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Good afternoon. Today I'd like to begin by telling you a tale of two economies. Their peoples speak a common language, yet in many ways, these economies could not be more different. One is far bigger than the other, with a gross economic product almost twenty times larger than its smaller trading partner. The larger economy is truly globalized, trading with almost every nation in the world and producing nearly everything under the sun, from heavy industrial goods to farm products, from high-tech software to financial services.

In the smaller economy, nearly one-third of the population works in agriculture, which is the largest component of the economy, as it has been for decades. Recently, foreign investors have become interested in the smaller economy, some say because of its lower-cost, non-unionized workforce. Average annual pay in the smaller economy is almost half that of its larger trading partner. The smaller economy releases nearly twice as many toxics into the environment as its larger neighbor.

It is not difficult to imagine the political dialogue on trade in the bigger economy: "we can't compete with those low-paid foreign workers," politicians might say. "They don't pay our high salaries, or comply with our stringent environmental standards. Not only are their wages lower, but they don't provide the same protections to unions."

Indeed, you could argue that the conditions of trade between these two economies are "unfair". One can imagine politicians arguing that trade cannot be opened up until the smaller economy adopts the same environmental, labor and social standards as its larger neighbor.

Does all this sound familiar? Perhaps even persuasive? If so, then you've just made the case for establishing trade barriers… between California and Mississippi.

California's economy, one of the world's largest, is twenty times bigger than that of Mississippi. Californians' per capita personal income is 50% more than Mississippians. Californians tend to have higher levels of education, are much more likely to belong to a labor union, and have some of the strictest environmental laws in the nation. Mississippi is a right to work state and a mostly agricultural economy, though it has recently been successful in attracting new foreign investment, such as a Nissan factory in Canton that will employ 5,300 people.

Yet despite these significant inequalities, few Americans would question that both Californians and Mississippians benefit from free trade. In California you make movies and write software… in Mississippi they raise chickens and build Nissans, and people in both places benefit.

Between California and Mississippi, trade seems beneficial. But to some people, trade between California and Costa Rica seems terrifying. Why the difference? Yes, certainly California and Mississippi are both part of the United States and subject to common federal laws. But that only explains part of it. Another part of the answer—the part we don't much talk about—is that trade that seems okay when it's with our own countrymen suddenly sounds a lot scarier when it's with foreigners, especially poor foreigners.

Let me read you the words of a prominent American. He said, "with America's high standard of living, we cannot successfully compete against foreign producers because of lower foreign wages and a lower cost of production… [lowering tariffs] would force Americans to compete with laborers whose wages are sufficient to buy only one-eighth to one-third of [what you] can buy."

Maybe you're thinking you heard someone say this recently… perhaps a labor union leader, or maybe you heard it on "Lou Dobbs". Or perhaps you heard something like this from one of the Democratic candidates for president. But let's not be partisan… because in fact these words were spoken by a Republican: President Herbert Hoover, to justify the Smoot-Hawley Tariff Act of 1930. Here we are, at the dawn of the 21st Century, having the same debate about trade that we had in this country more than seventy years ago. In the 1930s, Hoover and the protectionists won the argument, and the world paid a horrible price. Tariff walls were raised, America isolated itself, and the misery of the Great Depression was deepened and prolonged.

After each major step forward in the trade agenda, we free traders tell ourselves that the battle has finally been won. But the struggle for free trade is never over. In 2004, we will advance the Doha WTO negotiations, push ahead with free trade in the Western Hemisphere, sign bilateral free trade agreements with nations large and small, and work to enforce our trade laws and trade agreements from Asia to Europe. But our greatest challenge will be more basic: we'll need to go once more into the breach and make the case for free trade to a sometimes skeptical public.

Promoting free trade is a little like exercise: it's not always easy to do, but it's when you stop doing it that you pay the biggest price. In the struggle for free trade, there are advances and there are setbacks, but sitting it out is not an option. Remember that just a few years ago, in the aftermath of failure to launch a global trade round in Seattle in 1999, the very idea of free trade was under attack. The United States was stymied on trade liberalization because Presidential negotiating authority had lapsed in 1994, and three attempts to renew it had failed. As global trade surged ahead, the United States was sitting it out.

In this challenging environment President Bush took office in 2001 and worked to reverse these setbacks. With the bipartisan support of people like California Congressmen Doug Ose and Cal Dooley, he pressed hard to get Congress to pass Trade Promotion Authority in 2002. That Trade Act of 2002 also renewed and expanded trade preferences covering an estimated $20 billion of business with developing countries in Africa, Latin America, and Asia. And it tripled the levels of trade adjustment assistance available to those who lose their jobs to foreign competition.

The U.S. played a key role in defining and launching a new round of global trade talks at the WTO at Doha in 2001, erasing the stain of Seattle. That same year we completed the unfinished business of China and Taiwan's entry to the WTO, moving the promise of access to China's markets closer to reality.

In 2001, the Free Trade Agreement with Jordan and a basic trade accord with Vietnam were passed by Congress. 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 and gaining Congressional approval in 2003. The United States set new standards for 21st Century trade with these ground-breaking agreements.

On the global front, no country is showing more leadership than the United States. President Bush proposed a Tariff-Free World in manufactured goods by 2015, as well as massive cuts in farm tariffs and subsidies. At the Cancun WTO meeting, some major developing economies wanted to pocket our offers without opening their own protected markets. That's a position we will not accept. But unlike the Battle in Seattle, the Clash in Cancun was not a sign of total collapse. Rather, we should see it as a necessary step toward recognizing the scope of a possible deal, and getting some of the venom out of the system. There are now signs, four months later, that many countries are prepared to negotiate more seriously.

For its part, the United States is ready to re-engage. We have suggested a resumption of talks based on the last Cancun text. More than 20 diverse APEC economies agreed with us. Brazil has said it's also willing to go back to the table. After a long period of introspection, the European Union may finally be ready to re-engage. We view the Cancun text not as an end-point, but as a point of departure for serious negotiations. In the early months of this year, we'll see if others are willing to re-engage.

Progress in Doha talks is likely to depend on five things:

- The EU's willingness to eliminate agricultural export subsidies;
- The willingness of the EU and Japan to join the United States in making substantial, harmonizing cuts in trade-distorting agricultural supports;
- Mid-level developing countries, like Brazil, India, South Africa and Egypt, being willing to substantially open their markets for agriculture, goods and services;
- The willingness of countries to compromise on the so-called Singapore Issues, taking each on its own merits and recognizing the realities of what achievable; and
- Continued leadership by the United States.

In Latin America, the Administration transformed a decade of meandering FTAA talks into a real market-opening initiative, with a focus on first removing the barriers that most affect trade. And through parallel bilateral initiatives recently announced in Miami with the Andean countries and Panama, the United States is on track to have free trade with two-thirds of the Western Hemisphere.

On the FTAA, we'll build on the Miami Declaration to put more meat on the bones of a common set of rights and obligations, covering all key areas of the negotiations. It will not be a "diet menu" agreement, but it won't be an overstuffed sandwich either.

Bilaterally, it's going to be a very busy year. Using the Chile and Singapore agreements as a model, the Administration just concluded an agreement with four Central American countries. We're negotiating free trade agreements with eight other countries right now, and we've announced plans to start negotiating with eight more. Taken together, these trade partners constitute America's third largest export market, and the sixth largest economy in the world.

We're talking this month with Costa Rica and the Dominican Republic about participating in CAFTA. And if we succeed, the CAFTA would be the second-largest U.S. export market in Latin America, behind Mexico but larger than Brazil. Next week, we'll have the sixth round of negotiations on an Australia FTA, and hope to conclude those negotiations this month. This week we've got a team in Morocco trying to close out a few remaining issues in our free trade agreement with that country.

We'll launch negotiations this month with Bahrain, laying another brick in the foundation of a Middle East free trade area. We'll take another step forward in Southeast Asia by launching negotiations in the second quarter of this year with Thailand. And in Latin America, we'll start negotiations with Colombia, Peru, and Panama, and with Ecuador and Bolivia when they're ready. And we'll work to push forward our agreement with the Southern African Customs Union.

We'll also work hard to enforce our trade laws and our existing trade agreements, especially with large economies like China. Since China joined the WTO, that country has become our sixth-largest export market, and U.S. exports to China have grown by 66 percent, even as exports to the rest of the world declined. But China's progress in implementing its WTO market-opening commitments has slowed, and we will work hard this year to ensure that American intellectual property rights are protected, that U.S. firms are not subject to discriminatory taxation, that market access commitments on agriculture and financial services are met, and that promises to grant trading and distribution rights are implemented fully and on time.

Even in challenging economic times, the Bush Administration successfully made the case for free trade and built a solid record of accomplishment. But even as the economy recovers and exports expand, the opponents of trade are turning up the heat. They plan full-fledged battles in 2004 to defeat free-trade initiatives, in the halls of Congress and in the court of public opinion.

That's where you come in. People in this state, perhaps more than any other in the Union, depend on free trade and open markets for jobs, for exports, for low prices and choice for consumers, and for investment to create growth. Fewer states are more globalized. Yet sadly, only 41% of the California congressional delegation voted in favor of Trade Promotion Authority in 2002.

In today's political environment, trade opponents speak only about anecdotes of pain. They focus our hearts on those who lose their jobs in a competitive global economy, appealing to our natural empathy and compassion, but ignoring the millions more who benefit from trade. The benefits of trade, while huge, are spread widely over an entire economy and often get overlooked. The pain of trade, while limited, is highly concentrated and often gets lots of attention. Hoping that enough anecdotes will equate to fact, they blame trade for the ills of every struggling factory town. In fact, most job losses are caused by technology advances, productivity improvements, and the business cycle. But nobody puts on a turtle suit to go out to protest advances in computer technology or a decline in the Dow Jones Industrial Average. Foreign competition, on the other hand, is easy to spot: it's the "Made in China" label on your t-shirt, or the foreign nameplate on an appliance.

As Americans who believe in free trade, it's our job—nobody else's—to remind people how they benefit from free trade. Too often, your CEOs say, "the case for free trade has been made, let's focus on something else more pressing." Too often, we make the case for trade with a blizzard of statistics while opponents tell stories that tug at our heartstrings. As in most battles of the head against the heart, the heart usually wins, even when it's not for the best.

We need to talk about trade in new ways, and remind people that free trade is an everyday good thing. Free trade is the trip to the Safeway to buy fresh vegetables in the dead of winter, and it's the low prices you find every day at the Wal-Mart. Free trade means cutting the hidden import taxes that cost every working family in America $1,100 a year, hitting poor families the hardest. Free trade means lowering tariffs so that everyday Jockey shorts aren't taxed at a rate eight times higher than expensive lacey things from Victoria's Secret. The face of free trade is the face of a worker at the Nissan factory in Mississippi, who has a better job than before because our market is open to foreign investment and imports. The story of free trade is the story of the workers in South Carolina that nobody writes about: those who get the better jobs of tomorrow in new biotech plants, moving away from yesterday's economy.

The foot soldiers of free trade are the millions of workers who make America the world's largest exporter… who send America's engines, machinery, medical equipment, aircraft, IT products, software, tractors, chemicals, paper, life-saving drugs, movies, books, music, and semiconductors to every corner of the earth. Free trade is the longshoreman loading a container ship, or the UPS driver delivering another package in the river of freight enabled by global e-commerce. Free trade is American farmers feeding the world from the plains of Nebraska and Iowa. And if you want a statistic, remember just this one: trade has helped to raise 140 million people out of poverty in the last decade. That's the largest and fastest reduction in poverty in human history, and it's a record I'd stack up against that of economic isolationism any day of the week.

It's not easy to keep making the free trade case, again and again. You can sit this one out, spending your time working on something other than the latest free-trade agreement. You can let the Herbert Hoovers of today win the argument. But the results would be tragic. Putting up walls around America to try to save a few jobs in one struggling industry will cost millions of more jobs in many other competitive industries. Turning away from free trade would mean raising taxes on poor families, who pay a far bigger percentage of their income on import tariffs than anyone else. Adopting anti-trade policies means you could go down to JC Penny or the Circuit City to find the shelves as bare as a Soviet bakery. And instead of finding everyday low prices, you'd go to Wal-Mart to max out your credit cards.

To me, opponents of trade sound like defeatists. They don't think Americans can compete and win in the world economy. They would treat the pain of a few with hocus-pocus medicine that would sicken an entire country. Trade opponents will claim they will support trade… "If only" and then give a long list of unachievable conditions that usually punish poor countries for being poor. We've seen this bad movie before: whether the debate is about trade with Mexico, with China, or with Central America, trade opponents will propose conditions that may sound reasonable, but when you strip away all the rhetoric, their proposals <u>always</u> have the same result: trade stops.

This is the time to be opening new markets and creating new opportunities, not slamming doors on hope. Opponents of trade will spend 2004 sounding the call of retreat. The Bush Administration will answer by spending 2004 moving doggedly forward, tearing down barriers, cutting import taxes and red tape, building new markets, increasing economic opportunities, and leveraging our natural advantages. To turn back on free trade at this moment would be a historic calamity. So while trade opponents preach fear through a megaphone, we will calmly put forward a vision of hope… a vision set out by President Bush… a vision of a "world that trades in freedom."

It's a vision of a world in which a single Mom can go to Wal-Mart to buy new clothes or shoes for her kids … without paying a hefty—and hidden—import tax.

It's a vision of a world in which a New York stockbroker or a Mississippi chicken farmer can do business in Costa Rica as easily as in California.

It's a vision of a world in which free trade opens minds as it opens markets, deepening the roots of democracy. And it's a vision of a world in which hundreds of millions of people are lifted from desperation and poverty through economic growth fueled by trade.

I hope you'll agree… it's a vision worth working for. Thank you.