin Roosevelt and Cordell Hull, this partnership between Congress and the Executive became a bipartisan cause, and eventually produced prosperity and opportunity and even liberty beyond the greatest expectations of its supporters. Chairman Greenspan put this success in historical perspective by pointing out that the growth in trade as a share of the economy over the past 50 years has finally managed to reverse the losses from the calamities of the early 20 century, and now approximates the degree of globalization around 1900. So today, just like Americans at the turn of the last century, we face critical decisions about the future course for our country, trade, and the world.

Just as the World War 11 generation forged a bipartisan consensus that sustained successful trade expansion throughout the Cold War, we must build a new consensus to promote open markets and trade in the decades to come. I know that new ideas are being advanced from many quarters, and I want to work with you with an open mind to try to mobilize broad support for freer trade.

I am sure we will have many opportunities - including, I suspect, today - to discuss the important particulars of trade. These specifics are vital to our

trade policy. But I would like to step back just a moment to touch on the importance of global trade to the American people.

First, expanded trade - imports as well as exports - improves the well being of Americans. It leads to better jobs, with bigger paychecks, in more competitive businesses - as well as to more choices of goods and inputs, with lower prices, for hard-working families and hard-driving entrepreneurs. I appreciate that votes for agreements like NAFTA and the Uruguay Round may not have been easy to cast. Yet those agreements contributed to the longest period of economic growth in U.S. history, with levels of full employment, and without inflationary pressures, beyond the forecasts of any economist. The expanding global trade and the expanding economic growth in the United States are not coincidental; they are achieved in concert. One strengthens and reinforces the other. Moreover, restrictions on trade have victims: farmers, school teachers, factory and office workers, small business people, and many others who have to pay more for clothing or food or homes or equipment because of visible and invisible taxes on trade.

Second, as President Bush has stated, free trade is about freedom:

"Economic freedom creates habits of liberty. And habits of liberty create expectations of democracy."

In two weeks, President Bush will make a historic visit to Mexico, where he will meet with Vincente Fox, the first Mexican president since that nation's revolution to have been elected from the opposition. It is not an accident that after Mexico embraced the opening of its economic system, as embodied in NAFTA, it was drawn to a democratic opening as well.

Third, expanded trade affects our nation's security. The crises of the first 45 years of the last century - the economic retrogression referred to by Alan Greenspan -- were inextricably linked with hostile protectionism and national socialism. Communism could not compete with democratic capitalism, because economic and political freedom creates dynamism, competition, opportunity, and independent thinking.

Take an example from today. Colombia is waging a battle to defend the rule of law against murderers from both extremes who finance their terror through complicity in drug trafficking. Colombia is now the third largest recipient of U.S. military assistance. One of the other tools Colombia needs is a renewed and robust Andean Trade Preference Act, so there are alternative economic opportunities and reasons for hope within the country and region.

I recognize, however, that these benefits of open trade can only be achieved if we build public support for trade at home. To do so, we must enforce, vigorously and with dispatch, our trade laws against unfair practices. In the world of global economics, justice delayed can become justice lost. We also need to do a better job of monitoring compliance with trade agreements and insisting on performance by our trading partners. I will not hesitate to use the full power of U.S. law to defend American businesses and workers against unfair trading practices.

Even if we do our jobs well, I appreciate that change, particularly rapid adjustments, can be very difficult - even frightening - for many hardworking people. We need to help people adapt and benefit from change whether prompted by trade, technology, e-commerce, new business models, or other causes. Therefore, a successful trade policy over the long term should be accompanied by better schools, tax policies that enable people to keep and save more of their paychecks, and reforms of Social Security and Medicare so older Americans have a safer retirement.

From our conversations, I have learned that the economies of your states are transforming, too. Many of your new businesses and employers are linked to the global economy, so Secretary Evans and I want to work with you to tap their support for open trade. In turn, we will try our best to deliver for America's farmers, service businesses, high tech community and intellectual property providers, and highly productive manufacturing industries.

To strengthen and speed America's trade and economic policy, we will need to reestablish the bipartisan Congressional-Executive negotiating partnership that has delivered so much. Therefore, if confirmed, I will promptly follow up with this Committee and the House Ways & Means Committee to consider how to reestablish trade promotion authority for the President, based on the fast-track precedent and the broadest possible support.

In the absence of this authority other countries have been moving forward with trade agreements while America has stalled. We cannot afford to stand still - or be mired in partisan division - while other nations seize the mantle of leadership on trade from the United States. This would be a huge missed opportunity indeed an historic mistake. Given the size of the U.S. economy - and the reach, creativity, and influence of our private sector - we should be and can be shaping the rules of the international economic system for the new century. American openness is high and our trade barriers are low, so when we negotiate free trade agreements with our counterparts we almost always open other markets more than we must change our own.

In considering this grant of trade promotion authority, I also urge you to give the President more leverage by broadening our options: I want to be able to tell my counterparts that we are willing to negotiate if they are serious about eliminating barriers, yet also make clear that America will look elsewhere if they delay - that the United States will move forward, and it is up to them to decide to join us or be left behind.

On April 20, President Bush will attend the Summit of the Americas meeting in Quebec City, a hemispheric assembly launched by President Clinton. President Bush has emphasized that to set a new course in the hemisphere - to overcome the North-South divide, just as the United States ended the great divide between East and West - he needs to hold out the prospect in Quebec City that new trade promotion authority is on its way.

Of course, America's trade and economic interests extend far beyond this hemisphere. We want to launch a new round of global trade negotiations, emphasizing a key role for agriculture. We will seek to negotiate regional and bilateral agreements to open markets around the world. There are opportunities in the Asia Pacific and, I hope, with APEC. Further reforms in the Middle East and Africa need our encouragement, and I compliment the Committee for its important work with Africa and the Caribbean last year. As India reforms its economy and taps its great potential, we should explore ways to achieve mutual benefits. And vitally important, I will seek to work closely with the European Union and its candidate members in Central and Eastern Europe, both to fulfill the promise of a trans-Atlantic marketplace already being created by business investment and trade, as well as to reinvigorate, improve, and strengthen the WTO processes.

The total stock of two-way investment in the EU and the United States amounts to more than \$700 billion, with each partner employing about 3 million people in the other. The trans-Atlantic trade in goods and services is approaching half a trillion dollars. It would be folly not to try building on our common interests while working to solve vexing disputes.

Let me close with a final word regarding the talented professionals on whom I will need to rely in working with you and our foreign counterparts.

The staff at the office of the U.S. Trade Representative is a select corps with a special record of achievement. As I have told them, I am very proud to have this opportunity to serve with such exceptional public servants as we step forward with an ambitious agenda.