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First, I want to thank John Mizroch for this invitation. John has made a very significant contribution to the trade debate through his work on TEPAC, the U.S. government's CEO-level trade and environment advisory group. He is an extremely effective advocate for the mission and concerns of the World Environment Center: to promote sustainable development and responsible use of environmental resources and environmental leadership at home and abroad. The WEC's work provides a good example of what can be accomplished when serious people recognize that there is no inherent conflict between being green and being profitable. I understand that the event today is co-sponsored by the U.S. Energy Association and I want to applaud such joint efforts to increase communication and understanding regarding global environmental health and safety.

At USTR, part of our mission is to get the message out that trade can be a win for business, for communities, and for the environment; and to allay misplaced fears of citizens and governments alike. Citizens of developing *and* developed countries need to understand the positive linkage between trade, development, environmental quality, and rising standards of living.

Following the passage of the Trade Act of 2002 this August, America is back in the business of trade, and so I thought I would share with you USTR's [A](#)quarterly results.[@] It

was almost three months ago to the day, in fact, that President Bush regained Trade Promotion Authority, ending eight years in which Presidents were without the authority to negotiate trade agreements. After Congressional approval, the President told Ambassador Zoellick to **A**put on his running shoes@and **A**go negotiate trade agreements.@

Well, when the President tells you to do something, you do it. In just the last ninety days, we have**Y**.

_ Notified Congress of our intention to complete, by the end of this year, free trade negotiations with Chile and Singapore. Just yesterday in Singapore, in fact, Ambassador Zoellick finished 15 hours of negotiations with Singapore Trade Minister George Yeo and announced that we have reached an understanding on the core elements of that agreement**C**which successfully includes the new approach on labor and environment, as directed by the Trade Act.

_ We have also notified Congress that we will be launching FTA negotiations with a number of countries:

- With Australia, a key U.S. ally and an important platform for American companies wishing to do business in the Asia-Pacific region.
- With Morocco, a leading, moderate, Arab nation and a staunch partner in the global effort to counter terrorism.

- With the five nations of the Central American Common Market, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, to encourage development and democracy in a region that has made great progress over the past two decades.
 - And with the five members of the Southern African Customs Union—America's first trade agreement ever with African nations. It is in our interest to reinforce Africa's participation in global trade and shift toward free trade and open markets. And, today, there is a unique convergence of opportunities for us to do so and, in the process, work to close the North-South divide.
 - We have launched the Enterprise for ASEAN Initiative, pledging to work with those nations to bring them toward individual FTAs with the United States, and, for some, to assist with the accession to the WTO.
- _ And we have been extremely active in working to build consensus on what will be the largest free trade zone in history, covering 500 million people and stretching from Alaska to Tierra del Fuego. In Ecuador last month, we pressed forward on the Free Trade Area of the Americas by agreeing on a negotiating text, schedule, and deadline.
 - _ We have been fully engaged at the global level as well, offering contributions across the full range of the Doha agenda. We have advanced bold proposals on agriculture, services, and intellectual property in the World Trade Organization. Soon we will be offering a proposal to slash tariffs on manufactured goods. We have advanced solutions to help the world's poorest nations gain access to critical medicines for

health crises, such as AIDS. And to buttress the ability of poorer nations to take part in negotiations and the trading system, this year the United States is devoting \$638 million of aid to build trade capacity.

- _ Finally, we have come forward over the past month with creative new proposals for dealing with two of the most contentious trade issues that helped cause the long lapse in presidential negotiating authority: investment and labor/environment dispute settlement. The Trade Act of 2002 gave us detailed guidance on these issues, representing a delicate balance across the spectrum of concerns. On investment, we are working toward greater transparency and panel accountability in the disputes investors can bring against their host governments and to ensure U.S. investors abroad get the same level of protection afforded under U.S. domestic law. On labor and the environment, we have offered an innovative plan to use monetary assessments to help settle disputes in a manner equivalent to how we resolve commercial disputes. Our proposals are solid, middle-ground solutions that will help us move ahead with a free trade agenda.
- _ The bilateral and regional negotiations will compliment our global efforts while also enhancing U.S. security and promoting economic development in our poorer trading partners.

The Bush Record So Far

To put these latest accomplishments in perspective, I think it is useful to step back and recall the trade environment when President Bush took office in January 2001. At the time, the outlook for employing trade to foster growth and a cleaner environment wasn't encouraging.

The new Administration faced a Congress that was skeptical, and in some quarters even hostile to trade. The executive-congressional partnership that had governed trade for more than six decades had broken down. The prospects for the revival of the president's trade negotiating authority looked dim—especially considering the three failed attempts over the prior eight years.

The failure to launch a new round of global trade negotiations in Seattle in 1999 was both dangerous for the international trading system and a symbol of the politics of trade under siege. Critics were touting the failure of Seattle as a defining defeat for the global trading system, and the press was buying their story. Conventional wisdom was that we could not rebuild a consensus on trade, could not launch new global trade negotiations, and surely could not get Congress to pass trade promotion authority.

Against this backdrop, many of Ambassador Zoellick's trade minister colleagues counseled him not to try to launch new global trade talks. A second failure for the young WTO could be disastrous, they warned.

Others said it was a mistake to take the offensive on trade as the U.S. economy slowed. Then after September 11, pundits predicted that the new trade agenda would grind to a halt.

But even as September 11 brought new priorities to the fore, President Bush and Ambassador Zoellick chose to forge ahead. Many developing nations urged the United States not to forget the vital importance of economic hope and increased trade while facing the global threat of terrorism. And the trade agenda for the United States and the world is no longer stalled. Far from it. This Administration recognized that economic and security initiatives had to be interconnected that we had to work on both fronts simultaneously.

On the global front, the United States helped the WTO successfully add over 1 billion people from poorer nations and to launch new negotiations, the Doha Development Agenda, to lower barriers to trade and expand the circle of nations benefiting from global trade.

We followed the launch of new global trade negotiations with 142 other economies with new proposals for liberalizing trade in services and agriculture, for greater transparency in the WTO, and to resolve a remaining issue for poorer countries that may need compulsory licenses for medicine to deal with epidemics.

It took leadership from America, from the President and key members of Congress and Robert Zoellick and the civil and business communities to tackle

contentious problems and get the trade agenda back on track. The new Trade Act has re-ignited global optimism about the prospects for freer trade, and has thus set the foundation for a stronger and more inclusive global economy.

A Competition in Liberalization

Not surprisingly, the new U.S. trade strategy is not without its critics. What has been raising a few eyebrows, however, is that some of these critics are inside the free trade camp. Just this week, for example, the *Financial Times* ran a lengthy article on the supposed dangers of using bilateral agreements to promote free trade. The charge is that regional and bilateral negotiations detract from the much larger benefits to be had from the global effort to reduce trade barriers.

Such attacks on FTAs miss the big picture: America's willingness to move on multiple fronts leverages our strength to promote greater openness. Given the way the WTO is governed, one nation has the power to hold up progress. Getting agreement is a bit like trying to close a business deal with the General Assembly of the United Nations. If the Administration restricted itself to global negotiations, it would be strengthening the hand of nations that may choose to block progress, granting them a veto over the core U.S. trade agenda.

Our friendly critics also miss the interconnection among trade, economic reform, security, and free societies that trade agreements can foster. NAFTA, for example,

not only established free trade with the United States—two largest trading partners, but it made all three participants more competitive internationally and supported Mexico's transformation to an open, democratic society.

Other countries certainly see great value in an FTA with the United States, and they are lining up to negotiate. In particular, many in the developing world recognize that trade negotiations can help drive crucial domestic economic and legal reforms, regional integration, and the development of more open societies. They recognize that an FTA with the United States can serve as a sort of "Good Housekeeping" seal of approval that serves to strengthen a country's ability to attract investment and gain the confidence of financial markets.

In addition, U.S. FTAs can serve as models for global negotiations by establishing new standards, especially to deal with fresher topics on the globalization agenda—such as e-commerce, intellectual property in a digital economy, labor and environmental cooperation, and an expanding services trade. Moreover, by working more intensively with developing countries on FTAs—or even in preparing for them—the United States is finding that we are strengthening their capabilities to engage in regional and global trade negotiations by helping build capacity in these areas. In our free trade negotiations with Central America and Southern Africa, for example, we plan to closely target capacity building efforts to help these nations overcome obstacles that hinder effective participation in trade negotiations. As a result, we hope that our developing-world FTA partners will help forge a new global coalition in support of open markets by expanding their stake in the global trading system.

By encouraging such reforms, regional and bilateral trade agreements enhance relations with important allies and promote security. The U.S. free trade agenda can help fragile democracies in Central America and Southern Africa, and other developing nations, just as U.S. trade policy after World War II helped secure democracy and hope in Western Europe and Japan. And just as trade helped close the dangerous divide between East and West, it can also help close another painful global divide—that between North and South.

The Administration's activism on FTAs will also help us to build broader free-trade coalitions at home and within the U.S. Congress. Each deal enables legislators and the public to see the practical benefits of more open trade, often in the context of societies of special interest for reasons of history, security, geography, or other ties.

So that's our basic strategy for advancing free trade, and I believe that strategy is sound. Now I'd like to take a moment to discuss why this global trade agenda matters; specifically, how it supports economic growth, development, and yes, environmental protection.

First, free trade supports economic growth at home.

Two hundred years ago, the mercantilists believed that trade should be a government-managed business where exporters won and importers lost. Others—the

protectionists did not want to import any competition. But trade is like other business dealings both parties gain from an exchange with more choices, better quality, lower prices, and more competition. The more we expand trading networks with other nations, the more opportunities, better jobs, and economic growth we create at home.

Over the past decades, trade has proven to be an increasingly important source of growth in the U.S. economy. Between 1971 when I first studied economics in college and 2001, trade and returns on international investment have risen from 13 percent of the value of the U.S. economy to nearly 30 percent. As Alan Greenspan has said, "Openness and globalization are one of the most underestimated aspects of U.S. growth throughout the 1990s coming off the Uruguay Round and the North American Free Trade Agreement."

Expanded trade imports as well as exports improves our well-being. Exports accounted for about 25 percent of U.S. economic growth over the course of the past decade and support an estimated 12 million jobs; moreover, because those workers compete successfully around the world, they are more productive, and their wages are estimated to pay 13 to 18 percent more on average than non-export jobs.

By lowering prices through imports and increasing incomes through trade, NAFTA and the Uruguay Round agreements have provided the average American family of four with benefits amounting to \$1,300 to \$2,000 each and every year. A University

of Michigan study shows that lowering remaining global trade barriers by just one third would boost average annual American family income by an additional \$2,500.

A free and open trading system is critical to many of the most competitive sectors of the U.S. economy. American farmers plant one in three acres for export and nearly 25 percent of their gross cash sales are generated by exports. Manufacturing exports are roughly 35 percent of the value of U.S. manufacturing establishments' output.

America's dynamic high-tech sector depends on exports, with \$189 billion in foreign sales last year. Software producers earn over half of all their revenue overseas.

Open trade is the passage to the potential of the global economy for today and tomorrow. For the present, the prospects of increased trade opportunities can strengthen interest in investment and confidence in financial markets, adding wind to the sails of commerce and building jobs at home.

Second, free trade encourages development in poorer countries.

A few weeks ago, Washington had another visit from anti-globalization activists. They claim that developing countries have little to gain and much to lose from trade and growth. In fact, abundant research demonstrates that developing countries have much to gain from opening their markets to trade and everything to lose by staying closed to global commerce.

As we have seen from Seoul to Santiago, when trade grows, income follows. The World Bank conducted a study of developing countries that opened themselves to global competition in the 1990s, and of those that did not. The income per person for globalizing developing countries grew more than five percent a year, while incomes in non-globalizing poor countries grew just over one percent. Globalizing developing countries sharply reduced absolute poverty rates over the last 20 years, and the income levels of the poorest households have kept up with the growth.

Research also highlights the benefits that developing countries could gain from lowering their own barriers to trade. One study predicts that developing countries would see a \$540 billion dollar annual income gain from the elimination of barriers to trade in goods, with three-quarters of that gain due to the elimination of developing countries' own trade restrictions. The complete elimination of barriers to trade in goods globally could lift an additional 300 million people in developing countries out of poverty by 2015—more than the entire population of the United States.

Developing countries could realize another nearly \$900 billion in annual gain from the elimination of their barriers to trade in services, a relatively untapped area of liberalization.

Overall, it is estimated that the elimination of global trade barriers would increase world income by \$1.9 trillion each and every year.

Reading about research is one thing, but lowering trade barriers is difficult. Even if the payoff is great. That is why U.S. trade policy is concentrating on helping American communities and developing countries gain the benefits of trade and globalization.

There has been much debate about whether developing nations need trade or aid. We believe the powerful new idea is the marriage between the two. We are linking U.S. aid to trade to help developing countries build the capacity to take part in negotiations, implement agreements, and connect trade liberalization to a program for reform and growth. Trade combined with targeted aid will help fulfill President Bush's commitment to include all the world's poor in an expanding circle of development. During the past year alone, U.S. capacity building assistance totaled \$638 million. Properly targeted, this can have a tremendous impact.

For example, the nations of CARICOM, the Caribbean Community, requested computers and network equipment to coordinate trade policy positions across their 15 member states. The United States responded by purchasing and installing networked workstations in each of the country's trade ministries, and hiring technical personnel to manage them. The system has tremendously improved the flow of information among CARICOM's members, greatly leveraging their effectiveness in trade negotiations.

Finally, of particular interest to this audience, I want to discuss the relationship between trade, investment, and the environment. And I'd like to start with a positive story concerning an American company and investment in China. It illustrates how trade and investment can help change attitudes about the environment and speed the spread of pollution control technology.

In 1998, Kodak paid \$380 million for assets belonging to three failing state-owned enterprises in the eastern Guangdong port city of Shantou. Kodak's decision to use those facilities to make X-ray film helped save jobs in that community and injected new capital and technology the plant.

The city of Shantou had little experience with corporate environmental stewardship. Indeed, a government-run power plant near the Kodak factory spewed forth a continual column of tar-black smoke. It was so bad that the *South China Morning Post* noted that "When the wind blows from a certain direction, black ash from the power plant's smokestack rains down on people in the vicinity."

The previous managers of the film factory also demonstrated scant concern for the local environment. Today, however, Kodak runs a cleaner and more efficient oil-fired burner in their plant, replacing the old coal-fired burner. Kodak also runs its waste water through a state-of-the-art treatment facility, while its neighbor just dumps its run-off in a nearby river with minimal treatment. After it is processed, Kodak claims its waste water is clean enough for goldfish to live in.

Kodak's attitude toward the environment is starting to change local minds. When Kodak initially bought its factory, local employees didn't understand why the company was "wasting" money on protecting the environment. Managers had to explain how responsible corporate environmentalism could also be good business. In addition to the direct environmental benefits, Kodak pointed out that the increased efficiency of the oil-fired burner, for example, will generate considerable savings over time. And its new water treatment plant captures silver used in the film-manufacturing process which can be resold, more than repaying the original cost involved in building the treatment plant.

Over the long run, however, the most important contribution Kodak will make to Shantou will be to raise incomes there. And, experience has shown that as incomes rise, the demand for improved environmental quality will rise along with it.

Numerous studies have confirmed that trade and investment lead to greater prosperity, and such growth has a positive impact on environmental conditions in the developing world.

Trade is important for growth, but there is more that we can and will be doing. Congress, after years of wrangling, has now answered the question of whether environment should be integrated into U.S. trade negotiations and the answer is "Ayes." The TPA legislation signed last August by the President incorporates a balanced set of environmental objectives: to ensure a level playing field for the United

States through effective enforcement of our trading partners' environmental laws; to guard against the use of environmental standards for protectionist purposes; and to help developing country trading partners build their environmental protection capacity through cooperative mechanisms. We will be pursuing these objectives in each of our FTAs, including the Singapore FTA Ambassador Zoellick was finalizing this week and our soon-to-be-concluded negotiations with Chile.

Environmental issues are likewise at the heart of the Doha Development Agenda. Within this WTO mandate, the United States is seeking to identify initiatives that enhance the natural symbiosis between trade and environmental policies. A good example is our effort to negotiate new disciplines on subsidies that contribute to over-capacity in the global fishing industry, leading to depletion of global fishing stocks. We are also pressing for increased market access for environmental technologies, thereby helping U.S. exporters while giving importing countries access to the full range of cutting-edge technologies. And we are exploring new avenues to increase cooperation between the WTO and secretariats responsible for trade-related multilateral environmental agreements, such as the Convention on International Trade in Endangered Species and the Basel Convention on Transboundary Movement of Hazardous Wastes.

In addition, environmental reviews of trade negotiations have become an important part of the process, starting with the Chile and Singapore negotiations.

The environment reviews for the Free Trade Area of the Americas and the Doha Development Agenda are already underway. We will be conducting similar assessments during our new FTA negotiations. We are working closely with many departments and agencies to ensure that our approach to reviews is sound and to encourage and support other countries to conduct their own studies.

The United States also continues to fund programs that make a positive impact through the U.S. Agency for International Development and through multilateral institutions like the World Bank. USAID is funding NGOs to work with governments and civil society to build capacity for conducting environmental assessments of trade agreements. For example, in Brazil, USAID supports a Renewable Energy Organizations Network. In Central Asia, U.S. contributions support a Replicable Waste Minimization ProgramCa program run in partnership with the World Environment Center.

Most importantly, as the United States builds opportunity through trade agreements, we help demonstrate that trade, environmental stewardship, and economic development are and can be mutually supportive goals.

Conclusion

In conclusion, the Bush Administration, in close cooperation with Congress, is working to open markets in a way that promotes growth, development, and a cleaner

environment. I think the current outlook is encouraging—the prospects for using trade and openness to build new opportunities are brighter than ever.

It is important to remember that the really important tasks begin after the trade agreements are signed. No matter how successful, the U.S. trade agenda can only provide a *framework* for progress. It will be consumers, businesspeople, civil society, workers—many of you in this very room—that will do the hard work to change the world: by harnessing competition and openness to improve productivity, to develop and market new clean technologies, by investing in new markets, and by adopting a long-term vision that recognizes the essential links between trade, prosperity, and the health of the planet.

I salute your efforts and look forward to seeing what comes next. Thank you.