

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

The Case for Trade Promotion Authority Renewal

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(as prepared for delivery)

Acknowledgements and Introduction

- Thank you Leslie [Griffin, Vice President for International Governmental Affairs for New York Life Insurance Company.] for that gracious introduction. And thank you – members of the Trade for America Coalition.
- I am delighted you are here today to kick off the vitally important mission to renew Trade Promotion Authority.
- This could be one of the most important actions Congress takes in the coming months to sustain our country's prosperity at home and leadership in the international marketplace. No president should be without TPA.
- President Bush's call for TPA signals his resolve to see America continue to lead the world in opening markets for goods and services and to strengthen the rule of law in trade. This is crucial for our prosperity, and the economic growth and health of the global economy.
- The equation is quite simple. Whether we are talking about bilateral or regional Free Trade Agreements or multilateral agreements like the Doha

Development Round, trade agreements mean more exports, and more exports mean better jobs.

- The President's call for TPA renewal also shows his determination to make sure American consumers continue enjoying a wide array of choices - from clothes to food to electronics -- and that American businesses are able to obtaining the parts and materials they need to stay competitive around the world.
- Just as important, his call for TPA assured our trading partners that the United States will stay front and center in creating economic opportunities not just for the U.S. but for all countries – especially developing countries - and in promoting freedom and cooperation around the world through trade and investment.

### A Strong Record

- Think about where we were just five years ago in the trade arena. It had been eight years since a president had TPA. As a result, the United States had signed only one free trade agreement since the mid-1990s.
- Meanwhile, other countries were busy making deals and creating economic opportunities for their workers and companies. The U.S., however, was on the sidelines.

- President Bush took office determined to get the United States back in the game – both bilaterally and multilaterally. He knew then and he knows now that without TPA, other countries will keep cutting trade deals as the United looks on with one hand tied behind its back. He worked with Congress and got the United States back in the game.
- And now think about how far we have come. Back then, we were party to just 3 FTAs and had just launched the Doha Round. Now we have 10 FTAs approved by Congress and implemented, 3 more close to implementation, and another 3 that have been concluded and await approval by Congress. And we have additional FTAs under negotiation, including commercially significant agreements with Korea and Malaysia.
- If anyone questions the benefits of these FTAs, consider the fact that exports to the 10 countries with which we implemented FTAs between 2001 and 2006 grew twice as fast as U.S. exports to the rest of world during the same period.
- Just look at the experience with NAFTA. When it comes to jobs, the average U.S. unemployment rate was 5.1% in the 11-year period beginning when NAFTA took effect -- compared to 7.1% during the 11 year-period leading up to NAFTA.
- We see the same trend in manufacturing. U.S. industrial production – 78% of which is manufacturing – rose by 49% between 1993 and 2005.

In the 12-year period leading up to NAFTA, on the other hand, we achieved only a 28% increase.

- There was also dramatic improvement in compensation levels in the period following NAFTA as well. Average real compensation grew at an average annual rate of 2.3% from 1993 to 2005, compared to just 0.4% annually between 1987 and 1993.
- In the fourth quarter of last year, the economy prevailed through a housing slump and troubles in the auto sector and still posted a strong growth rate of 3.5 percent. The reason is trade. Trade, led by exports, contributed nearly half of 4<sup>th</sup> quarter's growth rate. And we must remember that jobs supported by goods exports pay 13% to 18% more than the U.S. average.
- Stronger foreign growth is finally helping our exports grow faster. All the more reason to sustain our work in knocking down foreign barriers.
- We must also remember that the openness of the U.S. market to foreign trade and investment contributes to economic growth and generates new opportunities for individuals here at home. Jobs related to direct foreign investment in the United States pay better than 30% more than jobs [in the rest of the economy. ]
- This is a tremendous record and I know a lot of the people in this room helped make it possible. But it is not just the number of the FTAs or the

increased exports that count. We can also be proud of the quality of these FTAs.

- The FTAs the United States concludes not only level the playing field for American farmers, ranchers, manufacturers and service providers. They also strengthen intellectual property rights; they promote transparency and the rule of law; and they safeguard labor and environmental standards.
- Of course, these facts and figures do not tell the whole story about the benefits of trade. It is the manufacturers, farmers, and workers all over the country who best illustrate how expanded trade works for America.
- Last week, the President spoke at Caterpillar out in Illinois. That great American company's experience with trade provides an excellent example of its benefits. The first FTA approved under restored TPA in 2002 was with Chile, which went into effect three years ago. Since then, as the president noted, Chile has become Caterpillar's fifth largest export market.
- Similarly, since the Australia Free Trade Agreement took effect in 2005, Caterpillar's exports to Australia have grown by 26 percent.
- Trade's links to exports and prosperity are evident in every part of the country. To our south, we can see how the Old Dominion State is becoming a new dominion for international commerce. Governor

Kaine's Economic Development Strategic Plan for 2006 declared, "The Port of Virginia is a gateway to the world marketplace and a major economic engine for the state. The Port supplies over 52,000 jobs in the Hampton Roads region and port-related businesses such as warehousing, manufacturing, freight forwarding and trucking companies provide over 164,000 jobs throughout the Commonwealth. It has attracted 111 distribution centers and is responsible for \$584 million in annual wages and salaries, \$763 million in business revenue and \$60 million in state and local tax receipts."

- Many other states are realizing such significant benefits from trade. You need to make sure their elected officials are aware of this and remember how useful trade is as an economic development tool.
- There will be hundreds more stories of trade benefits for companies and workers in the years ahead -- so long as the United States is able to conclude new Free Trade Agreements and the Doha Round.
- In the next few months I expect Congress to take up the free trade agreement we concluded with Peru last year. Passage of this agreement will benefit Ross Valve Manufacturing Company in Troy, New York for example. The company's vice president, Andy Ross, recently summed up the direct benefits of the agreement for his company saying, "We are a family owned fifth-generation American manufacturer and have been doing business in Peru for 60 years but without a free trade agreement our market share will remain small compared with other overseas manufactures. A free trade agreement with Peru would allow Ross Valve

to grow our overseas business while adding jobs here in the United States.”

- Whether we are talking about the Peru FTA or FTAs with Colombia or Panama or others in the future, farmers, manufacturers and service provider all over the United States look forward to being able to sell to the 95 percent of the world who live outside our borders. We need to deliver for them.

### America's Role in the World

- TPA will do more than keep the United States at the negotiating table in pursuit of gold-standard Free Trade Agreements. It will assure other countries that the United States can be counted on to lead global efforts for free and fair trade.
- The United States and its trading partners in the World Trade Organization continue to work toward a successful conclusion of the Doha Development Round.
- Our trading partners understand that we believe that meaningful market access is the only way to open up significant new trade flows. And only significant new trade flows will spur the kind of economic development WTO Members are seeking in this Round.

- We have made it clear that a deal that falls short of these development goals and creates only marginal new opportunities for our farmers, ranchers, manufacturers and service providers will not win approval in the United States Congress.
- Doha is also an historic opportunity to alleviate poverty and create economic opportunities in developed and developing countries around the world. We must not let it slip away. So we continue in our efforts to conclude an ambitious and balanced agreement.
- TPA will be needed to enact the provisions of a Doha Round agreement. Failure to renew TPA would signal to the world that the United States has lost faith in Doha. We must not let that happen.
- In addition, there are signs that protectionism and isolationism are on the ascent around the world. The United States must not be part of that trend. Instead, we must be a force to reverse it. The only way we can do that is by expanding trade and showing that it works for America. And this requires the United States to be in the game, with TPA in hand – not on the sidelines.
- As the President said in Peoria a little over a week ago, “...walling off America from world trade would be a disaster for our economy. Congress needs to reject protectionism, and to keep this economy open to the tremendous opportunities that the world has to offer.”

## Working with Congress on the details

- In the coming weeks and months we will be working closely with members of the House and Senate on the details of TPA legislation.
- Personally, I think every president should have the comprehensive authority to negotiate and to implement state-of-art trade deals.
- Because Congress is a Constitutional partner in a market-opening, growth-oriented trade policy, TPA is ultimately a contract between the two branches of government.
- Therefore, we are about to embark on a critical process to ensure TPA works for the American people and sustains trade's role as a force of economic growth and development around the world.
- I have been encouraged by the public and private conversation I have had with Ways and Means Committee Chairman Rangel, Senate Finance Committee Chairman Baucus and other Congressional leaders.
- I know they understand the importance of keeping the United States engaged in the global marketplace. They know how trade benefits companies like Ross Valve in New York or cattle ranchers in Montana. They know, as Chairman Rangel has said, that we do not need a Republican or a Democratic trade policy – we need an American trade policy.

- I agree. I pledge to listen to and confer with Members of Congress on this important item on the national agenda.
- And I look forward to working with the wide array of American interests represented here today.

### Conclusion

- Since 1974, Trade Promotion Authority has helped increase U.S. exports and created new export opportunities for businesses, farmers, workers and consumers.
- It has reestablished our country's leadership in the international marketplace, and helped us build an international consensus for trade's capacity to raise living standards, promote innovation and facilitate cooperation among countries.
- With such a compelling a record – and with so much as stake - I am hopeful and confident that Congress will quickly answer the President's call for TPA renewal with a resounding yes and begin the next chapter in America's success as a trading nation.
- Thank you.