

REMARKS BY
AMBASSADOR SUSAN SCHWAB
UNITED STATES TRADE REPRESENTATIVE
PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS
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**** AS PREPARED FOR DELIVERY****

Thank you for that introduction, Fred [**Bergsten, Director of Peterson Institute**]. So many friends, mentors and colleagues here. Thank you for inviting me.

I really do appreciate this opportunity to follow on the heels of six of my predecessors who – with the benefit of hindsight and new jobs – have spent the day critiquing everything we are doing.

And all I have to do is “wrap things up.”

Senator Brock negotiated the first Free Trade Agreement ever signed by the U.S. Ambassador Hills raised the bar by negotiating the largest Free Trade Agreement to date, signed just over 15 years ago. And pretty much every one of the former USTRs here today played a role in the ground-breaking Uruguay Round – the single largest multilateral trade agreement negotiated to date.

With this solid foundation laid by my illustrious predecessors, concluding and seeing enactment of a strong Doha Round agreement

and FTAs with Colombia, Panama and South Korea should be a piece of cake, shouldn't it? It could be, but, we have some serious work to do before we can cut the cake.

As our Doha negotiations enter their seventh year, it is easy for some negotiators to begin to think of this as a lifestyle.

It is not a lifestyle

No, trade negotiations are merely a means to an end – an end that will bring more economic prosperity to our shores. And if we are smart – and I believe we are – it will also bring prosperity to friends and allies around the globe, pulling untold numbers out of poverty.

It's time to pick up the pace and move rapidly toward that end.

You have probably heard by now that we have new Doha texts in agriculture, in manufacturing, and in services that have emerged from the multi-lateral WTO process in Geneva. I will be addressing them and our path forward in a minute.

First, however, I want to take a moment to focus on the real significance of the moment at hand. Because, make no mistake, we are in a race

against time, and we have to make sure we know where we are headed – or we will get nowhere fast.

A successfully concluded Doha Round, along with enactment of the three pending FTA's, will help take us where we need to go.

Anyone who doubts the positive impact of such multilateral and bilateral agreements need look no further than the Uruguay Round and the North American Free Trade Agreement. The collective impact of those two agreements is felt today by the average American family of four – to the tune of an annual income boost of \$1,300 to \$2,000.

In fact, compared to the period prior to these two agreements, the decade-plus that followed was characterized by stronger U.S. economic growth, higher manufacturing output, and lower unemployment.

So the next two questions are: Where are we today in this race? And exactly where are we racing to?

The answer, again, is a successful conclusion to the Doha Round this year.

Doha is doable.

We are working hard in Geneva to get the agreement to the point where it is worth risking putting ministers back together again. The issues in the room should be narrowed to where ministers have a finite number of high-level decisions on the issues that will make or break the deal.

These are issues related to the fundamental market access pillars of the Round in agriculture, manufacturing, and services, along with the question of trade-distorting farm programs.

We have been driving to this point since the talks broke down in 2006, when we realized there was a disconnect between the level of certainty and meaning behind the headline numbers associated with farm support and those numbers associated with the market access components of the negotiations.

Only now – courtesy of the multilateral process in Geneva – are we approaching the point where the structure and dozens of moving parts that give meaning to the headline numbers are sufficiently developed to enable genuine negotiations.

Hence the seemingly unending negotiations about negotiations. Just last Friday, as I mentioned, we received the latest draft negotiating texts for the Doha Round from the chairs of the Agriculture and non

agricultural market access, or NAMA, negotiating groups. We received the text for Services just yesterday. In reviewing these texts, we are looking for how they move the negotiations forward.

In general, they do. But our experience with these texts offers some important lessons going forward.

First, slippage occurs when negotiations are reframed to placate the outliers, the naysayers, and the obstructionists.

Efforts to achieve consensus in the WTO are critical, but not if they generate a lowest-common-denominator outcome that fails to generate economic growth.

Second, it is crucial that developing countries continue to be fully represented at the negotiating table. With that place at the table, however, comes a degree of responsibility and accountability that several advanced developing countries, who have become major players in the global economy, have not yet been willing to undertake.

Finally, this is not a North-South fight. Forward-leaning developing countries that wish to make and benefit from market access contributions in an ambitious scale should be treated with the same

respect as their less albeit louder counterparts.

In terms of specifics, the new Agriculture text clearly captures the good work that has been done by WTO members to bring unresolved issues into clearer focus. And, from that text we see potential outcomes ranging from real new trade flows to merely skimming off of bound tariff rates.

Yes, more work needs to be done before the text is ready for negotiations among Ministers, due to the sheer number of open issues we started with. But were the Chair, with input from his Room E colleagues, to be empowered to narrow the scope of high-level decisions to a manageable few, he should be able to do so in the next two to three weeks.

And what are these issues? The obvious and the not-so-obvious.

What magnitude of cuts is appropriate to developed and developing country agricultural barriers and trade-distorting subsidies?

And how do we ensure that the use of sensitive and special product flexibilities do not negate the market-opening purpose of the Round?

The current text is particularly alarming as it raises the possibility of excluding special products from tariff cuts and allowing protective duties under the Special Safeguard Mechanism in a way that would result in more, rather than fewer, agricultural barriers.

Yes, these are going to be tough calls, but they are manageable, and, with sufficient determination, reason and creativity, again they are also doable.

The picture with respect to industrial goods is quite different. Not only does the new text offer a diminution of ambition, it raises new challenges when it comes to clarity for decision making.

In fact, in its most recent iteration, while the ranges for tariff cuts remain, developing country flexibilities that had been stable since 2004 have now suddenly disappeared.

This new uncertainty creates the prospect that we must now duke it out over whether there should be more or less flexibility than in the original draft. This is certainly not a step designed to take us closer to Ministers making choices.

In its best light, the new text gives us the opportunity to bring about a

more ambitious agreement. And, yet, it also opens the door for countries fixated on what they will not do.

What are the implications then for the Round going forward?

We need to quickly develop a solution that juxtaposes the level of ambition in tariff cuts, with the degrees of flexibility one is allowed to enjoy. The United States will step forward and work with any developed or developing country or group of countries – as long as they are interested, innovative, and, ready to contribute. And perhaps we should consider factoring into the equation what our professors used to call “extra credit.”

The current draft contains an option for developing countries to renounce flexibilities entirely and instead opt for less severe tariff cuts. Why not also give credit for countries signing up for key sectoral agreements that go well beyond the tariff cutting formulas, such as in chemicals, or electronics, healthcare, or forest products?

Of course, the third market access pillar in the Doha negotiations is Services. Those texts were released just yesterday.

Farmers, ranchers, and manufacturers – especially small and medium-sized businesses – cannot take advantage of more open markets overseas if their competitiveness is hobbled by inefficient service suppliers at home in such areas as financial services, telecommunications, computer services, logistics, and express delivery.

In contrast, any small business today can become a global business with reasonable access to the Internet and express package delivery.

So, we must move beyond the first iteration of the Services text to one where members make commitments to maintain current levels of market access and to create new market access.

The United States also looks forward to a renewed bilateral and plurilateral consultative process on Services market access among developed and major developing countries. This process should culminate in minister-level engagement that coincides with the conclusion of negotiations on Agriculture and NAMA modalities.

The United States will be looking for key Members to signal positive improvements in revised offers, particularly in major infrastructure sectors.

And for many countries, including the United States, no agreement will be reached on Agriculture and NAMA modalities unless we have sufficient clarity on the realm of ambition in the services negotiations.

While agriculture, industrial trade, and services market opening are the core of the Doha negotiations, a much broader agenda is required by the Doha Ministerial Declaration.

It includes trade facilitation, duty-free treatment for environmental goods and services, reduced subsidies that contribute to over-fishing, more transparency in administration of trade remedy laws, and various issues of particular importance to least developed countries, including duty-free, quota-free.

These issues all will have to be addressed in the final Doha package under the “single undertaking” whereby nothing is concluded until everything is concluded.

So what next? Ideally, the tasks I have laid out in advance of the modalities breakthrough can be executed in the next 4 to 6 weeks. That would allow Ministers to convene expeditiously to seek the elusive breakthrough.

If, however, we are to have a chance of succeeding in the initial modalities exercise, we will all need to avoid the temptation of loading up the boat to the point where it sinks before it even has a chance to leave the shore.

Without a laser-like focus on these principal market access pillars, none of us will enjoy the benefits of the other important aspects of the Doha portfolio.

Since July 2006, we have had an impasse over one fundamental question: Will the Doha Development Agenda bring about meaningful new trade flows and thereby provide new and real global economic opportunities?

This will only happen if all key Members contribute on a basis commensurate with their economic circumstance and participation in the global trading system.

However, we are keenly aware that we do not have unlimited time to conclude the Doha Round – and this is a fact attributable to far more than the U.S. presidential election.

A year rarely goes by without one or more of the WTO's 152 Members experiencing a key election or change of power.

In 2009, for example, as the U.S. goes through its transition period, the European Commission and European Parliament turns over; Canada, Germany, India, and Indonesia may well face elections, and the current term of the WTO Director-General expires.

The recent financial turmoil has reminded us, all of us, of the joint responsibility that WTO Members have to achieve a successful Doha Agreement.

We will not shirk our responsibilities. We in the United States will do all within our power to seize a strong Doha outcome if one is within our grasp. This is doable.

As noted by President Bush in his State of the Union address, the United States is committed to the conclusion of a strong Doha Round in 2008, and we will provide the leadership necessary to achieve this objective. We look to our trading partners to make the same effort.

During this critical period of negotiations, we will also continue to work closely with our Congressional and key domestic stakeholders to ensure that a Doha Agreement works for America.

Moving Forward

Speaking of working with Congress, let me turn for a moment to the pending free trade agreements with Colombia, with Panama, and with South Korea that await action. And let me also note by way of transition, that among our most pro-trade allies in the Doha Round are our existing FTA partners.

Why is that – when they could be out there whining about preference erosion? It is because they get it – they understand that trade-liberalizing agreements contribute to growth in trade, which in turn contributes to economic growth and prosperity for the vast majority of our people.

As 2007 was drawing to a close, we were able to catch a glimpse of what could and should be the rebirth of a bipartisan pro-trade coalition on Capitol Hill, when both Houses passed the Peru Trade Promotion Agreement by a strong bipartisan margin. Everyone had to give a little to get there – witness last year's May 10 bipartisan accord – but this

strong vote must be the basis for our work going forward to secure passage of the remaining FTAs and eventual reauthorization of Trade Promotion Authority.

Taken together, the remaining free trade agreements offer compelling economic, commercial and geopolitical reasons to support them.

Whoever is in the White House in 2009 will be grateful that Congress succeeded in delivering them this year.

The Doha Round, these trade agreements – along with the President's strongly stated commitments to improve and extend TAA – makes for a daunting but incredibly exciting year.

As has been said before, if not now, when? If not us, who?

How to get here from there

It is hard for me to imagine a higher calling than what we as a nation can do through our trade policy to generate economic growth here and around the world and to help lift millions out of poverty. A successful Doha Round, the passage of our Free Trade Agreements and TAA allow us to do just that. Now is the time to make our move.

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