

Remarks by U.S. Trade Representative Susan C. Schwab

U.S. Chamber of Commerce

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* As prepared for delivery *

Acknowledgements and Introduction

- Thank you Dan Christman and the entire Chamber.
- It was shortly after the 2006 mid-term elections that I last stood here before you. By any definition, it was a tumultuous moment in the history of this Administration's trade agenda.
- Many of you will recall the certainty with which the press and the pundits held that the change in leadership on the Hill meant our trade objectives were on a road to nowhere.
- That day, I reached out to the new congressional leaders, and argued that both sides could and *would* find a way to work together, because the mission of opening markets, spurring development, and keeping the United States at the fore of a rules-based trading system must go beyond party affiliation.
- Well, after countless hours of negotiation, a new road for bipartisan cooperation on trade emerged with the deal the Administration and Congress struck on May 10th.
- Together, we started down this new road, but we have yet to reach the final destination. Indeed, some fear that the destination keeps being moved – like goalposts.
- I thought then, and I still believe, that we can achieve a unified American approach to economic engagement and leadership in the world that transcends party, president, and Congress – because Democrats and Republicans have managed to work closely together for more than 70 years on trade on a bipartisan basis.
- And I also realized that we in the Administration would now be working with a Congressional leadership that would recognize that with power comes responsibility - and the ownership of results – good or bad.
- So today I will outline what I believe can and should be accomplished this year – and what we need to avoid.

May 10th Agreement and Peru

- The May 10th agreement ensured the addition of enforceable labor, environmental, and other provisions in our bilateral free trade agreements.
- Both sides – the Leadership, the Chairmen, the Ranking Members - deserve credit for engaging and undertaking the hard work necessary to strike a good faith bargain.
- The first fruit of our labor was realized in December when, following overwhelming bipartisan votes in favor of implementation in both the House and Senate, the President signed into law the Peru Trade Promotion Agreement.
- The Peru FTA is a clear victory for U.S. exporters for whom it levels the playing field in the Peruvian market.
- Apart from the mutual economic benefits, the agreement also solidifies a partnership with a vital ally. And it is an important step in realizing President Bush's long-term vision to promote freedom, opportunity, and growth in the Americas.
- So we have arrived at the Peru point on the road.

The Year Ahead

- In the coming year we have a lot farther to go along this road.
- And incremental progress with good intentions is not enough. As they say, the road to hell is paved with good intentions.
- No, Leadership demands a different destination.

The FTA's

- As you know, the Colombia, Panama, and Korea free trade agreements now await approval by the Congress.
- The completion and signing of the Panama and KORUS FTAs were also major accomplishments of 2007, and as with Peru and Colombia, both countries embraced the labor and environment provisions contained in the May 10 deal.

Colombia

- The first up on our legislative agenda this year is the Colombia Trade Promotion Agreement.
- For those who say they aren't against trade but want 'fair' trade or the 'end of one-way' trade or 'a more level playing field' or whatever the catch phrase of the day is; the choice on the Latin FTAs could not be more clear. These FTAs end one way free trade, level the playing field and create fair trade. There is no way around it, a no vote is a vote against US exporters – manufacturers, service providers, and agricultural producers – including the over 20,000 small and medium size businesses who currently export to these three countries.
- As one House Democrat said during the Peru debate, "We haven't lost jobs by the Andean Trade Agreement with Peru. We have an opportunity to open doors for them and open doors for us." The same is true for Colombia.
- And last year, 365 Members of Congress voted to continue giving virtually all Colombian exports tariff-free access to the United States – and they were right. By what logic would Members of Congress vote against enabling American exporters to get the same preferential treatment when exporting to Colombia's 43 million person market?
- Critics of this agreement claim that their opposition is rooted in Colombia's inability to corral systemic violence – including that which has impacted some of the country's union members – and to bring the perpetrators to justice.
- A variety of independent studies paint a very different picture.
- Thanks to the Colombian Government and Plan Colombia – which, I might add, is a bipartisan initiative launched by President Clinton – the progress on the ground is heartening and inspiring – and represents real results.
- One recent study shows that levels of violence have been reduced substantially, with the murder rate at its lowest level in 20 years, and with kidnappings down almost 80% since 2001.
- Over 45,000 terrorists have demobilized, including 31,000 paramilitary members.
- The criminal drug threat, while still a monumental challenge, is being met head-on by Colombian authorities who are making steady progress in interdiction, while extraditing drug kingpins to the U.S. in record numbers.
- And it is not a coincidence that the country has succeeded in dramatically reducing homicides and violent crime as the government has reclaimed authority over parts of the country previously controlled by terrorist groups like the FARC.
- The fact is, Members of Congress who have joined Administration officials on recent visits to Colombia have found a country completely transformed from the one that teetered on the edge of becoming a failed state a mere eight years ago. For anyone who approaches the question with an open mind, seeing is believing.
- Every study that has been done on violence in Colombia shares a common thread – that the trend line is moving in the right direction. Violence and kidnappings and murders are going down and progress has been and continues to be made.
- We all agree more can and should be done. But the question in this case is when do you acknowledge and reward commitment backed up by an unequivocal multi-year record of success?
- Does blocking the FTA do anything to save a life? Colombia wants this FTA because they believe it will lead to greater economic growth. They have made great strides in turning people away from violence, but they need to be able to provide alternatives – namely jobs. And we have a historic opportunity to help by providing the certainty that comes with taking temporary preferences and making them permanent.

- In the Colombia FTA, we hold within our grasp the unique opportunity to choose the path that is both strategically imperative and morally just.
- The FTA will serve to ensure an active U.S. role in fostering stability and security in a region of critical interest to our national security. A region that is home to some who loudly advocate a different path than the pro-market, pro-growth, pro-U.S. stance adopted by Colombia.
- Economic growth has been a critical component of Colombia's dramatic resurgence, and now with that nation on the cusp of locking in the stunning transformation that began with Plan Colombia, some are suggesting that we delay this chance to bolster the engine of that economic growth.
- Perhaps the best measure of the success that Colombia's President Uribe can claim for bringing enhanced stability and prosperity to his country lies with the clear vote of confidence of the Colombian people - who not too long ago reelected him 62% of the vote. His next closest opponent only won 22%.
- Their struggle is our struggle, and it is our duty to support courageous Colombians who are dedicated to furthering the causes of democracy and prosperity in this strategically vital region.
- To paraphrase Sen. Daniel Patrick Moynihan, the United States should be able to distinguish between its friends and its enemies. And Colombia is most certainly our friend.
- None of us – not the Administration, not the Congressional leadership – wants to look back in a few years and ask “Who lost Latin America?”
- Let me quote from an open letter to Congress signed by an impressive list of former senior Democratic officials, “It would be the height of irony were we to talk of “losing” Latin America while refusing to take actions that would directly support fundamental relationships and interests in the region...walking away from the Colombia trade agreement or postponing it until conditions are perfect would send an unambiguous signal to our friends and opponents alike that the United States is an unreliable partner...”
- Make no mistake about it: how we deal with the Colombia FTA is widely viewed as the proxy for how we treat our friends in Latin America. In conversation after conversation with Latin leaders, the outcome of the Colombia FTA is clearly seen as symbolic of our attitude toward the entire continent.
- As President Reagan once said, “If not us, who? And if not now, when?”
- This Administration will not yield in our efforts to persuade the Congress to do the right thing – and passing the Colombia FTA is most assuredly the right thing.
- Colombia deserves a vote; a vote where Members of Congress are allowed to vote their consciences.
- This is the kind of responsibility that comes with power.
- So I reach out once more – on my own behalf and on behalf of the entire Administration. We will make every effort to find the formula for cooperation that gets the job done. But this is a job that needs to get done.

Panama

- Now a word about Panama -- Panama has also been a beneficiary of trade preferences that have long provided most Panamanian exports duty-free access to the United States.
- This FTA allows for 88% of U.S. manufactured goods exports to Panama to enter duty-free upon the agreement's entry into force.

- As in the case of Peru and Colombia, the Panama FTA makes commercial sense, and it will help the U.S. cement yet one more relationship of geopolitical importance in the Americas.

South Korea

- That then takes us to the most commercially significant FTA of them all – the U.S.-Korea, or KORUS FTA. Here, the first question I tend to get asked is “where’s the beef.”
- The good news is that we continue to work in good faith with our Korean colleagues to fully re-open this important market and ensure that U.S. beef gets treated with the respect that international standards of science demand.
- Once this is resolved, I count on you to help us generate the electricity of support and excitement that this agreement deserves and to propel it to passage on the Hill.
- U.S. farmers, ranchers, service providers, and manufacturers have so much to gain by opening this enormous – and traditionally closed -- market.
- I look forward to – indeed I relish - having this debate about American competitiveness and how much we stand to gain from a bilateral agreement with this major trading partner, friend and ally in Asia.
- The ITC has already estimated that implementation of the KORUS FTA promises a \$10-plus billion boost to U.S. GDP and over \$10 billion in new U.S. exports. Other studies have shown it would also result in a 2% increase in Korean GDP. A win-win.
- And with the dozens of preferential bilateral and regional trade deals currently being negotiated in the Asia-Pacific region that threaten to exclude the United States, what a nice addition the KORUS FTA will make to our position in the region.
- The rest of Asia is watching developments on this agreement closely. They were surprised that we were able to conclude such a high quality agreement with such a large Asian trading partner in such a short timeframe, and are now keenly interested in whether we can get the agreement approved by Congress

Doha/WTO:

- With respect to the Doha Round, we continue to press ahead in Geneva, pushing for an outcome that will increase economic growth and development and alleviate poverty by generating new trade flows in agriculture, goods, and services.
- These three areas form the market access core of the Round – and are key to a breakthrough.
- In the next few months, each WTO member will face a fork in the road: whether or not the ranges and flexibility within the texts produced by the negotiating chairs will be the playing field upon which all members negotiate.
- Those who choose to not negotiate within those lines are risking the Round.
- The same can be said of those whose only contributions to the negotiations have been to call for the U.S. to “go first” yet again. And again. And again. Ditto those now trying to use the lack of TPA as an excuse to walk away from making tough choices and concessions of their own.
- We are there at the table in Geneva and every bit as committed to a successful outcome to Doha as we were when we helped launch the Round in 2001.
- And in fact, much progress has been made in the past year in Geneva by those hardy experts toiling away on the details; the numbers behind the headline numbers.
- The multilateral process has proven cumbersome, but it has focused more on substance than on politics. And it has helped to reveal who is reasonable and who is not, who is showing leadership and who is hiding behind others.

- We seek an agreement where WTO members can become passionate about an agreement that will generate economic growth – namely, new trade flows derived from real new market openings.
- We know we need to do our share when it comes to tariff peaks and trade distorting subsidies. We also know that there can be no successful Doha Round unless our developed and advanced developing country trading partners also make meaningful contributions.
- The time for playing games is over. We have a window of opportunity. Let's use it and use it wisely.

China/Enforcement

- Speaking of passions, let me turn for a moment to China, and our enforcement efforts more broadly.
- The President's strategy on how to grapple with the economic challenge – and grasp the opportunity – of a rising China is delivering results.
- Of course we think it's in both countries interests to be able to show more results and more quickly, so we have – and will continue – to act quickly, firmly, and decisively with the most effective tools at hand.
- This includes dialogue where possible and enforcement when necessary.
- We have been forceful with China about our concerns on the direction taken by several ministries to use standards to limit imports, subsidize exports, and protect non-competitive industries; but we must also encourage those outward-looking, entrepreneurial forces and thinkers within China.
- To this end, we recently reached agreement with China to suspend one of our pending WTO cases after the Chinese agreed to eliminate a dozen WTO-prohibited subsidies.
- And we fully expect the WTO to begin handing down decisions early this year that vindicate our claims in the remaining three cases -- auto parts, intellectual property rights enforcement, and market access.
- We hope the Chinese and others will take note that when it comes to our enforcement efforts more generally, we have won or successfully settled the cases we have taken to the WTO 96% of the time. And when it comes to defending cases brought against us, we still can boast wins or productive settlements almost half the time.
- We are ready and willing to settle these disputes with China in a businesslike manner if the Chinese Government wishes to do so, just as with the earlier case. The fact is -- we are looking for the result, not the headline.
- Not surprisingly then, the Administration continues to have serious concerns about the unintended consequences of proposed legislation targeting China. (And there always are unintended consequences.)
- Quite frankly, we have serious concerns about some of the intended consequences, too.
- This is not a good time for Congress to be seeking quick-fixes for complex international economic challenges.

Climate/Environment

- Before closing, I'd like to touch briefly on some issues emerging in the trade world.
- A lot has been said in the past about trade and the environment, but today it has the potential to take on a whole new meaning – both good and bad.
- First, it is high time we played up the important benefits trade can bring to environmental stewardship. One example I want to highlight is the proposal that we and others presented recently in advance of the meetings on climate change in Bali – namely, to eliminate tariff and non-tariff barriers around the world to environmental goods and services.
- In the initial stage of our proposal, we propose to use a negotiation in the NAMA segment of the Doha Round to grow trade in such climate-friendly technologies by an impressive 7-14% annually.

- We already have pending in Doha an unprecedented proposal to eliminate or cut back dramatically on subsidies that result in the devastating overfishing that threatens our oceans and the individuals whose very livelihoods depend on them.
- When two dozen or so trade ministers met in Bali to discuss the nexus between trade and the environment, we also discussed and largely agreed that nations should avoid using the environment and climate change as an excuse to impose trade restrictions.
- And attempting to force others to act on climate change through trade saber-rattling carries enormous risks. These threats to the global trading system – a system that has delivered prosperity to billions around the world - cannot be ignored or glossed over.
- The unilateral imposition of restrictions can lead to retaliation, and dramatically impact economic growth and markets worldwide – while accomplishing nothing or worse when it comes to advancing environmental objectives.
- I urge those who are responsible for and pay attention to trade policymaking – both internationally and in our own Congress – to carefully review the implications and risks of some of the trade ideas being drawn up by those who lay claim to authority over environmental issues.
- We can and should be a part of laying out the roadmap on how to advance trade and environmental objectives in a mutually supportive manner.

Conclusion

- I have touched on a number of varying topics today. Such road trips are only appropriate at the beginning of the year.
- Let me leave you, though, with one final prediction – a guarantee. It is going to be a very busy year on the trade front. A busy year and 3 days, to be precise.
- As my boss recently told his cabinet – buckle your chinstraps. I hope you enjoyed your holidays and that you rested up, because we have the opportunity to get a lot of work done.
- The same goes for you, my colleagues.
- Thank You