

Amb. Robert B. Zoellick Remarks
Electronic Industries Alliance
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Well, in the spirit of your special honored guest, gutenacht. It's a great country isn't it. I mean, it's a really a tremendous thing which I probably associate with your group about the possibility of an open society and drawing the best from around the world and trying to make it all happen in the United States which is a lot about what all of you stand for. And I want to thank my friend, Dave, for inviting me to be here this evening. Dave has been a very strong advocate of international trade, both when he served in the Congress, when I first had a chance to work with him but also now as president of the Electronic Industries Alliance, and I very much appreciate his leadership then and his leadership now.

I'm also very honored to have this chance to be here with Carly Fiorina from H.P., the recipient of your medal of honor. She's long been a leader in the high-tech industry, and it's very fitting that you honor her tonight.

Of course, the high-tech industry is in the business of being at the forefront of economic change. You operate in a world where product lifecycles are measured in months, not in years, and in which the global sourcing networks are now the lifeblood of your business.

Tonight, I'd like to talk with you a little bit about how America's trade policy agenda is trying to respond to the needs of a globalized, fast-paced industry such as yours, because rapid technological change poses both challenges and opportunities for America's trade agenda.

Consider this: When negotiations on the Uruguay Round began back in 1986, windows were only made of glass, and mouse was still just a rodent, and the hottest IBM desktop came with a 20 megabyte hard drive. Today, there is more computer power in your car than there was in the Apollo spacecraft. And today, there's more people in South Africa alone who will log on the Internet than took part with the Internet in the entire planet in 1994 when the Uruguay round was completed.

The global rules that were written then for international trade didn't protect copyrights for digital downloads. The world trading system took only its first initial steps liberalizing services markets. Rules for e-commerce didn't exist, because e-commerce didn't exist. And countless new high-tech products that were never even imagined in the mid-nineties have been invented and marketed since the Information Technology Agreement took form in the mid 1990's.

So the challenge now for trade negotiators is how we try to keep the global trading rules and objectives aligned with a very rapidly changing, globally interconnected digital society. I really wish that the lifecycle of global trade negotiations was as short as the lifecycle of the latest laptop computer. But with 147 members operating through a consensus, I'm afraid it

takes a while for the countries of the World Trade Organization to agree not only on the big policy decisions but then on the details that we have to put in writing.

And that's one reason why President Bush decided to push a multi-tiered trade agenda that doesn't depend entirely on the WTO trade negotiations to move forward our trade liberalization agenda. With our strategy of moving forward simultaneously on multiple fronts – globally, regionally and bilaterally – we're trying to spur momentum at the same time that we're customizing to meet special needs.

Like you, we have to try to think globally, but we have to customize and act locally.

Now, this strategy is producing some real results. Since winning Trade Promotion Authority with the help with many of you in 2002, this Administration has already negotiated free trade agreements with 10 countries, and we're in the process of negotiating or about to start negotiating with 13 more. And these negotiations are now moving on a faster timetable, a faster cycle. Now that we are building on a template, we're negotiating these free trade agreements in a year or even less.

Last week, we signed a free trade agreement with Australia – that's only the third free trade agreement between developed countries in the world. This Thursday we hope to close a free trade agreement with Bahrain. This Friday we hope to sign a free trade agreement with the five Central American countries. In about two weeks we hope to sign a free trade agreement with Morocco. So we're in the process of getting some momentum. But the detailed work on the free trade agreements enables us to advance more because we're on the pioneering frontiers of trade negotiations... we're trying to negotiate state-of-the-art, cutting-edge free trade agreements for the new digital trade of the 21st Century.

And the cumulative weight in these free trade agreements is adding up: Together, our recent and pending free trade partners now amount to America's third-largest export market, and the sixth-largest economy in the world. But even more important than the quantity of these agreements is the quality of the market-opening that we're achieving. We're negotiating provisions that now keep up with the fast-paced change of your high-tech industry. For example:

- In all these agreements, we establish copyright protections for digital downloads, to guard against international piracy of movies, music, and software. When we first started negotiating this with Chile and Singapore these rules didn't exist. People just saw intellectual property protection as hard copy. But in a world where you're going to download into a hard drive, you have to be able to protect that copy so we've created a new set of protections and we're spreading it in other agreements around the world.
- To make sure that other countries don't allow the circumvention of technological protection measures we also have special rules that help control the piracy of software on disks and devices.

- We're opening up e-commerce, getting countries to commit not to impose tariffs or restrictions on the movement of digital products across borders.
- We're securing provisions on technology neutrality, a very important element for a competitive economy like ours and commitments to use open and voluntary technological standards to promote the competitiveness of U.S. business.
- And we're getting services markets opened up with strong commitments on regulatory transparency.
- We're also in each of these free trade agreements making sure that if a country did not sign up for the Information Technology Agreement that we make sure they do so so they eliminate their tariffs on electronics and IT products.

Now all of these achievements are important, and all are possible because of the President's firm commitment to free trade and open markets. The President believes that America's workers are the very best in the world, and they can compete with if they're given a fair chance. But he also believes it's important to combine our market-opening agreements with strong enforcement.

Now the higher standards that we achieve in these free trade agreements give us leverage for trying to solve enforcement problems.

And our enforcement strategy is very simple and straightforward: we're focused not on process, but on producing real results that create opportunities for American workers and American companies.

Now some have suggested that we should measure the commitment to trade enforcement by how many lawsuits we bring in the WTO. That may be a great yardstick for K Street law firms, but it's not a good measure of real commercial results, especially in an industry that is as fast-moving as yours.

Just a few weeks ago, for example, we were able to solve seven potential WTO cases with China through the use of leverage, tough discussions about the way to achieve mutual interests, and some very practical problem-solving. Now, of course, this involved months of very detailed work with both U.S. industries and Chinese officials in a host of ministries, and it culminated in the meeting we had with Chinese Vice Premier Wu Yi. For the high-tech industry, we produced real results that will improve China's protection of intellectual property, keep open China's market for wireless internet computing, and ensure technology neutrality in China's deployment of next-generation cellular telephone networks.

That same week, we were able to announce with Korea that it agreed to technology neutrality in its mobile telephone networks.

This very week, my deputy Josette Sheeran Shiner is in China and in Korea, to follow up on these commitments. Right before her trip, we learned that China is also following up on

another topic that we worked on to try to make changes in the industrial policy that China had set for autos.

Now of course we use WTO cases as one potential tool to solve these problems. Using WTO litigation on behalf of America's workers and companies, enabled us to recently win a telecommunications case against Mexico that's worth hundreds of millions dollars a year annually to our high-tech industry, and we filed the first ever WTO case against China against the discriminatory taxation of U.S. semiconductors.

We also use our leverage with countries that want to enter free trade agreements with the United States. Dealing with some of these issues before negotiations even begin allows us to produce what we are in the market for - real results. Just recently we were able to get Colombia to resolve a dispute with Nortel that's been worth tens even hundreds of millions of dollars.

In many other such situations, such as the ones with China and Korea that I mentioned, the high-tech industry has correctly pointed out something that is very important and that is by the time we would have filed the first legal briefs in a WTO case, the technology in question might have been obsolete. So a stalling strategy could be a winning strategy so when we talk about enforcement, the heart of our interest is trying to get measurable results on the commercial side, not just litigation for litigation's sake.

Now our work at USTR, like that of your industry, runs from the details of individual products and transactions to the big picture of the world economy. So I'd also like to spend a moment with you talking about the strategic economic opportunity that I believe we can grasp.

I believe that the U.S. economy is now very firmly taking hold of a recovery. Yet we need to combine that strong U.S. growth – as well as growth in other regions -- with a global trade agreement that will deepen, and broaden, and extend that recovery worldwide.

In the early 1990s, the U.S. economy was poised to seize the huge opportunity presented by the opportunity and stimulus of more open global markets. A decade later, we now have a similar opportunity to jump-start our economic expansion with a global agreement to open markets. Many economies have been laying the foundation that will allow them to fully realize the benefits of an economic upsurge connected with global trade.

This global economic opportunity presents us with an opportunity, but the opportunity is different from that of the Uruguay Round in the 1980s and early 1990s in part because of the rapid technological change – driven by many of your companies – that has swept the planet in recent years.

Technological change of course has made the world so much more wired and interdependent, smashing old barriers to the mobility of ideas, information, capital, and production across national borders.

And the nature of commerce itself has changed, both with global purchasing and just-in-time manufacturing and retailing networks that are so critical to your industry. They transformed production and marketing of everything from DVD players to the software that runs on them from a local effort to a planet-wide process that has to involve multiple countries.

And as all of you know, since the end of the Cold War we've gone from about one billion people in the world market economy to six billion people in the world market economy by particularly with the focus and change in China and India.

Now of course, such a huge expansion in the global economy poses a challenge, but it is also an opportunity. America sends far more services to the world than China or India send to us... and we have a huge trade surplus in services that supports millions of good-paying U.S. jobs. And of course the insource into the United States supports about 6.5 million U.S. jobs.

The implications of change – in technology, in production networks, in the size of the global market – are profound. And in the face of these changes, we cannot trim our sails.

To integrate successfully five billion new people - and mostly poor - in the global economy, we're going to have to be bold and ambitious in our agenda to open markets and expand trade, including in agriculture, industrial goods, and services.

To keep generating good jobs for Americans here at home, we have to stand firmly against economic isolationists and keep opening markets for America's products and services. To keep pace with rapid technological change, we must safeguard innovation while enabling more people to benefit. To successfully address new challenges that are part of the global trading networks, we must tear down tariff walls and non-tariff barriers, especially in high-tech goods, and we must also overhaul old customs procedures that choke trade at borders.

Under President Bush's leadership, America is responding to these challenges and to the opportunities.

Earlier this year, we had the sense that countries were recognizing that the breakdown that took place in Cancun in the Doha negotiations was a missed opportunity, certainly not a cause for celebration. So I wrote a letter to all my WTO colleagues putting forward ideas on how to move the Doha negotiations in 2004. I stressed that the United States did not want 2004 to be a lost year for global trade negotiations.

I suggested that we focus on the basics but that we remain very ambitious. My letter suggested that we remove from the table some of these issues that had become distractions, that create large disagreements but frankly offering rather modest economic gains. And it recommended that we focused on the breakthroughs in the most important areas of the negotiations, where success would build momentum for the rest of the global round.

I followed up on that letter the next month with a 32,000-mile, around-the-world trip, where I met with Ministers from more than 40 WTO members. And then in April, I hosted a small meeting in London to try to keep the process on track and narrow differences including major

developing countries. Just two weeks ago in Paris we had another meeting where I think we were successful in pushing ahead the Doha agenda.

We've seen some important progress, and we've seen growing momentum. And we welcome some flexibility from the European Union particularly in agriculture.

In industrial goods, an area of great importance to the high-tech industry, I believe that we're closing in on a framework for liberalization that will focus on core elements, including a non-linear, line-by-line formula cut in tariffs, complemented by eliminating all tariffs in negotiated sectors and a serious effort to try to address the non-tariff barriers, both sector-by-sector and across sectors.

Now, I know these tariff cuts remain a very top priority for EIA, so I encourage you to continue to help us by working with industry associations in other countries to try to build a critical mass of countries that are willing to participate.

Working together – the private sector and government in our country can work with the private sector and governments in other countries -- to reinforce one another.

Our goal remains to try to achieve agreement on these critical frameworks in agriculture, goods and services by the end of July. And with your help, I think this goal is within reach.

Now we don't know today whether people will look back on the year 2004 as part of the long effort to open markets, build economies, spur development, reduce poverty, and improve lives. We do know that we are presented with a strategic economic opportunity. It is a chance to stimulate -- and deepen -- this global economic recovery that is just now beginning to gather strength.

We also know that this opportunity comes with the challenges that we didn't face the last time we opened markets on a global scale. Like the challenges of aligning trade rules with the fast-paced change of high-tech industries. Like the challenges of using enforcement strategies that will produce real results, not just rhetoric and lawsuits. And like the challenges of dealing with billions of new entrants to the global trading system.

Because of these challenges – and these opportunities – our trade agenda must be bolder and push faster for results than ever before.

And to achieve that, we need to keep up the positive momentum that you have helped us to build on:

- By passing these bilateral free trade agreements through the Congress, including this year...
- By negotiating new free trade agreements that set very high standards for liberalization...

- By pressing other countries to create a level playing field for U.S. exporters...
- And importantly by making the case in your communities and with your employees about the importance for open markets for your companies and the country...
- And by renewing our commitment to make 2004 a year of real progress in the Doha round of global negotiations.

President Bush is committed to these goals. And I know all of you share that commitment. But as you also know, the Constitution gives Congress the authority over trade. We need to make our case -- your case -- with Members of Congress, both at home and in Washington.

We appreciate all that you've done to help us so far, and we're counting on your help to achieve even more. Thank you very much.