The President's Trade Policy Agenda

I. Overview and the 2004 Agenda

Free trade creates higher-paying jobs for American workers, more choices and lower prices for hardworking families, reduces the cost of doing business in the global economy, creates new markets and new opportunities for U.S. products and services, helps cut poverty and raise incomes through economic growth, and helps to deepen the roots of democracy and stability in parts of the world that have seen too little of both. This is an important time to be pursuing those objectives.

Trade and open markets contribute to healthy, growing economies—U.S. exports accounted for 25 percent of U.S. economic growth over the past decade and supported an estimated 12 million jobs. The Bush Administration will continue to move forward in 2004 to tear down barriers, cut import taxes and red tape, work for a level playing field, reduce poverty through growth, and build new markets that will support higher-paying U.S. jobs.

Three years ago, the Bush Administration initiated a new trade strategy for America: to pursue reinforcing trade initiatives globally, regionally, and bilaterally. Through an ambitious trade agenda, the United States is working to secure the benefits of open markets for American families, farmers, workers, consumers, and businesses. By pursuing multiple free trade initiatives, the United States is creating a "competition for liberalization" that provides leverage for openness in all negotiations, establishes models of success that can be used on many fronts, and develops a fresh political dynamic that puts free trade on the offensive.

This strategy is producing impressive results. Just a few years ago, efforts to launch a new global trade round had collapsed in the chaos of the 1999 Seattle ministerial. The United States was stymied on trade liberalization because Presidential negotiating authority had lapsed in 1994, and three attempts to renew it had failed.

In this challenging environment, President Bush worked to reverse these setbacks. With bipartisan support, the President secured Congressional approval of the Trade Act of 2002.

The United States played a key role in defining and launching a new round of global trade talks at the World Trade Organization (WTO) at Doha in late 2001, achieving what could not be accomplished in Seattle. That same year we completed the unfinished business of China's and Taiwan's entry to the WTO, establishing a vital legal framework for expanding U.S. exports and integrating China's economy into a system of global rules. Also in 2001, the Administration worked with Congress to pass a Free Trade Agreement (FTA) with Jordan and a basic trade accord with Vietnam. After the 2000 election, President Clinton had announced an interest in FTAs with Singapore and Chile, and this Administration followed up by negotiating the accords in 2002 and gaining Congressional approval in 2003.

The most important aspect of the Trade Act of 2002 was the renewal of the President's trade negotiating authority. In 2003, the Administration put that authority to good use, promoting global negotiations in the WTO, working toward a Free Trade Area of the Americas (FTAA), completing and winning Congressional approval of state-of-the-art free trade agreements with Chile and Singapore, launching bilateral free trade negotiations with twelve more nations (concluding talks with four of them), announcing its intention to begin free trade negotiations with eight additional countries, and putting forward regional trade strategies to deepen U.S. trade and economic relationships in Southeast Asia and the Middle East.

The Trade Act of 2002 also renewed and improved trade preferences covering an estimated $20 billion of business with developing countries in Africa, Latin America, and Asia through the renewal and improvement of the Andean Trade Preference Act, the African Growth and Opportunity Act, and the renewal of benefits under the U.S. Generalized System of Preferences. In addition, the Trade Act of 2002 tripled the level of trade adjustment assistance available to U.S. workers to nearly six billion dollars over a five-year period, which will help train American workers to compete for the jobs of the future.

In 2004, the United States will seek to expand on this record of accomplishment, with a trade liberalizing agenda that will be active and comprehensive. While working to further open markets and level the playing field for U.S. exports of goods and services, the Administration will also continue to focus on monitoring and enforcing existing U.S. trade agreements and trade laws, building the capacity of developing countries to participate in the global economy, and making the case for free trade to the American public.

Pressing Forward in the WTO

On the global front, the United States is pressing an initiative to regain momentum in 2004. Having played a key role in launching the Doha Development Agenda, the United States followed up by proposing the elimination of all global tariffs on consumer and industrial goods by 2015, substantial cuts in farm tariffs and trade-distorting subsidies, and broad opening of services markets. Indeed, we are the only major country in the negotiations to put forward ambitious proposals in all three areas of the market access negotiations. These proposals reflect extensive consultations with Congress and the private sector. In addition to laying the groundwork for bold market opening, the United States took the lead in resolving the contentious access-to-medicines issue in August 2003. But at the Cancun WTO meeting in September, some wanted to pocket our offers on agriculture, goods, and services without opening their own markets, a position we will not accept.

Despite the deadlock at Cancun, the United States continued its leadership role in the Doha negotiations. Only a few weeks after Cancun, more than twenty diverse APEC economies joined the United States in calling for a resumption of WTO negotiations, using the last Cancun text as a point of departure. In December, the WTO General Council completed its work for the year with an important report by its Chairman on the key issues that need to be addressed if the Doha Development Agenda is to move forward.

With signs that many countries concluded that the Cancun impasse was a lost opportunity, the Administration, in January, put forward a number of "common sense" suggestions to move the Doha negotiations forward in 2004. In a letter to all WTO ministers responsible for trade, the United States offered a realistic assessment that progress this year will depend on the willingness of Members to focus on the core agenda of market access for agriculture, manufactured goods, and services. In agriculture, the letter suggested that WTO Members agree to eliminate agricultural export subsidies by a date certain, agree to substantially decrease and harmonize levels of trade-distorting domestic support, and seek a substantial increase in real market access opportunities both in developed and major developing economies. The letter noted that the United States continues to stand by its 2002 proposal to set a goal of total elimination of trade-distorting agricultural subsidies and barriers to market access.

For manufactured goods, the United States proposed that WTO Members pursue an ambitious tariff-cutting formula that includes sufficient flexibility so that the methodology will work for all economies. In addition to the tariff-cutting formula, sectoral zero-tariff initiatives would be an integral part of the negotiations, and the United States suggested use of a "critical mass" approach to define participation in sectoral initiatives. The United States also emphasized the consensus for addressing non-tariff trade barriers in the Doha negotiations.

In the important area of services, the United States suggested that Ministers press for meaningful services offers from a majority of WTO members, as well as make available technical assistance to help developing countries present offers. With regard to the so-called "Singapore Issues," the United States now suggests proceeding solely with negotiations on trade facilitation.

The initial response to this initiative has been very positive both from overseas and among domestic constituencies, suggesting that 2004 need not be a lost year for the Doha WTO negotiations. As a follow-up step, the Administration has initiated a series of consultations in Geneva and in capitals to meet with Ministers and senior officials, listen to ideas, and work for progress.

Advancing Negotiations in the Free Trade Area of the Americas

Since taking office, the Administration has been working to transform years of unfocused Free Trade Area of the Americas (FTAA) talks into a real market-opening initiative, with a concentration on first removing the barriers that most affect trade. The FTAA would be the largest free trade zone in the world, covering 800 million people with a combined gross domestic product of over $13 trillion. It would expand U.S. access to Western Hemisphere markets, where tariff barriers are currently much higher than the U.S. average of 2 percent, and where non-tariff barriers are abundant. It is estimated that an average family of four would see an income gain, through greater purchasing power and higher income, of more than $800 per year from goods and services liberalization in the FTAA.

At the Summit of the Americas in Quebec City in 2001, the United States led the FTAA into a period of concrete market access negotiations, and in February 2003, the Administration put forward—on schedule—its market access offers to FTAA partners in the areas of agriculture, industrial goods, services, investment, and government procurement. The U.S. market access proposal was comprehensive and bold: about 65 percent of U.S. imports of manufactured goods from the Hemisphere (not already covered by NAFTA) would be duty-free immediately upon entry into force of FTAA, with all Hemispheric duties on such products eliminated by 2015. The U.S. offer would provide for immediate elimination of tariffs—if others reciprocate —in key sectors such as textiles and apparel, chemicals, construction and mining equipment, electrical equipment, energy products, environmental products, information technology, medical equipment, paper, steel, and wood products.

The U.S. offers of February 2003 demonstrate a strong commitment to the FTAA, and built momentum for focusing the negotiations on the core issues of market access. In November 2003, at the FTAA Ministerial in Miami co-chaired by the United States and Brazil, the 34 nations of the hemisphere agreed: to establish a common set of rights and obligations covering all nine areas under negotiation; that those nations that are prepared to go further could do so through plurilateral arrangements in some areas; and on a schedule to seek to complete the FTAA.

Spanning the Globe With Bilateral Free Trade Agreements

Miami also provided the venue for the announcement of several new U.S. bilateral free trade initiatives, capping a busy year on the bilateral trade front. In 2003, the United States signed free trade agreements with Chile and Singapore, and those agreements won strong bipartisan majorities in Congress. These comprehensive, state-of-the-art FTAs set modern rules for 21st Century commerce and broke new ground in areas such as services, e-commerce, intellectual property protection, transparency, and the effective enforcement of environmental and labor laws to help ensure a level playing field for America's workers. They also built on the experience of prior free trade agreements and will serve as useful models to advance other U.S. bilateral free trade initiatives in 2004.

In Latin America, for example, the long-sought FTA with Chile took effect on the tenth anniversary of NAFTA, and only two weeks after the Administration concluded a U.S.-Central America Free Trade Agreement (CAFTA) with El Salvador, Guatemala, Honduras, and Nicaragua. In early 2004, the United States completed Costa Rica's participation in CAFTA, and is now negotiating to include the Dominican Republic, creating what would be the second-largest U.S. export market in Latin America, behind only Mexico. This year the United States intends to launch new FTA negotiations with Panama, Colombia, and Peru, and will continue preparatory work for FTA negotiations with Bolivia and Ecuador, launching negotiations with those nations when they are ready. Taken together, the United States is on track to gain the benefits of free trade with more than two-thirds of the Western Hemisphere through sub-regional and bilateral FTAs.

In Southeast Asia and the Middle East, the President has announced initiatives to offer countries a step-by-step pathway to deeper trade and economic relationships with the United States. The Enterprise for ASEAN Initiative (EAI) and the plan for a Middle East Free Trade Area (MEFTA) both start by helping non-member countries to join the WTO, strengthening the global rules-based system. For some countries further along the path toward an open economy, the United States will negotiate Trade and Investment Framework Agreements (TIFAs) and Bilateral Investment Treaties (BITs). These customized arrangements can be employed to resolve trade and investment issues, to improve performance in areas such as intellectual property rights and customs enforcement, and to lay the groundwork for a possible FTA.

President Bush announced the Enterprise for ASEAN Initiative in October 2002. Significant progress was made in 2003, and the stage has been set for further achievements in 2004. With the newly enacted Singapore FTA to serve as a guidepost for free trade with ASEAN nations, the President announced that he would begin negotiations for a comprehensive free trade agreement with Thailand in the second quarter of 2004. At the Cancun WTO Ministerial last September, Cambodia completed its accession to the World Trade Organization, taking another step in joining the global rules-based economy. Spurred by the progress of its neighbors, Vietnam is also working toward WTO membership, building on the foundation of a basic bilateral trade agreement with the United States that was enacted by Congress in 2001. And the United States is using TIFAs with the Philippines, Indonesia, and Brunei to solve practical trade problems and build closer bilateral trade ties.

The Middle East Free Trade Area initiative, announced by the President in May 2003, offers a similar pathway for the Maghreb, the Gulf states, and the Levant. In addition to helping reforming countries become WTO Members, the initiative will build on the FTAs with Jordan and Israel; provide assistance to build trade capacity and expand trade so countries can benefit from integration into the global trading system; and will launch, in consultation with Congress, new bilateral free trade agreements with governments committed to high standards and comprehensive trade liberalization.

The U.S.-Jordan FTA entered into force in December 2001, after the Administration worked with members of both parties in the House and Senate to prepare the way. As a result, trade between the United States and Jordan has nearly tripled in only three years. In 2003, the Administration launched free trade negotiations with Morocco, which are close to completion. In January 2004, the United States began free trade negotiations with Bahrain. These two moderate Arab states have been leaders in reforming their economies as well as their political systems. In 2004, the United States will continue its efforts to bring Saudi Arabia into the WTO and will expand its network of TIFAs and BITs throughout the region. The United States has 10 TIFAs in the region, most recently signing agreements with Saudi Arabia, Kuwait, and Yemen. As more countries in the Middle East pursue free trade initiatives with the United States, the Administration will work to integrate these arrangements with the goal of creating a region-wide free trade area by 2013. The MEFTA complements the President's broader foreign policy goals by bringing economic hope and opportunity to the citizens of the Middle East.

In Africa, the African Growth and Opportunity Act (AGOA)—enacted in 2000 and expanded in 2002—has created tangible incentives for commercial and economic reform by providing enhanced access to the U.S. market for products from 38 eligible sub-Saharan nations. Enhancements made in 2002 to the African Growth and Opportunity Act—known as "AGOA II"—substantially improved access for imports from beneficiary sub-Saharan African countries. To build on this success as called for in the AGOA legislation, in 2003, the United States launched FTA negotiations with the five countries of the Southern African Customs Union (SACU): Botswana, Lesotho, Namibia, South Africa, and Swaziland. The U.S.-SACU FTA will be a first-of-its-kind agreement on the continent, building U.S. ties with sub-Saharan Africa even as it strengthens regional integration among the SACU nations.

The U.S. strategy is to seek bilateral free trade agreements with both developing and developed nations. Negotiations with Australia were launched in spring 2003 and concluded in February 2004. The U.S.-Australia FTA achieves the most significant immediate reduction of industrial tariffs of any U.S. free trade agreement. Therefore, once Congress enacts the FTA, the agreement will provide immediate benefits for America's manufacturing workers and companies. More than 99 percent of U.S. exports of manufactured goods to Australia will become duty-free immediately upon entry into force of the agreement. Manufactured goods currently account for 93 percent of total U.S. goods exports to Australia. U.S. manufacturers estimate that the elimination of tariffs could result in $2 billion per year in increased U.S. exports of manufactured goods.

Ensuring a Level Playing Field with China

Since China joined the WTO, it has become America's sixth-largest export market. U.S. exports to China grew 75 percent over the last three years, even as U.S. exports to the rest of the world declined. China has become a major consumer of U.S. manufactured exports, such as electrical machinery and numerous types of components and equipment. The market share of U.S. service providers in China has also been increasing rapidly in many sectors. Meanwhile, growth in exports to China of agricultural products has been robust; for example, U.S. exports of soybeans reached an all-time high in 2003, and cotton exports were up 423 percent over 2002.

In 2003, China's progress in implementing its WTO market-opening commitments slowed. In response, senior Administration officials met frequently with Chinese counterparts in Washington, Beijing, and at the WTO in Geneva to address shortcomings in China's WTO compliance. They delivered a clear and consistent message: China must increase the openness of its market and treat U.S. goods and services fairly if support in the United States for an open market with China is to be maintained.

As a result, China has taken steps to correct systemic problems in its administration of the tariff-rate quota (TRQ) system for bulk agricultural commodities, and relaxed certain market constraints in soybeans and cotton trade, allowing U.S. exporters to achieve record prices and sales. China has also reduced capitalization requirements in specific financial services sectors, including opening the motor vehicle financing sector.

China's large installment purchases of billions of dollars of U.S. products—including soybeans, cotton, and manufactured goods—during recent purchasing missions bode well for 2004. However, we continue to stress the need for structural change that ensures ongoing, open, and fair access—not reliance on one-off sales.

The Administration will also employ the special safeguard provisions applicable to China, as appropriate, to help ease our adjustment process to China's WTO accession. For example, late last year, the Administration invoked safeguard relief on three textile products imported into the United States from China following petitions filed by the U.S. textile industry. The United States continues to stand ready to use all available mechanisms to ease market disruptions when the facts of a particular case warrant.

In 2004, the Administration will continue to work hard to ensure that American intellectual property rights are protected, that U.S. firms are not subject to discriminatory taxation, that market access commitments in areas such as agriculture and financial services are fully met, that China's trading regime operates transparently, and that promises to grant trading and distribution rights are implemented fully and on time. The Administration will consult closely with Congress and interested U.S. stakeholders in continuing to press China for full WTO compliance, taking further action when appropriate.

Promoting a Cleaner Environment and Better Working Conditions

The Chile and Singapore FTAs, which Congress approved in 2003, use innovative new mechanisms to meet the labor and environmental objectives set out by Congress in the Trade Act of 2002. Both agreements envision cooperative projects to promote respect for international core labor standards and to support environmental protection and sound management of natural resources. Both agreements also require that parties effectively enforce their own domestic environmental laws—an obligation enforceable through dispute settlement procedures.

The dispute settlement procedures of the new FTAs apply to all obligations of the agreements and set high standards for openness and transparency, such as open public hearings, public release of legal submissions by parties, and the opportunity for interested third parties to submit views. In all cases, the emphasis is on promoting compliance through consultation, joint action plans, and trade-enhancing remedies.

The FTAs with the Central American countries, Morocco, and Australia adopt labor and environmental provisions used in the Singapore and Chile FTAs. In each case, the United States is working to tailor them to the particular circumstances of each FTA partner. In Central America, for example, the Administration has emphasized trade capacity building projects to enhance the awareness and enforcement of labor laws, and has encouraged countries to work with the International Labor Organization to identify areas for improvement in labor laws and enforcement. In 2004, the Administration will continue to use the TPA model to advance labor and environmental protections in trade agreements.

Building New Bridges: Trade Capacity Building

The United States is the largest single-country donor of trade-related technical assistance in the world, reflecting its commitment to helping developing countries participate fully in the global trading system. U.S. trade capacity building efforts stem from the belief that trade is critical to the economic growth of both developed and developing countries. With an increased capacity to take part in trade negotiations and to implement trade rules, developing countries can achieve win-win results for themselves and their trading partners.

As the largest single-country donor, the United States devotes substantial resources from USAID and a dozen other agencies, totaling more than $2.5 billion in funding for trade capacity building activities (FY2000 through FY2003). The United States provided $752 million in trade capacity building activities in FY2003, up 18 percent from FY2002.

The United States recognizes the need to build the capacity of developing countries with which it is negotiating free trade agreements. In the CAFTA, FTAA and SACU FTA negotiations, the United States established separate cooperative groups on trade capacity building to define and identify priority needs for trade-related development assistance. The United States also seeks to give eligible countries the capacity to take advantage of preference programs such as AGOA. For example, U.S. technical assistance linked to AGOA assists eligible countries to develop AGOA export strategies, establish linkages with American businesses, and meet U.S. food safety and other standards.

Moving forward, the Administration will continue to assist the developing world integrate trade into development strategies. This will include working with multilateral institutions and private sector donors to promote initiatives such as the FTAA's Hemispheric Cooperation Program and the WTO Technical Assistance Plan and the Integrated Framework. As bilateral trade negotiations are concluded, the United States will assist trading partners to implement their commitments and to manage their transition to free trade. The Administration will also continue to work with qualifying countries to maximize the benefits of preference programs such as AGOA, the Andean Trade Preference Act, the Caribbean Basin Partnership Act, and the Generalized System of Preferences.

In addition, the Bush Administration is emphasizing the important contributions that small businesses make to the U.S. and global economies. Small businesses are a powerful source of jobs and innovation at home and an engine of economic development abroad. By helping to build bridges between American small businesses and potential new trading partners, these enterprises can become an integral part of our larger trade capacity building strategy. In our continuing work with the U.S. Small Business Administration, our Office of Small Business Affairs at the Office of the United States Trade Representative has improved the lines of communication between U.S. small businesses and U.S. trade policy. Insuring that American small business concerns are addressed in our trade policy pursuits results in stronger agreements that help to create jobs at home and abroad.

Monitoring and Enforcing Trade Agreements

To maximize opportunities for American workers, businesses, and farmers and maintain support for open trade at home, the United States must effectively enforce its trade laws and trade agreements and advance the rule of law in international trade. In 2003, the Administration successfully resolved trade disputes and aggressively monitored and enforced U.S. rights under international trade agreements in ways that benefit American producers, exporters, and consumers. These efforts have produced important results in areas such as agriculture, textiles, telecommunications, and the protection of intellectual property rights.

In 2004, we will seek to resolve favorably other trade disputes in a way that ensures a level playing field for America's interests. Among the most prominent cases are agricultural biotechnology products with the European Union; the Continued Dumping and Subsidy Offset Act (CDSOA) with 11 complaining parties; telecommunications with Mexico; geographical indications with the European Union; rice antidumping duties with Mexico; the Foreign Sales Corporation (FSC) WTO case brought by the EU; and apples with Japan. In the Foreign Sales Corporation and Continued Dumping and Subsidy Offset Act cases, the Administration will consult and work closely with the Congress to determine an approach that will meet our WTO obligations and promote the competitiveness of U.S. industry.

The Administration will continue to pursue policies that strengthen opportunities for American workers, farmers, and firms while helping build domestic support for trade. In addition to rigorously monitoring and enforcing our international trade agreements, we will maintain our commitment to effectively enforcing U.S. trade laws against unfair foreign trading practices. Such laws are particularly important because the U.S. economy is one of the most open in the world.

Conclusion

America's agenda in 2004 is broad yet simple: to push firmly forward toward the vision set out by President Bush of "a world that trades in freedom." It is a vision of a world in which a working family can save money on everyday household items because trade agreements have cut hidden import taxes. It is a vision of a world in which a New York stockbroker, an Ohio autoworker, or a Mississippi chicken farmer can access markets in Costa Rica or Australia as easily as in California or Alabama. It is a vision of a world in which free trade opens minds as it opens markets, encouraging democracy and greater tolerance. And it is a vision of a world in which hundreds of millions of people are lifted from poverty through economic growth fueled by trade. It's a vision worth working for.

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March 1, 2004