
I. Overview and the 2001 Agenda

I am pleased to submit to the Congress the Trade Policy Agenda for 2001 and the 2000 Annual Report of the President of the United States on the Trade Agreements Program.

The United States faces key decisions about the future course of our trade policy. Just as the World War II generation forged a bipartisan consensus that sustained successful trade expansion throughout the Cold War, we must build a new consensus to promote open markets for trade in the decades to come. I know that accomplishing this goal has drawn intense interest and creative ideas from many quarters, and I want to work with the Congress to mobilize broad support for freer trade.

There have been some encouraging developments in the area of open trade, including Congress's important actions last year on the enhancement of the Caribbean Basin Initiative, the passage of the African Growth and Opportunity Act, and the granting of permanent normal trading relations to China. Nevertheless, there also have been setbacks. When the House of Representatives voted in 1998 to deny the President trade negotiation authority, it marked the first time the Congress had ever rejected granting this authority. And the failure to launch the multilateral trade talks in Seattle in December 1999 handed a high-profile victory to the opponents of free trade, global competition, and economic opportunity.

The erosion of a consensus on free trade is dangerous. The enactment in 1930 of the Smoot-Hawley bill, which imposed protectionist tariffs on over 20,000 individual items, had a devastating

impact on the American – and world – economy. It can take decades to undo protectionist measures. As Federal Reserve Chairman Alan Greenspan has pointed out, growth in trade as a share of the world economy over the past half-century has only recently managed to reverse the losses from the protectionism and wars in the first half of the 20th century.

The Bush Administration is strongly committed to a trade policy that will remove trade barriers in foreign markets, while further liberalizing our market at home. Trade is not a "you win, I lose" proposition. By generating growth, trade multiplies the purchasing power of our trading partners. That benefits our partners, but it also benefits American businesses, farmers, workers, and consumers. Trade is a classic "win-win" proposition.

The Bush Administration will work hand-in-hand with Congress to negotiate lower barriers to trade around the world. The Executive-Congressional partnership has a rich tradition, and I intend to respect it by consulting regularly with members of the House and Senate. I especially look forward to working with Senators Charles Grassley and Max Baucus, chairman and ranking member of the Finance Committee, and Representatives Bill Thomas and Charles Rangel, chairman and ranking member of the Ways and Means Committee.

There are three principal reasons why further trade liberalization is important to the American people, and the American economy.

First, expanded trade – imports as well as exports – improves the well-being of Americans. Exports

accounted for over one-quarter of U.S. economic growth over the last decade and support an estimated 12 million American jobs. In the American agricultural sector, one in three acres are planted for export purposes, and last year American farmers sold more than \$50 billion worth of agricultural products in foreign markets. Export-related jobs pay 13 to 18 percent more than other jobs.

It is no coincidence that the longest period of economic growth in U.S. history, with levels of non-inflationary full employment beyond the forecasts of any economist, came in the aftermath of trade-liberalizing measures like the North American Free Trade Agreement and the Uruguay Round agreement that created the World Trade Organization. Expanding global trade and expanding economic growth in the United States are achieved in concert. One strengthens and reinforces the other.

Trade also leads to more competitive businesses, more choices of goods and inputs, and lower prices. This is of particular benefit for lower-income Americans. Their purchases of items such as food and clothing, which carry higher costs when there is import protection, represent a higher level of their spending than it does for upper-income Americans. Lower prices mean a paycheck goes further at the supermarket and the department store. Trade barriers, by contrast, are an invisible tax on what families and businesses buy.

Second, as President Bush has stated, free trade is about freedom. Economic freedom creates habits of liberty and habits of liberty create expectations of democracy. President Bush recently made an historic visit to Mexico where he met with President Fox, the first president elected from the opposition since that nation's revolution. It is no accident that after Mexico embraced the opening of its economic system, as embodied in NAFTA, it was drawn to a democratic opening as well.

Third, expanded trade affects our nation's security. The crises of the first 45 years of the last century

were inextricably linked with hostile protectionism and national socialism. Communism could not compete with democratic capitalism, because economic and political freedom creates dynamism, competition, opportunity, and independent thinking. Today, Colombia is waging a battle to defend the rule of law against groups that finance their terror through drug trafficking. One of the tools Colombia needs is a renewed and robust Andean Trade Preferences Act.

I recognize, however, that the benefits of open trade can only be achieved if we build public support for trade at home. To do so, we must enforce, vigorously and with dispatch, our trade laws against unfair practices. In the world of global economics, justice delayed can become justice lost. We also need to do a better job of monitoring compliance with trade agreements and insisting on performance by our trade partners. I will not hesitate to use the full power of U.S. and international law to defend American businesses and workers against unfair trading practices.

America does not open its markets as a favor to others. They are open because we do not want to incur the self-imposed economic damage that other countries have created for themselves. If we were to imitate the trade policies of some of our more restrictive trade partners, the United States would not be the major economy with the greatest competitiveness and highest per capita income.

The economic benefits derived from open markets extend to all countries, but there are other non-economic benefits as well. The history of the past century shows that as less-developed countries have grown wealthier, they have also become more sensitive to workers' rights and environmental protection. When countries open markets, they also open their societies to ideas about private and civic causes – including labor movements and environmental protection. Home-grown efforts to promote these causes, with outside assistance, are more likely to be self-sustaining and to plant local roots. Free trade can also help emerging democracies and promote respect for the rule of

law, as is happening in Central and Eastern Europe.

For economic growth to take root, there must be an openness to buying and selling goods on the world market. As former Mexican President Ernesto Zedillo has observed, "What is now clear from the historical evidence of the last century is that in every case where a poor nation has significantly overcome its poverty, this has been achieved while engaging in production for export markets and opening itself to the influx of foreign goods, investment and technology; that is, by participating in globalization."

Just as we explain how and why trade benefits emerging markets, we need to show the American people how and why it benefits the domestic market. I appreciate that change can be very difficult, even frightening. We need to help people to adapt and to benefit from change – whether prompted by trade, technology, e-commerce, or new business models. A successful trade policy over the long term should be accompanied by better schools, worker adjustment assistance, tax policies that enable people to keep and save more of their paychecks, and reforms of Social Security and Medicare so older Americans have a safer retirement.

The economies of every American state are transforming, with an increasing number of American businesses – large and small – linked to the global economy. Secretary of Commerce Don Evans and I want to tap the support of these businesses for open trade. In turn, we'll try our best to deliver for America's farmers, service providers, high-tech workers and intellectual property providers, small businesses, and highly-productive manufacturing industries.

Central to our trade agenda is reestablishing the bipartisan Executive-Congressional negotiating partnership that has accomplished so much. Therefore, I and my colleagues will consult with the Congress on a regular basis. One of our top priorities is to reestablish trade promotion authority

for the President, based on the fast track precedent, with the broadest possible support. In the absence of this authority, other countries have been moving forward with trade agreements while America has stalled. We cannot afford to stand still or be mired in partisan division while other nations seize the mantle of leadership of trade from the United States. This would be a missed opportunity – indeed, an historic mistake.

In considering this grant of trade promotion authority, I will also urge the Congress to give the President more leverage by broadening our negotiating options. I want to be able to tell my counterparts that we are willing to negotiate if they are serious about eliminating barriers, yet also make clear that America will look elsewhere if they delay – that the United States will move forward, and it is up to them to decide to join us or be left behind.

On April 20th, President Bush will attend the Summit of the Americas meeting in Quebec City. He has emphasized that to set a new course for this hemisphere, he needs to hold out the prospect in Quebec City that new trade promotion authority is on its way. One of the goals of this Administration will be to forge free trade with all the nations of our hemisphere through the Free Trade Area of the Americas (FTAA) and other agreements, such as the current negotiation of a comprehensive free trade agreement with Chile. The opportunities are great. Brazil, for example, has the largest economy in Latin America, and our trade policy must reflect this. As President Bush has noted, "America is right to welcome trade with China – but we export as much to Brazil."

Of course, America's trade and economic interests extend far beyond this hemisphere. We want to launch a new round for global trade negotiations, emphasizing a key role for agriculture. We will seek to negotiate regional and bilateral agreements to open markets around the world. There are opportunities in the Asia Pacific region, including a free trade agreement with Singapore. Further reforms in the Middle East and Africa need our

encouragement. That is why we support a free trade agreement with Jordan and the exploration of further trade liberalization with Africa. As India reforms its economy and taps its great potential, we should explore ways to achieve mutual benefits. And vitally important, I will seek to work with the European Union as well as its candidate members in Central and Eastern Europe and other European States, both to fulfill the promise of a trans-Atlantic marketplace already being created by private business investment and trade, as well as to reinvigorate, improve, and strengthen the WTO processes.

The United States currently has an unparalleled opportunity to shape the international trading order. But we are in danger of being left behind. There was a time when U.S. involvement in international trade negotiations was a prerequisite for them to succeed. That is no longer true. Indeed, other countries are writing the rules of the international trading system as they negotiate without us. In the long run, that hurts American businesses and farmers, as they will find themselves shut out of the many preferential trade and investment agreements negotiated by our trading partners.

The European Union has free trade agreements with 27 countries, and 20 of these agreements have been signed since 1990. Just last year, the European Union and Mexico - the second-largest market for American exports - entered into a free trade agreement. The European Union is also negotiating free-trade agreements with the Mercosur countries and the Gulf Cooperation Council. And while there are approximately 130 free trade agreements in force globally, the United States is a party to just two: one is with Canada and Mexico (NAFTA), and the other with Israel.

America's absence from the proliferation of trade accords hurts our exporters. To cite just one example, while U.S. exports to Chile face an eight percent tariff, the Canada-Chile trade agreement frees Canadian imports of this duty.

If other countries go ahead with free trade

agreements and the United States does not, we must blame ourselves. We have to get back into this game and take the lead. We are certainly in a position to do so. Indeed, the United States will be pursuing a number of regional free trade agreements in the years ahead, though not to the exclusion of global talks and the WTO process. The fact that the United States can move on multiple fronts increases our leverage in the global round, just as the Clinton Administration used the North American Free Trade Agreement and the APEC summit to help squeeze the European Union to complete the Uruguay Round of GATT.

I would like the United States to move on multiple fronts because the message I want to send to the world is that the United States is willing to negotiate; we are willing to open if they open. But if others are too slow, we will move without them. Our economy is so attractive, and the model of our private sector is so appealing, that people will come to us if we are accessible and resolute.

The past half-century has produced prosperity and opportunity beyond the greatest expectations of its supporters. But this period has also been dedicated to recovering the losses of the first 50 years, the disaster of the Depression and two wars. Many people fail to recognize just how economically integrated the world was in 1900 and what we lost by making the wrong choices early in the century.

The United States must not make the same errors. Free trade produces unambiguous economic benefits, but there are even more fundamental reasons why it is important. Openness, which is a basic principle underlying free trade, remains at the heart of America's political identity. It helps us to face the future by changing and growing; it creates a dynamism that gives cohesion and shared purpose to our society; and it helps safeguard two of the country's most cherished values: liberty and freedom.

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