

## As Prepared for Delivery

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Washington, DC  
September 24, 2001

### “American Trade Leadership: What is at Stake”

Like the best of institutions – public or private – the Institute for International Economics is guided by core values. The work at IIE draws from a powerful idea: that an open international economy will spur energies and creativity that will better the condition of people around the world, individually and collectively.

I have always felt that openness is America's trump card – openness to goods, to services, to capital, to people, and to ideas. Openness is what keeps the United States competitive, fresh, and dynamic. It ensures that America can draw on the best that the world has to offer.

America has also led the way in opening trade, societies, and minds around the world. From its founding, America has been an idea as well as a country.

On September 11, America, its open society, and its ideas came under attack by a malevolence that craves our panic, retreat, and abdication of global leadership. This grave test of a generation's fiber is an assault on more than buildings and innocent people – it is a strike against liberty itself.

As President Bush declared last Thursday to the Congress, “This is civilization's fight. This is the fight of all who believe in progress and pluralism, tolerance and freedom.”

Our enemy's selection of targets – the White House, the Pentagon, and the World Trade Towers – recognizes that America's might and light emanate from our political, security, and economic vitality. Our counteroffensive must advance U.S. leadership across all these fronts. So in addition to military actions we must thrust forward the values that define us against our adversary: openness, peaceful exchange, democracy, the rule of law, compassion, and tolerance. This is, as Chairman Greenspan said to me, a struggle between the producers and the destroyers; between those striving day in and day out to build better lives for their families and those who only know destruction, tearing down what others have created. On September 11, over 60 countries lost people to the hate of the destroyers.

Earlier enemies learned that America is the arsenal of democracy; today's enemies will learn that America is the economic engine for freedom, opportunity, and development. Economic strength – at home and abroad – is the foundation of America's hard and soft power. To that end, U.S. leadership in promoting the international economic and trading system is vital. Trade is about more than economic efficiency. It promotes the values at the heart of this protracted struggle.

Prior Americans recognized the role of economic ideas in overcoming international adversity. Congress granted Franklin D. Roosevelt the authority to employ free trade as a cure for the protectionism of the Great Depression and then to help Harry Truman revive a devastated world. Throughout the Cold War, Congress empowered Presidents with trade negotiating authority to open markets, promote private enterprise, and spur liberty around the world – complementing U.S. alliances and strengthening our nation.

Now we face a different danger. As President Bush explained, the terrorists who attacked the United States did so because they hate our freedoms. They “kill not merely to end lives, but to disrupt and end a way of life. . . . They stand against us, because we stand in their way.”

The President called upon Americans to “direct every resource at our command . . . to the disruption and defeat of the global terror network.” We must prevail because openness is not preordained. Not long ago, Chairman Greenspan gave a speech in which he pointed out that the degree of openness in the world today is about what it was a hundred years ago. We only recently attained the level of trade as a percentage of the global economy that existed in the late 19th century. The figures for capital flows are similar. Global immigration, too, was at a high point a century ago.

Indeed, the world of the late 19th and early 20th centuries was an era of great technological change, much like today. There were new forms of transportation that transformed economies, such as airplanes and automobiles. There were new forms of communication that linked peoples, such as oceanic cables, the telephone, and the wireless. There were even great social movements sparked by globalization, although the participants in the revived Olympics of 1896 ran around a track, instead of in the streets, and hurled objects toward chalk lines, instead of at windows.

Yet as Barbara Tuchman's book *The Proud Tower* vibrantly describes, the years from 1890 to 1914 were also rattled by crashing debates in the Socialist International and anarchists bent on senseless destruction. As Tuchman recounts, at the turn of the century theorists and thinkers called for a stateless society, without government and law, without ownership of property, without the ruling class and their despised ally, the bourgeoisie. “Tirades of hate and invective” trumpeted calls for action. Others were driven to deeds: “These became the Assassins.”

Eventually, a terrorist, Gavrilo Princip, who belonged to a shadowy group named the Black Hand,

triggered a cataclysm that began in the Balkans, but spread throughout the world.

The point of this brief recollection is to caution that no future is inevitable. The hopeful prospects of 100 years ago – that age of globalization – were overwhelmed by other "isms": dangerous, even terrifying ideas, such as fascism, authoritarianism, corporatism, communism, a new mercantilism, isolationism, and protectionism. The world learned anew that not all ideas are good. Bad ideas can lead to cruelties and tragedies: depression, mass starvation, economic disasters, even wars and genocide.

Thus it took American advocacy for openness, growth, and individual liberty over the past 50 years to reverse the disastrous decisions made in the first half of the 20th century.

In the wake of the shock of 13 days ago, many people will struggle to understand why terrorists hate the ideas America has championed around the world. As Peter Beinart of the New Republic pointed out, it is inevitable that people will wonder if there are intellectual connections with others who have turned to violence to attack international finance, globalization, and the United States. To put the question in their own words, not mine, can people really think, as does the editor of the Earth Island Journal, that the terrorist assault “was not an ‘attack on freedom,’” but instead an assault on “U.S. foreign policy,” with the real targets being, “World Trade and U.S. militarism”?

So as professors and students debate these topics in the months and years ahead, I hope they take a serious look at economic and political history. Here's a lesson I learned from history: Change breeds anxiety. Anxieties can be manipulated to force agendas based on fear, antagonisms, resentments, and hate. And then those who are the weakest, those with the least influence, are hurt the most by cold and hard people who overrun openness and liberty and the rule of law in the name of ill-defined causes.

Let me be clear where I stand: Erecting new barriers and closing old borders will not help the impoverished. It will not feed hundreds of millions struggling for subsistence. It will not liberate the persecuted. It will not improve the environment in developing nations or reverse the spread of AIDS. It will not help the railway orphans I visited in India. It will not improve the livelihoods of the union members I met in Latin America. It will not aid the committed Indonesians I visited who are trying to build a functioning, tolerant democracy in the largest Muslim nation in the world. And it certainly will not placate terrorists.

This President and this Administration will fight for open markets and free trade. We will not be intimidated by those who have taken to the streets to blame trade – and America – for the world's ills. The global trading system has demonstrated – from Seoul to Santiago – that it is a pathway out of poverty and despair. As President Bush stated in July in a speech at the World Bank, the protesters against globalization, largely upper middle class and affluent young people, are "no friends of the poor." Or as former President Zedillo of Mexico said, the protesters "seem strangely determined to save the developing world from development."

The plural of anecdote is not fact. A recent World Bank study examined developing countries that opened themselves to global competition, and those that did not. The income per person for globalizing developing countries grew more than five percent a year; non-globalizing countries fell a little over one percent a year. The absolute poverty rates for globalizing developing countries fell sharply over the past 20 years, and the income levels of the lowest income households grew in line with the overall economy.

I was pleased to see recently that Prime Minister Blair and Chancellor Brown, who helped lead an old Labor Party to new thinking – and then to stunning electoral victory – have embraced free trade to help those seeking hope and opportunity. Perhaps others will take heed.

And so we find ourselves at a point of decision. Will we, as a global coalition of nations, strengthen and expand development, growth, and openness through trade? Will America lead this advance? And will the Congress strongly support free trade as a cornerstone of international leadership, global economic stewardship, and the promotion of our values through granting U.S. Trade Promotion Authority to the President?

In recent days, Chairman Thomas, Mr. Rangel, and Members from both parties in the House appear to be making headway on this challenge. Chairman Baucus and Senator Grassley have discussed the need to move ahead, and Senators Graham and Murkowski have crafted a bipartisan proposal for Trade Promotion Authority.

Today I will talk about what is at stake with Congress' decision.

### **A Snapshot of the Trading System: Stresses, Uncertainties & Anxieties**

Let me start with a snapshot of the international trading system when we took office.

At the start of this year, the clouds of the failure to launch the global trade round in Seattle in 1999 were hanging low, and they left many people around the world dispirited. Reformers, many of them in fragile democracies – in Latin America, East Asia, Africa, Central and Eastern Europe – were under stress.

The global economic slowdown has only heightened their anxieties. So will the ripple effects from terrorism. Financial markets are skittish and fearful of protectionism. Movement on trade liberalization is now vital for our economic recovery – and for sustaining economic reforms globally.

Moreover, it is a sad irony that just as the old world of bipolar blocs faded into history and the new world of globalization fast-forwarded, the United States let its Trade Promotion Authority lapse. While the United States stepped aside, others moved ahead.

The European Union now has 27 bilateral free trade and customs agreements, 20 of which it negotiated in the course of the 1990s, and the EU is in the process of negotiating 15 more.

After NAFTA, Mexico sped past the United States to negotiate eight free trade agreements with 32 countries.

Even Japan has been working on a free trade agreement with Singapore and is exploring options with Canada, Mexico, Korea, and Chile.

There are over 130 free trade agreements in the world; the United States is a party to two. There are 30 free trade agreements in the Western Hemisphere; the United States belongs to only one.

Each of these trade agreements opens opportunities, most of which are closed to American businesses and workers.

Consider the example of one country: Chile. In 1994, then-President Zedillo of Mexico and Prime Minister Chretien of Canada stood with President Clinton and said, "We are going to negotiate a free trade agreement with Chile." The Mexicans did. The Canadians did. The United States did not.

Here is the effect: U.S. wheat farmers are losing business to Canadian wheat farmers because we pay an 8 percent tariff, and the Canadians do not. The fast food business in Chile now uses Canadian potatoes, not American potatoes, to make french fries, because of the extra tariff. American vegetable oil sales have lost out to the Brazilians. If Caterpillar wants to sell a road grader from Illinois in Chile it must pay a tariff of \$14,960. If Caterpillar builds the same grader in Brazil, it pays a tariff of \$3,740. And if Caterpillar's Canadian competitor exports a similar grader – not quite as good, I'm sure – it does not pay any tariff at all!

When these examples are multiplied across products and countries, the cost to America of falling behind on trade soars exponentially.

The issue extends beyond market access because each of these agreements is setting the rules for the future. Senator Bob Graham of Florida, a strong supporter of trade, has pointed out another lesson from a century ago. When electricity was just being introduced into Brazilian society, he noted, the Brazilians looked to Europe as a model, not the United States. So when you go to Brazil, bring an adaptor because they use European electrical standards. This example is being repeated again and again in the world today.

The rules others are making without us will determine the future of e-commerce, sanitary and phytosanitary standards for agriculture, manufacturing, new technologies, communications systems, intellectual property, customs arrangements, service businesses, high-tech ventures, and all the other

dimensions of new and expanding business networks.

### **An Activist Trade Strategy**

President Bush decided that we needed an activist strategy to regain momentum on trade. That is exactly what we have developed.

We are proceeding with trade initiatives globally, regionally, and with individual nations. This strategy creates a competition in liberalization, with the United States at the center of a network of initiatives. By moving on multiple fronts, we can increase America's leverage and influence around the world. If others are reluctant, the United States will work for free trade with those who are ready.

Consider the difference: Instead of America telling others how to live and engendering animosities, other countries are coming to the United States, seeking agreements that reflect our economic principles and values of openness. Over the past week, the numbers of foreign officials asking whether America will stand with them on trade and economic reforms has increased, not decreased. They deserve an answer of support.

The United States can also establish models of success and precedents that we can apply elsewhere. For example, we hope that our free trade agreements with Singapore and Chile will help us develop standards that match new business and economic challenges, such as liberalization for e-commerce or customs innovations to address transshipment issues. These agreements might also provide the basis for free trade elsewhere in Southeast Asia and Latin America.

The Administration's strategy also recognizes that America's trade policies must be aligned with our society's values, including compassion and fairness. So we moved promptly to use the flexibilities in the rules for intellectual property to help promote a comprehensive response to the pandemic of HIV/AIDS. We showed a willingness to use safeguard provisions – consistent with WTO rules – to assist industries, like steel, if the businesses and workers are willing to take serious steps to regain competitiveness. We know that some businesses – and the communities that depend on them – cannot move as quickly as global financial and information markets. We also know that these industries must adapt and safeguards must end, as our approach to the wheat gluten and lamb safeguards demonstrated. Finally, we have made clear that this Administration will vigorously employ U.S. laws against unfair trade practices to insist that others abide by the trade rules, too. We cannot maintain public support for trade unless we insist on a level playing field.

### **Executing the Strategy**

The Administration moved with dispatch to execute this trade strategy.

In April, at the Quebec City Summit of the Americas, President Bush launched serious negotiations for the Free Trade Area of the Americas. When completed, the FTAA will be the biggest free trading area in the world covering 34 democracies.

In May and June, the President, Secretary Evans, and I traveled to Europe to press for the launch for the new global trade round in November. Since then, Commissioner Lamy and I have developed a number of common approaches and worked with others to create a network of supporters for the new global trade negotiations.

Earlier this month, I attended a meeting of 17 trade ministers in Mexico City, where we gained some momentum for the round. Then Secretary Veneman and I met with the Cairns Group to cooperate on opening markets for farm products.

In late June, President Bush launched a new deregulation and structural reform initiative with Japan, paralleling what we hope will be Prime Minister Koizumi's economic revival program.

Throughout the year, we have been energetically implementing the new African Growth and Opportunity Act, which offers duty-free access for nearly all goods produced in 35 nations of sub-Saharan Africa. AGOA offers an incredible opportunity to draw African nations into the trading system, as well as to widen the base of support for trade in the United States.

Apparel imports to the United States from AGOA beneficiary countries were up more than 30 percent in the first three months of this year compared to the same period in 2000. South Africa now expects investment of at least \$100 million in its textile and apparel facilities, which will create 13,000 jobs.

These dry numbers come alive with the stories of hope and opportunity generated by each investment. Not long ago, Malawi gave me a sample of the trademark purple shirts that they now make for Subway sandwich stores' employees. AGOA has also demonstrated that free trade is a women's issue: As African women gain employment, they are increasing their stature and influence and finding a pathway out of poverty.

In the aftermath of the attacks, the United States promptly signaled through words and deeds that we would move ahead despite the blow. Along with the European Commission, we affirmed our determination to proceed with the WTO ministerial meeting in November. While one of my colleagues struggled with his grief for his hometown of New York City, he led the U.S. team that finalized our successful negotiations in Geneva to bring China and Taiwan into the WTO after a 15-year journey. This achievement builds on the work of many who came before us, especially my predecessor, Charlene Barshefsky. At the end of last week, I strategized with Ministers from the Andean nations on the reauthorization and expansion of the important Andean Trade Preference Act. This week we will

push forward efforts to liberalize trade with the four nations of Mercosur and with Central America. Later this week I will travel to Moscow to work on Russia's accession to the WTO.

We hope to complete our free trade agreement with Chile this year. And our negotiations with Singapore for a free trade agreement are keeping pace.

These have been difficult days for the USTR staff, most of whom travel extensively, and many of whom are away from children who are trembling after watching terrifying pictures. I am extremely proud of their fortitude and professionalism.

Now – more than ever – strategy, momentum, and execution around the world are critical to our success. We need to strengthen the U.S. and global economies as they reel from the shocks of September 11. At the same time, we must make the case for the long-term benefits of trade at home. So let me explain why trade is important for four key groups in America: small business; the high-tech community; farmers and ranchers; and, of course, America's families.

### **The Home Front: Trade & Small Business**

Small businesses generate half of America's GDP and 75 percent of our new jobs. And trade is increasingly important to the small businesses of America. Ninety-seven percent of the U.S. companies that export have fewer than 500 employees, and 60 percent of the businesses that export have fewer than 20 employees.

Small businesses now account for 29 percent of total merchandise sales, and small businesses are responsible for nearly 40 percent of U.S. exports to Central and South America. The number of small businesses exporting to China was up 167 percent between 1992 and 1998, and the value of their exports was up 84 percent.

Trade agreements are particularly important to small businesses because they do not have the parents or affiliates that multinational enterprises have to help get products into countries. Small businesses need straightforward rules. They need transparency because they do not have lawyers on call to help them figure out complex foreign procedures. And small businesses benefit from trade facilitation arrangements that decrease the costs of custom practices or achieve the quicker release of goods. Trade agreements with emerging markets are especially important, because these countries have the highest barriers.

When I visited Missouri recently for a trade day with Congressman Roy Blunt, I saw five small manufacturing enterprises that recognized their business futures depended on overseas markets. Indeed, when one enters the small plant for the King Press Corporation, the first sight is of flags of countries whose newspapers are buying the printing presses from King Press. King Press is both selling

machinery and marketing free speech.

Small businesses are also helped by clear international investment rules because they cannot rely on the weight of big multinational operations to clear the way with bureaucracies. Many small businesses market high tech products, software, books, or music, which depend on good intellectual property rules and enforcement.

These small businesses also create good jobs. Exporting firms have greater productivity than non-exporting firms; they pay, on average, 13 to 18 percent higher in terms of wages; they have greater workplace stability; and they are a primary generator of new jobs.

### **The Home Front: Trade & High Technology**

Second, America's high-tech sector has a big stake in free trade. The Internet offers a classic example of how business booms in the absence of barriers. Indeed, the world of high-tech is opening vast opportunities for businesses, the creation of new jobs, and the spread of ideas.

Technology is the largest U.S. manufacturing sector by employment, sales, and exports. High-tech exports accounted for 29 percent of America's merchandise exports last year. The value of high-tech exports has nearly doubled since 1994. Tech jobs pay high wages, and the tech firms invest more in R&D than in any other sector.

We have several negotiating objectives that will help high tech businesses. First, we have to improve the standards for intellectual property and enforcement. Sixty percent of software sales were pirated in 1999, with a cost of more than \$1 billion. Second, technology firms need help clearing technical and regulatory hurdles, whether they be for product approval, tech transfer, local content regulations, or investment restrictions.

Third, we have to open up the basic and value-added telecom services because these provide the backbone for a technology network environment. And fourth, we are seeking the most liberalized environment we can for e-commerce. In analyzing barriers to e-commerce, we borrow the value chain concept from the business world. We are examining the services performed along the e-commerce value chain, whether basic and enhanced telecom, distribution, computers, advertising, express delivery, or financial, because any break in that chain creates inefficiencies and infringes on the business and consumer benefits of e-commerce.

### **The Home Front: Trade & Agriculture**

Third, an open trading system should be a top priority for America's farmers and ranchers.

Consider the business model for American agriculture. Ninety-six percent of our customers live outside the United States. When I was in the business world, 96 percent of my customer base would get my attention.

The United States market for food is relatively mature. After all, how much more can we eat? (Although some of us may test this proposition on some days.) The growth and potential for American agriculture is abroad.

This common sense marketing logic is backed by the facts. U.S. agriculture exports amounted to \$51 billion last year, and they are projected to hit \$57 billion next year. One in three acres is planted for export. When I spoke to farm groups at the Iowa State Fair last month, they were well aware that 35 percent of their gross cash sales came from exports.

American farmers export 19 times as much feed grain as they import, 12 times as much wheat, and nine times as much rice. For bulk commodities such as corn, soybeans, rice, cotton, or wheat, exports amount to 30 to 45 percent of total sales. And exports are even more valuable for some of the high value-added products that are important in a number of states: for almonds, exports comprise 71 percent of the market; cattle hides, 62 percent; walnuts, 51 percent; sweet cherries, 40 percent; prunes, 39 percent; raisins, 38 percent; grapefruit, 37 percent; and table grapes, 35 percent.

Trade agreements make a difference for farmers. Since the passage of NAFTA in 1993, our agriculture exports to Mexico have doubled. The recent agriculture agreements that we completed with China, which will take effect when China joins the WTO, should boost U.S. farm sales by \$2 billion a year.

In sum, U.S. farmers are two and a half times more reliant on trade than the rest of our economy, and agriculture exports support about 750,000 American jobs.

It is especially important to continue the process of fundamental reform for farmers through the WTO system, because for too long agriculture was left outside the disciplines applied to industrial goods. Over the past 50 years, tariffs on manufactured goods decreased 90 percent; agriculture tariffs barely budged. It took the Uruguay Round even to compel countries to move from quotas to tariffs for agriculture. The average permissible agriculture tariff is 60 percent; for non-agriculture goods, 4 percent.

Agriculture also faces a host of non-tariff barriers, particularly through the misapplication of sanitary and phytosanitary standards. We need safety based on science, not bias. Similarly, we need fair rules, based on reason and science, for the development of biotechnology that can help feed the developing world, improve nutrition, safely prevent the losses from pests and disease, and reduce the use of other inputs that can harm the environment.

### **The Home Front: Trade & the American Family**

Fourth, trade and open markets benefit the families who are the backbone, muscle, and genius of America. People always talk about exports, but lower prices and more choices for imports are important, too. Together, the benefits from NAFTA and the Uruguay Round, from lower tariffs and higher incomes, amount to \$1,300 to \$2,000 a year for the average American family of four.

This is a hefty tax cut for families watching their budgets. And the biggest beneficiaries of trade and competition are lower-income Americans. These are the people who are least able to afford higher prices for food or clothes or appliances.

I saw that Maryland and the District of Columbia recently offered a week of sales tax amnesty so parents could save 5 to 6 percent when they buy clothes or supplies for their kids going back to school. So why not support lower prices of 6 or 8 or 10 or 12 percent for food and clothes and school supplies not for just one week, but every week of the year?

A new global trade round could help us through even more price cuts and income gains. A University of Michigan study of tariff reductions on agricultural and industrial products found that a new round could deliver an annual benefit of \$2,450 for the average American family of four.

For all the benefits of trade, trade also brings change, and I appreciate that change can be difficult. We need to help people to adapt and to benefit from change – whether prompted by trade, technology, or new business models. 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, assured energy supplies at reasonable prices, worker adjustment assistance, and reforms of Social Security and Medicare so older Americans – those least able to adapt to change – have a retirement safety net.

### **The Reason for U.S. Trade Promotion Authority**

So stepping back, here is the picture I see today. Prior to September 11, the United States was starting to gain traction for trade. Others around the world will now watch closely to see if the United States will persevere.

Open markets are vital for developing nations, many of them fragile democracies that are relying on the international economy to overcome poverty and create opportunity. They certainly recognize the inextricable link between the economy and security. So must we.

As the staff at the Democratic Leadership Council pointed out to me, even before the terrorist attack, U.S. trade in goods had fallen compared to the prior year. If this trend continues, it will be the first time since 1982 that our trade numbers will decline. It appears the same trend is at work globally, again the

first fall in trade since 1982.

To cure the drop in trade and the protectionism of the Great Depression, Franklin D. Roosevelt, Cordell Hull, and the New Deal internationalists persuaded the Congress to authorize the President to negotiate tariff cuts in package deals. As I.M. Destler's work on trade history for IIE has explained, that initiative – the Reciprocal Trade Agreements Act of 1934 – was the origin of the Executive Branch's trade negotiating authority. In its modern form, this U.S. Trade Promotion Authority, with its "fast track" procedures, enabled the five previous Presidents to deploy trade agreements to shape the international economy, building vital economic partnerships that complemented U.S. security alliances and supported the promotion of America's values.

There is a strong practical argument why the United States needs to permit the President to negotiate trade agreements as a package, subject to close consultation with the Congress and eventual approval by an up-or-down vote. Trade agreements involve sensitive political constituencies and tradeoffs for every country. If I am pressing my counterpart from another country to his or her bottom line – or even a bit beyond – he or she will balk if the Congress makes it clear it may reopen the deal. My counterparts will fear negotiating once with me and then a second time through Congressional amendments driven by special interests.

Some commentators have asked that if arms control agreements are subject to amendment, why not trade agreements? Having also negotiated arms control and security treaties, I will point out that neither they nor other international accords impinge on specific economic interests in every one of 435 Congressional districts and all 50 states – with each interest well-positioned to press for a twist of protection here or special treatment there. That reality is the exact reason why Congress turned away from setting the levels of individual tariffs, as Congress did for over 20,000 items in its last general trade act, the infamous Smoot-Hawley Bill of 1930. Indeed, the trade negotiating principle is like that used by unions, whose members vote on a package negotiated by their representatives, not on individual amendments for wages, hours, benefit plans, and pensions.

To address the relationship between trade agreements and other international objectives – such as improving the environment, health, and working conditions – the President has proposed that we build on openness and growth in developing countries with a toolbox of cooperative policies. Given America's respect for our sovereign authority to set environmental standards, establish labor laws, and regulate social, health, and working conditions, we need to be cautious about infringing on others' sovereignty by trying to compel their standards through trade agreements. Indeed, most environmental NGOs have told me they want to ensure that multilateral environmental agreements are independent from the WTO. Similarly, environmentalists want to ensure that the United States has full freedom to set high environmental standards for itself. I agree. And the WTO jurisprudence has backed environmental measures in a series of cases.

Given the great diversity of countries and conditions, there is no "one-size-fits-all" formula that can deal

with environment, labor, health, and other societal conditions. As a general matter, other nations are more likely to work with us to improve local standards if the U.S. approach is positive and cooperative, not intimidating. In some cases, the United States and the WTO can work with other international organizations, such as the International Labor Organization, the World Health Organization, and secretariats for multilateral environmental agreements. The United States can also use aid, international financial assistance policies, and special trade preference laws – such as AGOA, the Caribbean Basin Trade Partnership Act, the Andean Trade Preference Act, and the Generalized System of Preferences Act – to promote adherence to basic standards. We can learn from experience with other agreements, such as the NAFTA side accords or Canada’s agreements with Chile and Costa Rica.

The key point is that it would be a mistake of historic magnitude – and hugely self-defeating – to block progress on U.S. Trade Promotion Authority and the benefits of trade until we can compel some unilateral vision of global social policy. It is appropriate to debate these topics internationally, just as our democracy contends with these same difficult issues at home. We will experiment with different approaches and gain from the experience. We will encourage private companies to set standards, as the Fair Labor Association coalition has done in the apparel trade. But we should no more hold up liberalizing international trade agreements until we compel some U.S. social vision for the globe than we should desist from free interstate commerce until each U.S. state agrees with all others’ social policies. Let’s be honest: Economic growth, openness, and the exchange of experience – exactly the benefits we promote through trade and investment – are instrumental to achieving better environmental, social, and health conditions internationally.

### **Conclusion: Affirming our Commitment to Trade & Openness**

The eyes of the world are now on America. It is the moment to affirm our commitment to trade and openness.

In the past few months I have traveled to Argentina, Chile, Mexico, Peru, and Uruguay. I have spoken to the Presidents and trade ministers of every country in Latin America. I visited China, Singapore, India, and Indonesia. I met the trade ministers from all the APEC countries. I have spoken at length to Presidents Mbeki of South Africa, Kufor of Ghana, Obasanjo of Nigeria, and Wade of Senegal, and Prime Minister Jugnauth of Mauritius, as well as many African trade ministers. Many of these countries are struggling to maintain reforms, openness, even democracy. They are looking to the United States for an example – and for leadership.

From Latin America to Asia to Africa, the United States has an unparalleled opportunity to promote prosperity, liberty, the rule of law, and democracy – in the spirit of harmony, not hegemony. As Congressman John Tanner summarized succinctly, "America's place in the world is going to be determined by trade alliances in the next ten years in combination with the military alliances that have

determined our place in the past."

In the aftermath of the terrorist attacks, Chairman Greenspan testified last week: "The foundations of our free society remain sound, and I am confident that we will recover and prosper as we have in the past. As a consequence of the spontaneous and almost universal support that we received from around the world, an agreement on a new round of multilateral trade negotiations now seems more feasible. Such an outcome would lead to a stronger global market system. A successful round would not only significantly enhance world economic growth but also answer terrorism with a firm reaffirmation of our commitment to open and free societies."

So here's the bottom line: We are back at the free trade table, and we are breaking down barriers around the world. Congress' action on U.S. Trade Promotion Authority and the rest of our trade legislative agenda will send an unmistakable signal, with one voice, that America will lead in the promotion of free markets and free people.

Progress was not foreordained a century ago. At the dawn of this new century, we again have a choice of ideas. Which ones will triumph – those of fear, destruction, and dwindling dreams – or those of humankind's untapped potential, its aspirations, and the creative energy of free peoples seeking better lives? We can let the success of our preceding generations slip away amidst disputes, narrow interests, and insecurities. Or we can build on the momentum of the past 50 years, championing the values of openness and liberty, and setting a course of prosperity and stronger security for the United States and the global system – not just for a year or two, but for decades to come. That is what is at stake.

Thank you.