

Remarks by U.S. Trade Representative Susan C. Schwab

“The Non-Partisan Imperatives for Trade”

U.S. Chamber of Commerce

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As Prepared for Delivery

Acknowledgements and Introduction

- Thank you Dan [Christman, Sen. VP.]
- New – Center For Competitive Global Markets - consumers here and around the world will benefit from this new look at U.S. policies - as always appreciate Chamber’s interest in trade

Overview

- Conventional Wisdom persists that the election will hobble or stop the administration’s trade agenda dead in its tracks. It makes for good copy – a “new partisan clash shaping up in Washington,” or “Democrats flexing their muscles,” etc.
- Great Stories of Partisan Power Plays Are Contradicted By The Facts. Democrats and Republicans have worked together for over 70 years, particularly since formation of the GATT to the Doha Development Round.

- Multilateral trade agreements have generally met with strong bipartisan support.
- More recently, FTAs with Chile and Bahrain, just to name a few, passed with overwhelming bipartisan backing.
- There have even been strong bipartisan votes in times of split party control. 1988 – Reagan and Dem. Congress; 2000 Clinton and GOP Congress agreed on PNTR for China.
- People ask me if the Administration’s trade agenda will have to change now that Democrats are in a majority. The answer is no. The mission of opening markets, spurring development, and keeping the United States at the fore of a rules-based trading system transcends party ID.
- The specifics are always the subject of negotiations – between the executive and legislative branches of government – and *within* the legislative branch.
- My hand is outstretched to any and all members of Congress – the new Democratic leadership and our Republican colleagues. And, after a firm handshake, I look forward to getting to work, building on shared principles and sorting out honest differences. We must think about the next generation, not just the next election.

- In the coming months, farmers, and ranchers, businesses large and small, consumers and governments around the world will be watching closely whether we rise to the challenge or shirk our responsibilities.

Basic Principles

- At The Core Of Our Responsibilities And, Hence, Our Agenda, Are Some Fundamental, Overarching Principles.
- One, we pursue trade liberalizing agreements for their inherent value – their economic and commercial benefits –at home and abroad they spur growth and alleviate poverty. Gen. Christman laid that out well.
- Trade deals that generate new trade flows, generate growth – growth in the U.S. and global economic pie.
- Moreover, all Americans – Democrat and Republican - want to help people in need – we open our hearts and wallets in many ways. But economists of every stripe tell us trade is a vital tool if we want to teach people to fish instead of the giving them a fish.
- The WB has noted that in the 1990s those countries that opened their markets and liberalized their economies grew at 3X the rate of developing countries that rejected such reforms. Moreover the WB studies have found that tens of millions of people can be lifted out of poverty through trade –

full trade liberalization would provide a \$142 billion income boost to the developing world = dwarfs foreign aid and debt relief.

- Principle Two, Projection of U.S. Global Leadership – with important economic and geopolitical implications – We lead by example – the most open market in the world is the also the most innovative, strongest and biggest economy. Not an accident or trick of fate. Think “causality”? The countries that emulate the US grow – those that reject our model are confronted by intractable economic difficulties.
- We must stay engaged. Recent Asia - Pacific rim trips noted dozens of FTA taking shape – some with us, some without - potent reminder that US must not be on the sidelines as the world integrates and strengthens trade ties.
- The Third Basic Principle is a Corollary to the First Two. Isolation, including economic isolationism, is harmful to the people of this country and all countries.
- It is easy to demagogue against trade. Any pain is narrow and concentrated while the benefits of trade are widespread and diffuse.
- In a time of globalization and change there is natural anxiety. Even the 95.6% of us who have jobs worry about the pace of change.

- But this does not change the basic fact that 95% of world's population live outside our borders.
- Unfortunately, there are those in the extremes of both parties ready to preach retreating to protectionism and economic isolationism. We must confront these forces in bipartisan way.
- The good news is that the leaders and people in responsible positions in both parties know better.

Specific Issues of Agreement

We need to recall these broad principles and shared beliefs as we consider specific aspects of our aspirations and agenda.

- One, the Doha Round. D and R agree U.S. should strive for a multilateral agreement to open up new trade flows in agricultural goods, industrial products and services. This could benefit all countries – large and small, rich and poor -- Bipartisan support for ambitious 10/05 ag offer demonstrates broad belief in the benefits of global round.
- The risks of failure are profound – to avoid squandering the development opportunity of Doha, the US must speak with one voice in the coming months. We walked away from a bad deal in July; if necessary we will do so again – but we cannot let a strong, potential Doha deal slip through our fingers.

- Two, We Aim For State-Of-The-Art FTA's which encompass all aspects of modern commerce - ag, mfg, services, investments, IPR, and procurement. These are the most effective way of opening trade flows.
- On a parallel track with our Doha efforts, these FTAs set bar-raising precedents. We must not be held hostage to LCD advocates in the multilateral setting.
- What does the 2007-8 agenda look like?
 - Vietnam PNTR (2006)
 - Peru/Colombia
 - Panama
 - Korea/Malaysia
- Will eventually seek strong bipartisan votes.
- A Third Specific Area of Agreement Is Labor and the Environment – despite well-publicized differences, many R and Ds alike see how trade liberalization on its own promotes higher standards and protections – when

countries trade more, they prosper, when they prosper they seek high standards for their people and the environment.

- Thanks to TPA, U.S. has raised the global L & E standard in every one of our FTA's
- Multiple activities re: Environment – MOU with Indonesia on logging, fish subsidies negotiations as part of Doha round.
- A Fourth Specific Issue On Which There Is Bipartisanship Is The Recognition That Trade Can Cause Dislocations. We Must Address The Needs of These Workers Directly, through improved education and training, and assisting communities through difficult transitions. But one thing we must not do is retreat from trade enhancement the market. [The widespread and deep economic hardships caused by retreat will dwarf the occasional dislocation that comes from economic engagement.].
- Finally, DS and RS Agree that Rules and Terms Must Be Enforced.
- US has pursued legal options in dozens of cases – from high fructose corn syrup to apples to auto parts to steel. And has done so successfully for the most part.
- China – US brought first case against China in WTO, brought the first case to go to the panel stage in the WTO, conducted a thorough Top-to-Bottom

review and is looking seriously at bringing additional cases when the Chinese refuse to live up to their commitments.

- But effective enforcement requires a number of tools, not just filing cases – it is easy to lash out at our trading partners’ practices but WTO cases must be focused and well-constructed. When we file a case, we file it to win. Our formal disputes cannot be merely political statements of frustration. Likewise trade remedies, such as countervailing duties and anti-dumping measures, must be maintained but must be utilized effectively so that they actually help US workers and companies adversely affected by unfair trade practices.

Conclusion

- We have an opportunity to make bipartisan history in trade over the next two years - from the WTO Doha Round to commercially significant FTAs with emerging economic powers to new approaches to the challenges of trade at home and abroad.
- As we go about it, bipartisanship on trade should not be an historical concept but a driving force for the future - pleased by statesmanlike Rangel and Baucus comments on trade post-election. Rangel is right when he said, “Foreign countries shouldn’t negotiate separately with Democrats and Republicans.”

- But bipartisanship needs to be an every day thing. I believe the leaders of the next Congress are sincere in what they have said and expect these issues will be worked on with the goal of expanding trade, not restricting it.
- In the coming weeks and months, Ds and Rs will be shaping their principles and presenting their priorities regarding a number of issues, including trade. At this point, there are probably as many opinions as there are members!
- As positions are formed, the administration will continue to reach out - we will continue to listen, debate, and exchange ideas to craft sound policies that reflect our values and advance our economic and security interests.
- Divided government means shared responsibility. Let's look forward to the future as partners. The world is watching.
- Thank you Chamber for your work in this effort.
- Thanks for your attention.