

Statement of
Robert B. Zoellick
U.S. Trade Representative
before the
Committee on Ways and Means
of the U.S. House of Representatives

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Chairman Thomas, Representative Rangel, and Members of the Committee:

Last week, President Bush spoke to the joint session of Congress about how trade is part of his larger vision of expanding freedom. "The cause of freedom rests on more than our ability to defend ourselves and our allies. Freedom is exported every day as we ship goods and products that improve the lives of millions of people. Free trade brings greater political and personal freedom."

Trade policy is the bridge between the President's international and domestic agendas. As the former governor of a major border state, President Bush has seen that the free exchange of goods and services sparks economic growth, opportunity, dynamism, fresh ideas, and democratic values, both at home and abroad.

In undertaking the President's charge, I know well that the Constitution vests the Congress with the authority "To regulate Commerce with foreign Nations." Frequent, substantive consultation with this Committee is enormously important to me. I look forward to working closely with you.

The history books recount the economic, political, and indeed national dangers of a breakdown in America's trade policy. For the first 150 years of the United States, there were contentious Congressional debates over tariff bills, some even leading to movements for Nullification and Secession. Then the disastrous experience of setting protectionist tariffs for over 20,000 individual items in the Smoot-Hawley bill of 1930 led the Congress four years later to try a different approach: a partnership with the Executive to negotiate lower barriers to trade around the world.

Launched by strong and innovative leaders, Franklin D. Roosevelt and Cordell Hull, this partnership between the Congress and the Executive became a bipartisan cause, and eventually produced prosperity and opportunity and even liberty beyond the greatest expectations of its supporters. Federal Reserve Chairman Alan Greenspan has put this success in historical perspective by pointing out that the growth in trade as a share of the world economy over the past 50 years has finally managed to reverse the losses from the calamities of the early 20th century, and now approximates the degree of globalization around 1900. So today, just like Americans at the turn of the last century, we face critical decisions about the future course for our country, trade, and the world.

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 and trade in the decades to come. I know that new ideas are being advanced from many quarters, and I want to work with you with an open mind to try to mobilize broad support for freer trade.

I am sure we will have many opportunities – including, I suspect, today – to discuss the important particulars of trade. These specifics are vital to our trade policy. But I would like to step back just a moment to touch on the importance of global trade to the American people.

First, expanded trade – imports as well as exports – improves the well being of Americans. It leads to better jobs, with bigger paychecks, in more competitive businesses – as well as to more choices of goods and inputs, with lower prices, for hard-working families and hard-driving entrepreneurs. Exports accounted for over one-quarter of U.S. economic growth over the last decade and support an estimated 12 million 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. Imports helped keep prices down as jobs, compensation, and productivity increased.

I appreciate that votes for agreements like NAFTA and the Uruguay Round may not have been easy to cast. Yet those agreements contributed to the longest period of economic growth in U.S. history, with levels of full employment, and without inflationary pressures, beyond the forecasts of any economist. A new commitment to trade liberalization can help boost a vigorous, long-term economic recovery from the present slowdown.

The expanding global trade and the expanding economic growth in the United States are not coincidental; they are achieved in concert. One strengthens and reinforces the other. Moreover, restrictions on trade have victims: farmers, school teachers, factory and office workers, small business people, and many others who have to pay more for clothing or food or homes or equipment because of visible and invisible taxes on trade.

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 not an 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 – the economic retrogression referred to by Chairman Greenspan – were inextricably

linked with hostile protectionism and national socialism. Communism could not compete with democratic capitalism, because economic and political freedom creates energy, competition, opportunity, and independent thinking.

Take an example from today. Colombia is waging a battle to defend the rule of law against murderers who finance their terror through complicity in drug trafficking. President Pastrana has said that one way to counter this threat would be for Congress to renew the Andean Trade Preference Act, which expires in December. Renewal, he says, would stimulate job creation and diminish the appeal of the drug trade. With a renewed and robust ATPA, the emphasis of U.S.-Colombia relations can gradually shift from aid – Colombia is the third largest recipient of U.S. military assistance – to trade.

I recognize, however, that these benefits of open trade can only be achieved if we build public support for trade at home. To do so, the Administration 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 trading partners. I will not hesitate to use the full power of U.S. law to defend American businesses and workers against unfair trading practices.

Even if we do our jobs well, I appreciate that change, particularly rapid adjustments, can be very difficult – even frightening – for many hard-working people. We need to help people adapt and benefit from change – whether prompted by trade, technology, e-commerce, new business models, or other causes. Therefore, 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.

From our conversations, I have learned that the economies in your districts are transforming, too. Many of your new businesses and employers are linked to the global economy, so Secretary of Commerce Don Evans, Secretary of State Colin Powell, and I want to work with you to tap their support for open trade. In turn, we will try our best to deliver for America's farmers, other workers, service providers, high tech community and intellectual property providers, small businesses, and highly productive manufacturing industries.

To strengthen and speed America's trade and economic policy, we will need to reestablish the bipartisan Congressional-Executive negotiating partnership that has delivered so much. Last week, the President asked the Congress for quick action to give him "the strong hand of presidential trade promotion authority." This authority, as he pointed out, has been granted to each of the previous five presidents. Therefore, I will be following up with this Committee and the Senate Finance Committee to consider how to reestablish trade promotion authority for the President, based on the fast-track precedent and the broadest possible support.

In the absence of this authority other countries have been moving forward with trade agreements while America has stalled. 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.

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 nations and the countries of the Gulf Cooperation Council. Japan is negotiating a free trade agreement with Singapore, and is exploring free trade agreements with Mexico, Korea, and Chile. There are approximately 130 free trade agreements in force globally, but the United States has only two agreements in force: one is with Canada and Mexico (NAFTA), and the other with Israel.

In the long run, our deadlock hurts American businesses, workers, and farmers, as they will find themselves shut out of the many preferential trade and investment agreements negotiated by our trading partners. To cite just one example, while U.S. exports to Chile face an eight percent tariff, the Canada-Chile trade agreement will free Canadian imports of this duty. That is why we will resume negotiations with Chile on a free trade agreement this month.

We cannot afford to stand still – or be mired in partisan division – while other nations seize the mantle of leadership on trade from the United States. This would be a huge missed opportunity, indeed an historic mistake.

In considering the grant of trade promotion authority, I also urge you to give the President more leverage by broadening our 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 20, President Bush will attend the Summit of the Americas meeting in Quebec City, where one of the major items on the agenda will be the Free Trade Area of the Americas. He has emphasized that to set a new course in the hemisphere – to overcome the North-South divide, just as the United States ended the great divide between East and West – he needs to hold out the prospect in Quebec City that new trade promotion authority is on its way.

Of course, America's trade and economic interests extend far beyond this hemisphere. We want to launch a new round of global trade negotiations in the WTO, emphasizing a key role for agriculture. We will also seek to negotiate regional and bilateral agreements to open markets around the world. There are opportunities in the Asia Pacific and, I hope, with APEC. We will

start with a free trade agreement with Singapore and will work with you to pass the basic trade agreement with Vietnam negotiated by the Clinton administration. We will urge Japan to deregulate, restructure and open its economy, which is long overdue.

Further reforms in the Middle East and Africa need our encouragement, and I compliment the Committee for its important work with Africa and the Caribbean last year. We are committed to working with the Congress to enact legislation for a free trade agreement with Jordan, implementation of the African and Caribbean provisions, and consideration of other ways we can help those regions.

As India reforms its economy and taps its great potential, we should explore ways to achieve mutual benefits. To help developing nations appreciate that globalization and open markets can assist their own efforts to reform and grow, we will need to extend the legislation authorizing the Generalized System of Preferences program.

Of vital importance, I will seek to work closely with the European Union and its candidate members in Central and Eastern Europe, both to fulfill the promise of a trans-Atlantic marketplace already being created by business investment and trade, as well as to reinvigorate, improve, and strengthen the WTO processes. The total amount of two-way investment in the EU and the United States amounts to over \$1.1 trillion, with each partner employing about 3 million people in the other. Trade in goods and services between the United States and western Europe was \$557 billion in 1999, double the level of a decade earlier. Similarly, in 1999 European companies acquired and established businesses in the United States valued at \$205 billion, up from \$31.9 billion five years earlier. We would be remiss to neglect our common interests while working to resolve more immediate disputes.

Now that there is a fragile peace in the Balkans, we must secure it by pointing people toward economic hope and regional integration. Therefore, we would like to work with the Congress to follow through on the prior administration's proposal to offer trade preferences to countries in Southeast Europe. Such trade preferences would be considered within the parameters of the President's budget request.

The United States has an unparalleled opportunity to shape the international trading order. But we have to get back into this game and take the lead. We are certainly in a position to do so. The United States is prepared to pursue a number of bilateral and regional free trade agreements in the years ahead, as well as the global trade negotiations in the WTO. The fact that the United States can move on multiple fronts increases our leverage.

The message I want to send to other countries 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 Bush administration has an ambitious trade agenda, reflecting the importance President Bush assigns to trade. This is an opportune moment to reassert America's leadership in setting trade policy and to build a post-Cold War world on the cornerstones of freedom, democratic values, open trade, and free markets – as well as security. I appreciate that the Executive-Congressional partnership on trade has a rich tradition, which has produced important results. With your help, I look forward to building on that partnership as we move ahead.