

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

Women in International Trade

June 4, 2007

(as prepared for delivery)

## I. Acknowledgements and Introduction

- Thank you Nicole [Bivens Collinson.]
- I am especially pleased to be with WIIT as you celebrate 20 years of helping to educate, press and cajole about the importance of international trade – as an issue and as a profession. So I am most grateful to be honored as your 2007 Woman of the Year in International Trade.
- Being a trade negotiator takes more than a little nerve – you have to be willing to take risks – risks of failed deals, risks of closing deals without knowing whether you could have gotten that extra ton of beef, and risks of upsetting the broader geo-politics.
- When do you stop negotiating? How do you know you have gotten enough? How do you know when you have given too much? What is the right thing to do? What will Congress say?
- Each one of these questions requires decisions with an element of risk – whether negotiating in the WTO or with Congressional leaders.
- So, please allow me this commentary about risks women take in the workplace because USTR's track record affirms that women can take risks and succeed. The fact that there have been three women USTRs no longer strikes people as that remarkable. But WIIT members may be among the few who appreciate the fact that half of current AUSTRs and many other top U.S. negotiators are women – and that this is just part of doing business at USTR.

- With that in mind, this is the perfect forum to announce another milestone for women in our field. Sandra Day O'Connor, our first female U.S. Supreme Court Justice, has agreed to serve on the NAFTA roster for the Extraordinary Challenge Committee. She, too, is a risk taker – from the Arizona desert to the once male-only bastion of law and government. I am delighted she agreed to serve.
- I speak to you this evening under auspicious circumstances. The May 10 agreement with the Congressional leadership shows that the conventional wisdom was off. Democrats and Republicans can work together. We may need to relearn some of the skills of bipartisanship, but for now we have a clear understanding that the sidelines of international trade are no place for the United States.
- So this is yet another example of risk taking – taking the risk that the extremes may be unhappy when a moderate course is charted,
- At my confirmation hearing a year ago – long before we knew how the election would turn out – and then in a speech I gave at the Chamber of Commerce last fall, I pledged to work closely with Congress; Democrats and Republicans alike. I spoke on my behalf and on behalf of an Administration that is committed to working with Congress on a bipartisan basis to address the critical trade issues before our country.
- This is my first speech since that critical bipartisan agreement was reached. (In part because I have been in Europe trying to get our trade partners to take risks and conclude a Doha deal!) So, if you would indulge me, I would like to use this occasion to make sure we are all on the same page about what the agreement means – and perhaps what it does not mean - for U.S. trade policy.
- One general observation about the deal: We must have done something right given the shots we have taken from both sides of the political and ideological spectrum on trade issues.

## II. Some Myths and Realities

- First, the bipartisan agreement offers a clear and reasonable path forward for all four pending FTAs – even though each will move along that path in its own way and in its own time.
- It also opens the door for an extension of Trade Promotion Authority, which will be essential to complete the Doha Round. It does not guarantee TPA renewal, but it does lay the groundwork. A “necessary but not sufficient” condition.
- With regard to the Peru FTA that was signed in April 2006, the Peruvian legislature has already approved the agreement. We will work closely with Peru on changes that are needed as a result of the deal with lawmakers. The FTA is needed to advance reforms undertaken by President Garcia and President Toledo before him. Even as Peru’s population expanded by 1.6 million between 2001 and 2005, by one measure, 1.8 million people were lifted out of poverty. In addition, thousands that have moved away from drug production and trafficking.
- Ideally, the agreement with Peru will be taken up and approved by Congress prior to the August recess.
- With regard to Colombia, the Administration AND Congress share concern about violence – as does the government of Colombia, which has done so much in recent years to address it. We will work quickly with President Uribe to take further action, but it is important that the United States not rebuke a leader who making a difference.
- Even as we speak, the contrasts between the different paths governments in our hemisphere have chosen could not be more stark. We must encourage those who offer a positive alternative to anti-democratic, anti-market regimes such as those in Venezuela and Cuba.

- And let's not forget, the commercial benefits of the Colombia FTA to the U.S. are the largest of the three pending Latin America FTAs.
- In addition, we have concluded an agreement with Panama which is to be signed in late June. As with all our prospective FTAs, we are working to finalize the new language.
- Last but not certainly not least, the U.S.-Korea Free Trade Agreement. The text is now posted, and it will quickly become evident how tremendous the benefits provided by the FTA to U.S. manufacturers, service providers, farmers, ranchers, and workers. This is the most commercially significant FTA we have negotiated in over 15 years. Moreover, the KORUS FTA advances the strategic imperative for the United States to increase its economic footprint in Asia.
- Let me take this opportunity to debunk a myth and emphasize a reality about the KORUS FTA. The KORUS FTA is a very strong agreement for U.S. auto makers. It would level the playing field in this important sector by eliminating the 8% tariff on virtually all U.S. automobiles immediately after the FTA enters into force, and by wiping out a slew of non-tariff barriers U.S. automakers face in the Korean market.
- It also provides an innovative and unprecedented dispute settlement process that would allow for expedited resolution of auto-related disputes and provide the U.S. with the ability to "snap-back" the tariff concessions we made on Korean imports of cars if Korea fails to live up to its autos-related commitments.
- Now here is a reality I want to make clear. The KORUS FTA is not getting through Congress unless Korea fully reopens its market to U.S. beef – that includes boneless, bone-in, offals, and variety meats. The OIE report two weeks ago confirmed that U.S. beef is safe. On April 2, President Roh said his country would respect the OIE guidelines, a stand reinforced by Deputy Prime Minister Kwon last week. As far as the

Administration is concerned, all that stands in the way are regulatory and technical matters.

- My second point about the bipartisan deal with Congress has to do with its labor and environmental aspects. Americans have a firm sense of fairness; of right and wrong. Although we continually reinvent ourselves with the give and take that is necessary in a dynamic, pluralistic society, we retain an innate impulse to keep our word and honor our commitments.
- So, in this context, let me address the myth that one side or another caved on matters of principle in working out this bipartisan agreement on labor and the environment. The fact is, we already incorporate certain labor and environmental provisions in our FTAs. No American, regardless of political party, wants to see our trade based on child or forced labor, or on the illegal harvesting of endangered plants or animals. The bipartisan compromise strengthens the labor and environmental provisions of our FTAs without posing a threat to legitimate trade by responsible businesses.
- While some may argue, as a matter of principle, that labor rights and environmental standards do not belong in free trade agreements, refusing to deal with these issues now would have meant refusing to accept the change in control of the Congress that took place last November. And ultimately it would mean that four pending FTAs and the Doha Round would die, because these agreements and any TPA extension require action by the Congress. Given that choice – between bipartisan cooperation or letting the U.S. trade agenda die – the Administration chose the path of bipartisan cooperation. To me, this is common sense, particularly with broader matters of principle at stake – such as those reflected in our pro-trade agenda.
- And while we are in the neighborhood, I also need to debunk the myth that somehow, by honoring international agreements and taking trade-related aspects of labor or the environment into account, we have set in motion a rewrite of American law in this area. This is simply not true.

- Now, I know there are those who think we needed to go further in this historic bipartisan agreement – that we should, in essence, have guaranteed outcomes. But trade agreements are like everything else in life. They create opportunities. They do not guarantee outcomes. As in careers, marriage, child rearing, and investments, individuals and businesses make choices based on the opportunities presented to them. Are there are risks in doing this. Yes. But if we are smart, we minimize the risk by making good judgments in seizing opportunities – NOT by forsaking opportunities altogether.
- You want a guarantee when it comes to trade? Embrace isolationism and protectionism. I guarantee economic disaster. We saw this in 1930 with Smoot-Hawley. U.S. trade shrank; millions of Americans were thrown out of work; and the global economy endured a projected and catastrophic depression because of beggar-thy-neighbor trade policies. You want lower trade deficits, bring on a recession. We know that works! It generated trade a surplus in 1975 but at an unacceptable cost to the welfare of the American people. I would rather see our trade deficit moderate through increased exports and global growth, not because Americans cannot afford to consume or because the U.S. is not a welcome place for investment.
- One last point I want to make is to disabuse critics of the notion that this agreement puts the United States on the slippery slope of ceding its international leadership on trade.
- I do not agree with those ivory tower pundits (been there, done that!) in their broad assertions that this deal is a Pyrrhic victory – that the deal will not advance international consensus because our trading partners will reject this approach.
- Some countries may quibble, especially those with lax standards. And yes, there is a point when hanging too many conditions on trade agreements could deter some potential trading partners from sitting down with us. But in the agreement the Administration reached with Congress I am confident we did not go over that line.

- The fact is, it was worth the risk to create a new bipartisan consensus in favor of free and fair trade.
- Now, here is the last major risk associated with the deal. This bipartisan agreement marks the start of a process. As a procedural necessity, it requires careful sequencing and future actions by both the Administration and the Congress. In essence, it requires us all to act good faith and to maintain our commitment to bipartisan cooperation by all parties – Republican and Democratic, Congress and Administration, House and Senate -- over a series of highly-charged trade negotiations and Congressional votes.
- But I am confident that, given the important upsides of contributing to our economic growth and our place in the world, Congress and the Administration will find a way to get the job done.

## V. Conclusion

- When it comes to Trade, America has a healthy tradition of taking risks and seeing them pay off for the American people and the world.
- After World War II the United States offered a new vision of economic cooperation and integration. That this was the right vision can be found in the fact that incomes are \$1 trillion higher on average today – that is \$9000 per household – as a result.
- The Bush Administration pushed hard and succeeded in winning TPA in 2002 and then used it to conclude Gold Standard FTAs. We have been willing to walk away from a bad deal but should not let a strong deal slip through our fingers for fear of politics.
- In the Doha Development Round, we are continuing to push for an ambitious and balanced outcome that generates new trade flows in agriculture, manufacturing and services and that generates economic growth at home and abroad.

- When it comes to FTAs, the Administration already has fourteen FTAs to point to, where U.S. exports to our recent FTA partners are growing twice as those to our non-FTA partners. We hope and expect to win congressional approval for our four new FTAs.
- The Bush Administration has also been attentive to the needs of people displaced by trade and recognize how essential it is to educate, train, or retrain workers to respond to the challenges of a competitive work environments. The establishment of wage insurance as part of Trade Adjustment Assistance in 2002 is an example of our efforts to innovate in this area. Such efforts are the essence of compassionate conservatism, and the Administration, led by Sec. Chao, looks forward to working with the Congress to renew and reform TAA.
- The President's American Competitiveness Initiative, with its focus on research and development, and math and science education; his No Child Left Behind program – another bipartisan initiative by the way – are important components his Administration's and the country's trade policy.
- But the President's accomplishments in this area are broader than any specific number of FTA's. He has consistently stood against the forces of economic isolationism and protectionism by welcoming and embracing the economic changes that have enabled the U.S. to be the fastest-growing major economy in the world.
- At a time when demagogues have stoked anxiety both here and abroad, President Bush has offered a more compelling and courageous vision – one of free and fair flow of commerce between people and a transparent rules-based trading system – where the rules are enforced - that spreads benefits broadly in countries willing to take risks and open themselves to trade and investment.
- We need to maintain that courageous, visionary approach to trade – and the bipartisan agreement with Congress sets the stage for a new beginning in bipartisan trade policy.



As Chairman Rangel says, we do not need a Republican trade policy, or a Democratic trade policy. What we need is an American trade policy.

- Thank you.