

# Free and Fair Trade:

## Real Results in Leveling the Playing Field

*[W]hen you hear me talk about negotiating trade agreements, really what we're doing is leveling the playing field. What we're really doing is making sure America has a chance to compete on the same terms that people can sell into our market. And if they don't respond . . .we'll use the tools necessary to make sure that the playing field is level.*

-- President George W. Bush  
Appleton, Wisconsin, March 30, 2004

**American workers are the best in the world, and when given a level playing field they can compete against workers anywhere.** The Bush Administration's trade enforcement strategy is to use every tool at its disposal to achieve real results in the fastest possible time. The object of this strategy is to level the playing field for America's farmers, ranchers, workers, and businesses. The President and his Administration have worked aggressively to do this by:

- Opening New Markets
- Removing Barriers that Hinder American Exporters
- Bringing WTO Enforcement Actions
- Combating Unfair Trading Practices
- Increasing Dedicated Trade Enforcement Resources
- Empowering American Workers to Remain the Best in the World

Through tough negotiations, problem solving and, when necessary, legal action, the Bush Administration has achieved real results for American farmers, ranchers, workers, and businesses.

**LEVELING THE PLAYING FIELD BY OPENING NEW MARKETS:** Since other countries typically have much higher tariffs, the Bush Administration has acted aggressively to negotiate trade agreements that slash foreign tariffs and remove other barriers to our exports, thereby leveling the playing field for our farmers, ranchers, workers, and businesses.

- **Billions in Tariffs on American Exports Removed.** This Administration has achieved over \$6.4 billion in tariff reduction commitments from countries with which we have negotiated trade agreements. And we are working to achieve another \$1.9 billion in tariff reductions through our ongoing trade negotiations. That is an \$8.3 billion cost disadvantage that the Bush Administration is taking off the back of American workers and farmers whose products are sold abroad.
- **Historic Market-Opening Achievements.** This Administration has completed free trade agreements (FTAs) with 12 countries and is working to level the playing field and eliminate barriers with 10 more – this is significantly more FTAs than completed by all previous administrations combined. These FTAs open a huge market for American goods and services and bring broad-based benefits to American farmers, ranchers, workers and businesses.

- Huge Market for American Goods and Services. Taken together these current and future trading partners constitute our third largest export market, with \$66.5 billion in U.S. exports in 2003, and the world's sixth largest economy.
- Broad-based Benefits. By leveling the playing field, each of these agreements will benefit American farmers, ranchers, workers, and businesses in a variety of ways. For example:
  - The FTA with Australia that President Bush signed is estimated to increase our manufacturing exports by \$2 billion per year.
  - The FTA with Singapore that President Bush signed is the first FTA with a Southeast Asian country and is with one of our top 10 trading partners.
  - As a result of our FTAs with Singapore and Chile, which took effect on January 1, 2004, U.S. goods exports between January and June of 2004 were 25% higher to Singapore and 32% higher to Chile compared to the same period in 2003.
  - The Central America FTA (CAFTA), negotiated by this Administration but not yet approved by Congress, will ensure free and fair trade for U.S. businesses with our second largest Latin American trading partner, benefiting American farmers and workers.

**LEVELING THE PLAYING FIELD BY REMOVING BARRIERS THAT HINDER AMERICAN**

**EXPORTERS:** Free and fair trade is a two-way street that requires all parties to play by the rules. When the access of U.S. farmers, ranchers, workers, and businesses to foreign markets is thwarted by the failure of other governments to live up to their international commitments, the Bush Administration has taken aggressive actions to remove barriers for American exporters. The Administration regularly negotiates solutions to potential WTO cases and unfair trade practices that achieve timely and meaningful results for American companies and workers and avoid drawn-out, costly litigation battles. The Administration's tough, practical, problem-solving approach has helped level the playing field for American manufacturers, innovators, and workers, as well as farmers and ranchers. Examples include:

- **Real Results for American Manufacturers, Innovators, and Workers.**
  - Telecommunications. Opening Korea's closed telecommunications and wireless market to ensure that American telecom companies and workers can continue to expand by selling their products in this important market.
  - Textiles. Relaxing India's burdensome import certification requirements on American textiles exported to India.
  - Auto Parts. Removing Mexico's barriers to American auto parts.
  - Effective Business Advocacy. Aggressively enforcing and stepping-up advocacy by the Department of Commerce in fighting for America's small businesses. Since 2001, the Commerce Department has taken on over 700 market access and compliance cases on behalf of U.S. business and workers. Over a comparable period, the previous administration on average conducted half as many cases.

- Patent Protection. Settling ongoing intellectual property rights (IPR) disputes with the Dominican Republic regarding patents and winning commitments for improved enforcement against piracy and counterfeiting.
  - Optical Media Protection in the Philippines. Encouraging the Philippines to enact key legislation that will provide greater protection for the optical media industry. This legislation addresses piracy at a high level and is part of an ongoing effort to prevent piracy of U.S. intellectual property in the Philippines.
  - Updating Copyright Law in Uruguay. Convincing Uruguay to revise its antiquated 1937 copyright law to address U.S. industry IPR losses estimated at \$32 million annually.
  - Stopping Transshipment and Piracy in Paraguay. Renegotiating an IPR Memorandum of Understanding with Paraguay to reduce transshipment, piracy, and counterfeiting challenges to U.S. industry.
  - Protecting U.S. Intellectual Property Rights in China. Pressing the Chinese to agree to a detailed action plan to address the piracy and counterfeiting of American ideas and innovations, particularly through increased Chinese criminal penalties for violators.
  - Launching the Strategy Targeting Organized Piracy (STOP!). Building on the Administration's solid track record of real results in combating global piracy and counterfeiting, the STOP initiative is the most comprehensive initiative ever advanced to smash the criminal networks that traffic in fakes, stop trade in pirated and counterfeit goods at America's borders, block bogus goods around the world, and help small businesses and their workers secure and enforce their rights in overseas markets. Working across numerous federal agencies, the STOP initiative will do this by:
    - Empowering small businesses to secure and enforce their rights.
    - Stopping Trade in Fakes at America's borders.
    - Raising the stakes for international IPR thieves.
    - Working closely with the private sector to keep fakes out of global supply chains.
    - Dismantling criminal enterprises that steal intellectual property.
    - Reaching out to our trading partners and building an international coalition to block bogus goods.
- **Real Results for American Farmers and Ranchers.**
    - Beef. Eliminating Mexico's restrictions on certain U.S. beef exports totaling over a billion in 2003 after forceful interventions by USTR and USDA.
    - Poultry. Persuading Russia to lift a sudden ban on hundreds of millions of dollars of U.S. poultry, thus preserving the U.S. poultry industry's largest export market, and persuading Hong Kong to release \$23 million of U.S. poultry held at port in 2004 due to concerns over low pathogenic avian influenza.

- Almonds. Obtaining an agreement from India that it will not restrict U.S. almond exports worth \$70 million and U.S. farmers' second-most important export to India.
- Soybeans. Deterring Indonesia from imposing labeling requirements that would hurt American farmers by impacting \$441 million worth of soybean exports.
- Leveraging Free Trade Agreement Negotiations to Fix Long-Term Agricultural Market Access Problems. FTAs with existing trading partners give the U.S. leverage during the negotiations to persuade countries to remove barriers and fix problems that limit U.S. exports. For example:
  - The FTA with Chile, secured by this Administration, removed trade barriers and secured access to the Chilean market for U.S. beef, lamb and pork industries; raspberry and strawberry farmers; California kiwi and table grapes; California, Texas and Arizona citrus; and Idaho and Oregon apples and pears.
  - Negotiations with the Dominican Republic led them to commit to make important regulatory changes that remove barriers and expand access for U.S. beef, poultry and pork.
- **Real Results Through Tough Negotiations with China.** The Administration has used tough negotiations and practical problem-solving to level the playing field by improving access for U.S. exporters to China. As a result, China agreed to the following:
  - Soybeans and Cotton. Reduce barriers and relax market constraints in the soybeans and cotton markets. As a result of U.S. negotiations with China, U.S. soybean exports reached an all-time high of \$2.9 billion in 2003 and cotton exports were up 431% over 2002 and have already reached record levels (\$1.3 billion) this year. China is our largest export market for both soybeans and cotton.
  - Wireless Standards. A more open approach to developing Wireless Internet Standards, ensuring the free flow of information and preserving competition for U.S. technology companies.
  - Advanced Telecommunications. Support technology neutrality with respect to Third-Generation (3G) Mobile Phone Standards -- preserving competition for U.S. telecom and equipment manufacturers.
  - Intellectual Property Rights Protection. Stricter enforcement and more severe penalties for piracy and counterfeiting of American ideas and innovations.
  - Reducing Red Tape for Exporters. Provide distribution rights to U.S. companies by the end of 2004, which will allow U.S. firms to engage in wholesaling and retailing U.S. products directly within China.
  - Express Delivery. Preserve a growing market for U.S. express delivery service providers by eliminating regulations that would have protected Chinese providers.
  - Approval of Biotech Farm Products. Reduce barriers on U.S. biotech soybeans, canola, and corn.

- Opening Financial Services. Reduce capital requirements for financial services and open the auto financing sector to American competitors.
- Opening Insurance Services. Change insurance regulations to make it easier for American insurance companies to do business in China.

**LEVELING THE PLAYING FIELD THROUGH WTO ENFORCEMENT ACTIONS:** While the Administration prefers concrete, negotiated solutions – that produce quick results for American farmers, ranchers, workers and businesses – to drawn-out litigation, the Administration has not hesitated to pursue WTO enforcement actions when negotiations do not produce acceptable results. Examples include:

- **Real Results for American Manufacturers, Innovators, and Workers.**

- Semiconductors. The Administration brought the first-ever WTO case against China to ensure fair tax treatment for U.S. semiconductors in China, the world's fastest growing semiconductor market. Within four months, the Chinese agreed to our demands, ensuring fair access to a market worth over \$2 billion market to America's manufacturers and workers.
- Large Civil Aircraft. In the biggest WTO case ever, the Administration has challenged the EU to bring an end to unfair subsidies to Airbus. Airbus has benefited from more than \$15 billion in subsidies, enabling the European company to take a majority share of the world market for large civil aircraft, to the detriment of our aerospace industry and its workers. In contrast to previous Administrations, this Administration has taken decisive action to make it clear to the EU that the unfair subsidies to Airbus must stop.
- Telecommunications. As a result of a case brought by the Administration, the WTO overruled Telmex's government-granted monopoly on negotiating rates to connect calls into Mexico. U.S. industry and workers estimate saving hundreds of millions of dollars a year as a result of this WTO victory.
- Autos. The Administration prevailed in its WTO challenges to India's and the Philippines' restrictions on imports of U.S. auto parts.
- Apparel. As a result of WTO action brought by the Administration, Egypt reduced its high tariffs on American apparel products.
- Unfair Customs. The European Union's customs laws and practices are not uniform, posing burdensome hurdles for American exporters to Europe, especially small businesses. Negotiations did not resolve this matter, so the Administration has taken its case to the WTO.
- Protection for Patents and Other Proprietary Information. As a result of Administration actions in the WTO, the protection of U.S. intellectual property – the backbone of America's strength in innovation worldwide – is now more effectively enforced in Argentina, Pakistan, Greece, Sweden, Ireland and Denmark. And American sound recordings in Japan and U.S. patents in Canada are now protected for the number of years recognized by international standards.

- **Real Results for American Farmers and Ranchers.**

- Biotech Farm Products. Unlike the previous Administration, this Administration has challenged the European Union moratorium on new approvals for biotech crops – an important, innovative sector of the American farm community.
- Hogs. After Mexico unfairly imposed dumping duties on hogs, the U.S. took the issue to the WTO, and Mexico fixed the problem.
- Dairy. The Administration gained an important win against Canada by demonstrating at the WTO that Canada was improperly subsidizing dairy exports. As a result, in May 2003, Canada committed to stop exporting subsidized dairy products to the United States and to significantly limit these exports to other countries.
- Apples. The Administration in December 2003 won a major WTO case on Japan’s import restrictions on U.S. apples. Japan had argued that the restrictions were needed to protect Japanese plants from disease, but the Administration demonstrated that scientific evidence showed the apples could not transmit the disease. The Administration is following up with Japan and the WTO to ensure full compliance with this WTO decision.
- Wheat. The Administration demonstrated in a case it brought before the WTO that Canada’s system for grain distribution and rail transportation unfairly discriminates against U.S. grain.
- Corn Syrup. Mexico imposes an unfair 20 percent tax on beverages made with sweeteners like U.S. corn syrup. Bilateral negotiations did not resolve the matter, so the Administration filed a WTO action against Mexico.

**LEVELING THE PLAYING FIELD BY COMBATING UNFAIR TRADING PRACTICES:** The Administration has vigorously pursued allegations of unfair trade to ensure that U.S. workers and businesses are not injured by imported products sold below market prices or subsidized by foreign governments. The number and size of the cases the Administration has accepted and initiated demonstrate its unprecedented commitment to combating unfair trade.

- **Increased Number of Unfair Trade Cases Pursued.** The Commerce Department has initiated over 200 new dumping and subsidy cases since January 2001, already more than the previous Administration initiated in either term.
- **Increased Focus on China.** The Commerce Department has already put in place nearly as many antidumping orders against China (21) as the previous Administration had in eight years (25).
- **Increased Value of Cases.** The Commerce Department initiated the largest cases against China ever on imports of TVs, furniture and shrimp, valued at over \$1.5 billion.

**LEVELING THE PLAYING FIELD BY INCREASING DEDICATED ENFORCEMENT RESOURCES:**

The Administration has augmented and redeployed trade resources to reflect our focus on and commitment to leveling the playing field.

- **Creating Enforcement-Focused Departments.** The Administration significantly enhanced our ability to level the playing field by creating at the Commerce Department three new units dedicated to enforcing of our trade laws and preventing unfair trade practices – an Office of China Compliance, the Unfair Trade Practices Task Force, and the Market Access Compliance Investigations and Compliance Unit. USTR also created a separate China office and established a new Office of Small Business Affairs to solve problems that make it difficult for small- and medium-sized businesses to export.
- **Increasing Enforcement Resources.** The Commerce Department increased its enforcement and compliance budget by over 61% since 2001. USTR expanded its number of front-line attorneys by 20%, providing the resources to advocate for U.S. businesses and workers, solve trade disputes, and prepare trade enforcement cases should litigation become necessary.
- **Increasing Resources for China Enforcement.** USTR established a separate office dedicated solely to China trade issues, and increased the number of China negotiators by 100%, while the Commerce Department placed an IPR attaché full time in China to help American business safeguard their intellectual property.
- **Increasing Global IPR Enforcement and Technical Assistance Training.** The Commerce Department has conducted over 290 Intellectual Property Rights (IPR) enforcement and technical-assistance projects around the world – more than twice the number of enforcement projects as those undertaken in a comparable period by the previous Administration.
- **Achieving Better Enforcement Tracking for American Businesses.** The Commerce Department also created the first-ever consolidated case docket to track progress with and ensure results on trade compliance and market access issues for American businesses and workers. This coordinated, systematic process links the resources of multiple Commerce officials stationed domestically and abroad in order to provide real results for American businesses and workers by fully leveraging the opportunities created by our trade agreements.

**LEVELING THE PLAYING FIELD BY EMPOWERING AMERICAN WORKERS TO REMAIN THE BEST IN THE WORLD:**

The President has taken decisive action to ensure that American workers remain the most competitive, best-trained workforce in the world. The Administration has consistently supported our workers through the use of safeguard trade laws and a concerted focus on worker retraining and education policies.

- **Standing Up for Steel.** During the late 1990s, our steel industry was suffering from surging foreign imports. Unlike the previous Administration, the President took decisive action by imposing a safeguard on foreign imports in order to provide our steel industry and its workers the opportunity to adjust. In addition to the safeguard action, the President has focused on assisting American steel workers and businesses by initiating negotiations with the world’s major steel producers to address market distortions and overcapacity in the global steel sector.

- Today, steel productivity is up, profitability has returned, jobs and benefits have been saved.
- **Safeguarding Textile and Apparel Workers.** The Administration took action to protect the textile and apparel industries from surges in imports from China that cause market disruptions. It accepted three petitions filed by the textile and apparel industries for a WTO China textile safeguard – the first ever against the Chinese – to give American workers an opportunity to adjust.
- **Implementing an Aggressive Agenda to Assist Our Workers.** President Bush has an aggressive agenda to help workers obtain the skills to meet the jobs of the 21<sup>st</sup> century.
  - Jobs Training. The President's FY 2005 budget proposes \$23 billion for job training and employment assistance. He has proposed a comprehensive plan to better prepare workers for the high skilled jobs of the 21st century.
    - **Federal Job Training:** The President has proposed to double the number of workers trained by the largest job training program. He would provide an additional \$250 million for community colleges that train workers for high growth jobs.
    - **Increased Pell Grant funding:** With enactment of the President's FY05 budget, Pell Grants will be available to one million more students than received them in FY01. The President has proposed larger Pell Grants for low-income students who take a rigorous high school curriculum. And, the President would also make grants available year-round, so that non-traditional students can use them more easily.
  - Trade Adjustment Assistance. The Administration tripled the amount of Trade Adjustment Assistance to \$1.1 billion per year in FY 2005 for training and cash benefits for workers dislocated by increased imports or a shift of production to certain foreign countries. Workers are also eligible to receive a Health Coverage Tax Credit covering 65% of the premium for qualified health insurance.