

“The Imperative for Rebuilding the Consensus for Trade”

**Remarks by U.S. Trade Representative Rob Portman
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As Prepared For Delivery

Thank you, Mike. As you might know, Mike and I have been acquainted since we both served the first President Bush. At that time, he was serving as Deputy USTR so he knows what a honor and pleasure it has been for me to serve as U.S. Trade Representative – and how difficult the job can be...

Negotiating complex and politically-charged issues with countries around the world, sometimes with little or no sleep – is no easy task. But somehow I sense might end up looking back on my service as USTR as a time of serenity and calm, once I start working with my former colleagues in Congress and cabinet members on budgets and deficits!

As Mike explained, President Bush has nominated a USTR deputy, Susan Schwab, to take on the critical job of U.S. Trade Representative. She is more than qualified and will do an outstanding job representing the United States and opening markets.

I appreciate your having me here and for the warm welcome you’ve given my wife, Jane, who is in Chicago for a conference in her role as an active board member of Cincinnati’s Children’s Hospital. This morning she had a chance to see the cutting edge research in treatment at your own Chicago Children’s Memorial Hospital.

I applaud the interest of the Chicago Council on Foreign Relations in international trade. For over 80 years, CFR members have been at the forefront of the public discussion of international matters. And the poll you commission every four years on U.S. opinion on foreign affairs is extremely helpful to policy makers. You understand the central role international trade plays in our economic and political life, so in some respects I may be preaching to the choir today – but I will also be asking the choir – you – to do more preaching yourselves.

I would like to lay out some of what we are doing to open markets and increase trade flows. But I would also like to challenge you to confront the economic isolationism that I believe threatens the U.S. leadership role in the world, global economic growth and, of course, our economic future and the standard of living of our citizens.

In this year’s State of the Union address, I think President Bush articulated it well, saying, “In a complex and challenging time, the road of isolationism and protectionism may seem broad and inviting -- yet it ends in danger and decline. The only way to protect our people, the only way to secure the peace, the only way to control our destiny is by our leadership -- so the United States of America will continue to lead.”

This is certainly true in trade: given the pace of change, and particularly the increasing integration of the global economy, U.S. policy needs to be moving forward to avoid retreating. It is to me, a little like riding a bicycle – either you are moving forward or stopping and falling down. That's why we are pedaling hard.

We have an ambitious and proactive agenda for trade. A chief goal is a successful completion of the World Trade Organization's Doha Development Round. After four and half years of Doha talks, we are now at a crucial phase to meet our goal of completing an agreement by the end of 2006.

The United States has played and will continue to play a leadership role in rallying our trade partners to make the tough political decisions needed for a meaningful outcome that actually increases trade flows. First, because we believe a global framework for reducing tariffs, cutting trade-distorting domestic subsidies and removing non-tariff barriers will help level the playing field for our workers, our farmers, and our service providers. And keeping our own economy open is good for U.S. consumers and our standard of living.

Accepted economic theory generally supports the premise that more open trade promotes economic growth and prosperity. But we have more than theory to support it. We have a track record. History has proven it. The Institute for International Economics estimates that U.S. annual incomes today are \$1 trillion higher today than in 1945 because of trade liberalization – that is \$9,000 on average in additional income for each American family.

But a successful Doha Round is also consistent with our broader interest in greater global economic growth, alleviating global poverty and improving the lives of people around the world. World Bank studies show a successful outcome will lift tens of millions of people out of poverty in the developing world in the next decade.

As we strive for success on the multilateral front with the Doha talks, we are also moving ahead aggressively with bilateral and regional accords. These are unique opportunities to strengthen our larger bilateral and regional relationships all over the world.

We are already seeing the benefits for U.S. workers and farmers with the agreements that have been implemented over the last five years. Here's an Illinois example: the U.S.-Chile FTA immediately eliminated all Chilean tariffs on Caterpillar's U.S.-made equipment, which Chile needs for its growing mining industry. Thanks to the free trade agreement, Caterpillar's U.S. exports to Chile nearly doubled, making Chile the company's fifth largest U.S. export market.

Look at Asia, a region that has become a growth engine for the world economy. The integration of this region and the transformation of economies from low-cost manufacturing to more sophisticated value-added and knowledge-based centers of commerce is a remarkable phenomenon. For American companies to stay innovative and competitive, the United States must be more engaged: we should upgrade our trade ties with countries throughout Asia; and we are doing just that.

Earlier this Spring, we announced the launch of talks for a free trade agreement with Malaysia, a fast-growing economy and a cornerstone of the ASEAN group. In February we announced the beginning of free trade agreement talks with the Republic of Korea. This would be our largest trade agreement since NAFTA 15 years ago. Korea's nearly trillion-dollar-a-year economy and 49 million people represent an exciting economic opportunity for U.S. exporters and investors across the board.

Just last week, we completed an historic agreement we had been working on for ten years that will pave the way for Vietnam to enter the World Trade Organization, open that growing market to American products and services, and bring market reforms and more economic freedom to that formerly state-controlled economy.

Free trade agreements and market opening initiatives with these vibrant countries also serve U.S. strategic interests, whether it is in East Asia, the Middle East or Latin America.

To our south, we are now implementing the historic Central American Free Trade Agreement, a cutting-edge agreement which removes trade barriers and will result in more trade and investment across the board. Only two decades ago, many of our CAFTA partners were mired in civil war. Today, this agreement will help ensure democratic institutions take hold in a more prosperous region.

And we are already building on CAFTA. We will soon seek congressional approval of free trade agreements we have completed with Peru and Colombia, and an agreement we hope to complete soon with Panama.

In the Middle East, we are implementing the President's vision of a Middle East Free Trade Area (MEFTA) to bring more economic opportunity and political freedom to that troubled region. Our new free trade agreement with Morocco went into effect on January 1; Congress passed a FTA with Bahrain late last year and I believe Congress will approve an FTA with Oman next month.

These agreements build on existing free trade agreements with Jordan and Israel and our successful conclusion of the Saudi Arabian WTO accession agreement late last year after nine years of talks. The idea is to knit together these agreements in ways that benefit the region's under-performing economy and gives the young people of the Middle East more hope and opportunity.

How important are the bilateral agreements to the U.S. economy? Very important to our exports – and thus our economic growth. While all our existing free trade partners only represent about 14% of the global economy, they buy about 50 percent of our goods exports.

As we continue to remove barriers and open up the flow of trade, we must ensure the rules of the game are fair and vigorously enforced. A tough stance on enforcement not only benefits our companies and workers but strengthens the rule of law in the global trading system and helps rebuild the needed bipartisan consensus on trade. So we are enhancing our compliance and enforcement efforts:

The stance we have taken with the European Union in the Airbus-Boeing dispute concerning European government subsidies through aircraft launch aid; or the recent victories at the WTO on Mexico's tax on beverages sweetened with high fructose corn syrup, and Europe's illegal barriers to biotech foods – including corn and soy beans – demonstrate that we will insist on fair treatment for U.S. companies, farmers and workers.

We have also made it clear to China that our two countries have entered a new phase in our commercial relationship. We expect China to live up to its WTO obligations. Recently, we were joined by Canada and the European Union in bringing a case to the WTO over China's unfair barriers to imported auto parts. This is the second WTO case ever filed on China – the first was also a U.S. case.

This is just a quick overview, but as it shows – we have a full plate – an ambitious agenda for jobs and opportunities for Americans, improving the lives of countless millions in developing countries, and promoting economic reform that encourages political reform and democracy.

But I must tell you, if we fail to respond steadfastly to calls to retrench or even build walls rather than engage, I fear that this agenda – and all the benefits that will flow from it - are in danger.

If economic isolationism and partisanship prevails, then the votes we need to implement this proactive agenda under the current Trade Promotion Authority will be harder to find. Under TPA – long called fast-track authority – trade agreements can go through Congress without being amended. Under TPA, we consult with Congress all through the process but, in the end, lawmakers have only an up-or-down vote. As a practical matter, without TPA protection from amendments, countries are unlikely to conclude deals with the United States.

Next year TPA must be renewed. We can lose this authority to negotiate. I am concerned that if that happens, the leadership of United States could be marginalized and we could find ourselves sidelined as other countries conclude trade agreements without us.

So, why is the consensus broken? Why is our free trade agenda such a challenge to sell? First, there are legitimate concerns about job losses and fears that competition will mean less job security in the future. Growing trade deficits seem to affirm this, even in the face of evidence to the contrary.

A recent CEA analysis demonstrates that our U.S. job market is indeed flexible – about 15 million jobs were lost last year and about 17 million jobs were gained. Interestingly, though, they only attribute 2 to 3% of that job dislocation to trade. And we have specific programs to address that dislocation – most notably Trade Adjustment Assistance but also other retraining programs that have received increased funding, and should be used aggressively.

Economic isolationists have seized on people's sense of insecurity about the rapid pace of change even when the facts are not on their side.

Fourteen years ago, Ross Perot raised fear and apprehension with the specter of “a great sucking sound.” I remember him brandishing a piece of paper declaring 11.9 million jobs would head south because of the North American Free Trade Agreement. Instead we have created millions of new jobs in the United States with a nearly 200 percent increase in trade with Mexico.

Companies right here in Illinois, in fact, are benefiting from NAFTA. Mexico is Illinois’s fastest growing market. From 2001 to 2005, exports have risen over 25% to \$2.9 billion dollars. Overall, Illinois manufacturers and farmers shipped \$36 billion worth of merchandise to hundreds of destinations around the world in 2005.

Illinois remains one of the country’s manufacturing centers – thanks, in part, to trade. In fact, nearly 20% of the manufacturing workers in this state depend on exports for their jobs.

Or consider Boeing, now based here in Illinois. Seventy percent of its sales are outside the United States, as countries like China, upgrade their fleets. Those sales mean new jobs – many high-skill, high-paying jobs. And, as Boeing itself points out, 85 percent of those jobs are in the United States.

Just the same, commentators on radio or nightly news shows, through an arbitrary selection of anecdotes, pieces of data or simple error, stoke anxiety about trade in the hearts of millions.

I sometimes feel that backers of trade liberalization have yielded the stage. Perhaps we have been complacent in our belief that we had the facts on our side. Perhaps because it is hard to get elected to office as an outspoken champion of open trade.

Perhaps because, in the media, specific job losses trump the routinely good news of broader job creation and when demonstrators take to the streets for a WTO, IMF or World Bank meeting, it makes for good television.

The result is that sometimes the viewer is left with a vague sense that he is a helpless pawn in a game of international greed.

In fact, the livelihoods of millions of workers, shareholders, and farmers and maintaining our standard of living is dependent more than ever on expanding trade.

Remember, 95 percent of the world’s population lives outside our borders. By increasing trade flows we can reach more customers. In addition, our consumers will continue to benefit by being able to afford what they need for their families.

American workers and consumers will lose out if trade is restricted. But these millions of people do not take to the streets for trade. In a way, we have become a modern-day Silent Majority.

I think it is necessary to better communicate the benefits – and risks – before we make the mistake of going down the wrong track.

Again, President Bush is showing leadership. He laid out his broader vision in his speech at the United Nations last fall, saying, “By expanding trade, we spread hope and opportunity to the corners of the world, and we strike a blow against the terrorists who feed on anger and resentment. Our agenda for freer trade is part of our agenda for a freer world, where people can live and worship and raise their children as they choose.”

This message appeals to the best instincts of Americans – our sense of justice, our desire to use our strength for good and our confidence that we can succeed. With a level playing field we can compete, and win. We have to get these messages out there.

When our critics say competition is killing us, we will say competition is making us stronger. Our economy is the envy of the developed world – partly because our productivity with 3.2% growth last – continues at record levels. We cannot forget that our economy has always grown because we accept change. Americans are the highest paid workers in the world because we earn it the old-fashioned way - by being more productive, innovative and entrepreneurial.

When our critics say China threatens to eat the entire pie, we will say China is making the pie bigger. Trade is not a zero sum game. Roughly 350 million Chinese have been lifted out of poverty in the last ten years but not at our expense. We had a 3.5 percent growth rate last year – 4.8 percent growth rate for the first quarter of this year - unemployment at a low 4.7 percent, lower than the average of the past four decades. Two million jobs created last year alone.

To communicate more effectively, I believe we need to enlist governors, business people, academicians and journalists to help keep the debate honest and balanced. That is why I am in Chicago today – a great city of commerce and trade. We need more clarity on an issue so critical to the futures of our children and grandchildren.

We are meeting with national editorial boards - as I will do later today here in Chicago – and local reporters and editorial boards to discuss how trade is an important part of the economic life of local communities, and to present the compelling data on the number of local jobs linked to trade.

I also believe it is critical to rebuild the bipartisan consensus in Congress. As U.S. Trade Representative, I have spent a lot of time on the Hill – meeting with Democrats and Republicans – and listening to what they have to say and incorporating their suggestions whenever possible. Our efforts paid off with the latest vote – the Bahrain free trade agreement where we had the biggest majority ever under this vote for a free trade agreement.

For 70 years, the United States has helped lead the world in embracing the free flow of commerce. The post- World War II wisdom of political and economic leaders was right. They assumed that nations united in the pursuit of prosperity are less likely to go to war. When goods cross borders, armies will not.

They also assumed that nations will prosper faster and more by trading with each other – rather than in neo-mercantilist isolation. They were right. Look no further than the two Koreas for proof of that.

We have come to an important moment in our current age. The highest aspirations of foreign policy – peace, democracy and freedom and the basic goals of economic policy – prosperity and opportunity – have come together as never before.

Today, I call upon you – members of the Chicago Council on Foreign Relations – opinion makers, business leaders, foreign policy experts – to join us in making the case more effectively that the benefits of opening markets and liberalizing trade far exceeds the downsides that come with change.

For those of you in business – your workers and shareholders need to know they are stakeholders and beneficiaries of a global trading system – not victims of it.

It has been an honor to serve as United States Trade Representative and I have been proud to represent our great country in trade negotiations around the globe. In the last five years, the United States has returned to the negotiating table, established U.S. leadership in multilateral trade talks, opened new markets for American products and services and pointed the way toward a better future for all nations.

As I prepare to take up a new challenge, I believe even more deeply in the benefits of trade. I have faith that, with leadership from people like all of you here, more and more Americans will come to understand how trade benefits their lives and that we can continue to reach new heights as a nation.

Thank you.

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