

U.S. – Asia Trade After September 11
Remarks by Ambassador Jon M. Huntsman Jr.
Deputy United States Trade Representative
Washington International Trade Association
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Introduction

Good morning, it's a pleasure to be here with you this morning. Today I find myself in the awkward position of having to begin with an apology. A month ago I was scheduled to speak with all of you, but at the last minute I was called out of the country. At the time I asked Peter Davidson, USTR's General Counsel, to come here in my stead. For that, I must apologize - not only did I miss an important opportunity to meet with you, but my absence subjected you to the whims of a litigator.

I'll try to make amends today. I'm pleased for this opportunity to address such a dynamic group of trade professionals. The diversity of your membership demonstrates the tremendous reach of world trade. Trade's impact is felt in most every walk of America's economic life, a fact made ever more clear by the state of the world's economy in the past several months.

Today presents a day of singular importance for America's ability to remain vitally engaged in the world economy. I refer, of course, to the vote today before the House on Trade Promotion Authority. As America's interests in free trade certainly affect citizens from every walk of life, so should this vote be a call to bipartisanship in the Congress. As Harvard economist Jeffery Sachs noted this week in the Wall Street Journal, the history of America's embrace of free trade is certainly a history of collaboration and consensus between both Republicans and Democrats.

“The original round of global trade negotiations, the Dillon Round, was launched by Eisenhower and completed by Kennedy; the Tokyo Round launched by Nixon and completed by Carter; and the Uruguay Round launched by President Reagan, and completed by President Clinton. The

Doha Round this month was successfully launched by President Bush - and it may well be completed many years from now by a Democratic president. All trade rounds since the 1970's have enjoyed the support of special negotiating authority - it is my hope that Congress once again cooperate in the uniquely American commitment to free trade by providing the President the support of Trade Promotion Authority.

But I'm here today to talk primarily about Doha, and the successful launch of a new round of global trade negotiations. But it is impossible to talk about the significance of Doha now without first observing the new international context that keenly influences world trade. I'm referring, of course, to the aftermath of September 11th and the state of world trade in general.

There has been much talk that September 11th dealt a stunning blow to the world economy, and there is no disputing this. But while the attacks on New York and Washington were certainly an assault as well on the values of free enterprise, they were not the primary cause of the economic malaise afflicting most of the world. Rather, the attacks only exacerbated a downward trend that had been underway throughout much of 2001 now documented by recent economic data. But even in these most difficult times, there may be reason for optimism.

In this brief period you've given me, I'll share with you my reasons for this optimism. I'll discuss the impact of September 11 and will share with you our experience on the road to Doha, and the work that lies before us as we labor in ways that promise to restore growth, prosperity, and confidence to the global economy.

Backdrop

On September 11th, as our nation was cruelly attacked by the terrorists of Al Qaeda, I was in Vietnam, at a meeting of the ASEAN economic ministers. The next morning, as our delegation began to work through our own shock, we found that we were not alone. Indeed, we'd been joined in our sleepless vigil that night by our Asian counterparts. As we all emerged red-eyed from our hotel rooms the next day, we came to the same realization - the attacks

on the Pentagon and the World Trade Center were not only attacks on America, but, were indeed a vicious assault on the entire world.

Each meeting that day with an Asian minister was underscored by two distinct points. The first, beyond a wellspring of sympathy and support, was an expression of personal loss – Thailand's trade minister Adisai spent the night calling New York to find the whereabouts of his son; George Yeo of Singapore had tried to identify those lost to his country's private and public sectors; the entire Philippine delegation seemed consumed with a search for brothers, sisters and cousins in New York. That day, we had all come under attack, and the emotional bond were stronger than ever.

Second, our discussions also featured an underlying theme of uncertainty and concern, as each one of our Asian friends wondered aloud if America would now retreat from the world. Would we remain committed to our longstanding engagements in Asia? Would our markets be open, our businesses invest, our spirit remain undeterred? I answered emphatically that America would not retreat, but would instead re-emphasize our engagement with the world. Indeed, America did not retreat. More than simply holding our ground we've affirmed our commitment to global engagement – we have not and will not abandon our trading partners and allies. This message has been spoken loud and clear, and was nowhere more evident than in the achievements made at Doha last month.

The Economy: Behind the Numbers

But our task was certainly not made any easier by the state of world trade. The global economy had already been in a gradual decline before September 11. The U.S. economy is in recession, and has been in that state since March, ending ten years of unprecedented growth both here and abroad.

U.S. trade flows reflect this trend; before September 11th, U.S. goods trade turnover for the first 8 months of this year was 1.9% lower than in the comparable period in 2000. If the current trend continues, 2001 will be the first year since 1982 when trade in U.S. goods declined on a year-on-year basis.

Looking more broadly at the United States, Canada and Japan, trade turnover declined by 3.6% between January and August, 2001, compared to the same period in 2000. If this pace continues for the full year, trade turnover for these three countries will decline \$121 billion or more than the entire GDP of Singapore.

In Asia, the region of the world I consider my home away from home, the prospects are particularly grim. With the exception of China, growth in East Asia this year will be stagnant. Hong Kong, Japan, Singapore and Taiwan are braced for negative growth; while no country in ASEAN expects growth better than 3 percent. Even China, despite the lift of WTO accession, is feeling the pinch, lowering growth forecasts for the year to below 7% for the first time in a decade.

Particular Risks – Trade Dependent Countries and Key States

It should be clearly understood, then, that before September 11th, world trade was already slumping. The attacks on the World Trade Center and the Pentagon were an assault as well on global commerce, and have exacerbated economic problems for those particular countries exposed to the greatest risks in our efforts against terror. Throughout much of Asia, political stability rests on renewed economic growth.

When we consider the so called “frontline states” or those most exposed to the uncertainty of war, Pakistan’s economy in particular has suffered the most serious short term setbacks. Figures released this week in Islamabad observe that, between September 11 and November 10, total Pakistani exports decreased approximately 21 percent from the same period last year. Similarly, orders placed with Pakistani exporters have dropped by 40 percent from the year 2000.

Many key states in our efforts against terrorism showcase political vulnerabilities tied closely with the demands for economic prosperity. In Indonesia, President Megawati must deliver on economic reform and create jobs for thousands of unemployed youths. President Arroyo of the Philippines faces similarly urgent challenges of urban poverty. Singapore and Malaysia, where trade is valued at over 200% of GDP, find themselves re-evaluating their national economies as the crunch worsens.

This was the situation we confronted as we flew to Doha last month. Global free enterprise had also been a casualty of September 11th. Confidence in the values of free and open trade had been wounded; many of our trading partners were experiencing tremendous economic pressures. A return to growth was clearly necessary, but the success of the ministerial was far from a foregone conclusion.

Reasons for Optimism: Success at Doha and the U.S. Economy

I mentioned earlier that, in the midst of this gloom, I believed there were good reasons for optimism. I'll offer them now.

- First, the victory at Doha.
- Second, the strength and flexibility of the U.S. economy.
- Third, we have pursued a policy of broad engagement on trade that is beginning to pay dividends.

A moment ago, I outlined the challenges that faced us as we traveled to Doha. And yet in Qatar we achieved a victory for the entire global trading system. The Doha ministerial brought together countries from all over the globe with a very strong statement on trade and growth and development - relinquishing what Ambassador Zoellick likes to call the "stain of Seattle" to the trash heap of history.

At Doha, we reached an agreement that affirms the commitment of 142 - now 144 - WTO members to work cooperatively to reduce the world's trade barriers. This signal of forward progress on trade gives an endorsement and very timely boost to the multilateral trading system. I'm optimistic that what we've achieved in Doha lays the ground work for a trade liberalization agenda that will be a starting point for greater development, growth, opportunity and openness around the world. Particularly in the aftermath of September 11, Doha's success is also an excellent political signal that 144 diverse nations can come together to agree on a constructive agenda for the world's public.

While my time here today does not allow for an exhaustive review of the Doha ministerial, I can offer a few of the highlights.

- First, in agriculture, we achieved an important commitment to reduce, with a view to phasing out, agricultural export subsidies. The negotiations over the next three years will allow the United States to seek further market openings and reductions in trade barriers that impede the competitiveness of American farmers and ranchers.
- We also achieved a negotiating mandate to reduce tariff and non-tariff barriers on industrial products, ensuring that we can continue to pursue a variety of liberalization initiatives such as the landmark Information Technology Agreement of 1996.
- In services we established a rigorous timetable, featuring a deadline for initial offers by March of 2003, that provides an excellent opportunity to pursue global market openings for a growing U.S. services sector that already accounts for 62 percent of our national economy.
- Importantly, ministers also agreed to embark on negotiations that promise to increase the efficiency and effectiveness of the trading system on the whole. These efforts will include negotiations aimed explicitly at facilitating trade across national borders; new talks to refine the rules regarding the settlement of trade disputes, and the establishment of a Working Group on the relationship between trade, debt and finance, to address the concerns of the world's least developed countries.

At Doha, trade ministers did more than launch a new round of global trade negotiations. They also approved the accessions of China and Taiwan to the WTO, ending often intense and difficult negotiations of 15 years and 9 years, respectively.

China's accession, in particular, is a decisive victory for Beijing's reformers, who understand the value and benefits of openness and want to transform China's economy and society. The terms of China's accession include dramatic tariff cuts on priority goods for U.S. businesses and farmers and substantially increased market access for U.S. services suppliers. But, they also include commitments that, when successfully implemented, will transform how business is done in China.

U.S. Economy on the Rebound

The consensus of the 144 members at Doha was about more than economic efficiency; it reflected a positive vote for a system of values: openness, peaceful exchange, opportunity, inclusiveness and integration, mutual gains through interchange, freedom of choice, appreciation of differences, governance through agreed rules, and a hope for betterment for all peoples and lands. Nowhere are these values reflected more than in the American economy, long the world's engine for growth and prosperity.

September 11 was indeed a shock to an American economy already burdened with the realities of recession. At worst, in terms of economics, 9/11 coincided with the nadir of the U.S. economy, exacerbating the lowest point in our national economy since 1991. The economy, however, has already shrugged off the short-term shock of the attacks - Americans have gone back to work. The U.S. economy is once more beginning to serve as a driving force behind world trade.

- In October, imports to America's largest ports, Los Angeles and Long Beach, rose about 6 percent from October of 2000.
- Tellingly, new orders for America's manufacturers are also on the rise. In October, the National Association of Purchasing Management index recorded the largest-ever increase in new orders to the manufacturing sector.
- The stock market, too, is showing signs of renewed confidence in the economy's future. This week the Dow rose above 10,000 for the first time in 3 months on optimism of renewed demand for software and semiconductors - crucial sectors for Asian exporters.
- Ample supplies of home heating oil and natural gas promise to help household pocketbooks throughout the country this year - which should add to the already buoyant confidence of America's consumers - consumption spending shot up 2.9 percent in October, more than recapturing the 1.7 percent decrease of September.

This has been, the experts say, a "business-led" downturn. The Fed has kept capital available to the business sector, and the Administration is working to increase the incentives for America's businesses to invest in new plant and

equipment. These initiatives, combined with the core flexibilities of our corporate sector, present on the whole a healthy U.S. economy, now beginning the climb back to growth.

Policy Engagement: Asia as an Example

America's economic rebound will be felt keenly throughout the world, but it is in Asia where our recovery will be most welcome. In the crisis years of 1997-98, the strength of the U.S. economy allowed Asian countries to export their way back to economic health. Indeed, by 2000, Asia had recorded the highest export growth among major regions as well as the largest increase in imports. Clearly, trade is and will continue to be central to Asia's economic growth and stability, and the Bush Administration is focused on continuing the prosperity the region has enjoyed over the last decade.

We have worked hard to cultivate an encouraging pattern of engagement and consultation with our partners in Asia, and have made initial inroads in several markets. In the last six months we launched new trade initiatives with India, Korea, Indonesia, the Philippines and the entire membership of ASEAN. We have also secured a New Economic Partnership with Japan, our second-largest trading partner, an endeavor that promises progress on the country's path to economic reform.

We have continued as well to pursue an expanded role for trade where such action is both plausible and practical. Our negotiations toward a bilateral Free Trade Agreement with Singapore continue to make progress, and a landmark Bilateral Trade Agreement with Vietnam was ratified last week by the National Assembly in Hanoi. The Vietnam BTA will come into effect on January 1st.

Our successes in Doha will prove pivotal in the future of the trading system and are key to Asia's continued prosperity - both in the immediate aftermath of September 11 and beyond the distant horizon. China's accession to the WTO should be properly viewed as nothing short of a landmark achievement for the Chinese economy, for the region, and for the overall welfare of a like-minded community of nations committed to a trading system based on rules and transparency.

Our long efforts over 15 years of negotiations toward China's accession are symbolic of our commitment to remain engaged in Asia. As we have gathered China into the value system of global free enterprise, so are we now building new linkages throughout the region - linking our nation to Asia through the values inherent in free trade.

As President Bush has tellingly observed, "The growth of the world economy depends on world trade. The growth of world trade depends on American leadership. And America will lead – toward freer trade, toward wider and more lasting prosperity for ourselves and for the world."

Thank you.