THE PRESIDENT'S 2010 TRADE POLICY AGENDA

I. THE PRESIDENT'S TRADE AGENDA

Our Goal: Making Trade Work for America's Working Families

President Obama's economic strategy halted the slide into a deep economic crisis and laid the foundation for renewed American prosperity that is more sustainable, fairer for more of our citizens, and more competitive globally. This progress required bold policy decisions at home, bolstered by efforts abroad to keep world markets open and economies moving toward greater stability.

During the most severe recession since 1945, the nations of the world decisively rejected a protectionist panic. The steady resolve of the world's leadership preserved the basis of the global trading system – and the potential of that system to aid economic recovery – through the worst of the downturn. The G-20 nations each pledged to honor their obligations on trade and to work toward a balanced and ambitious outcome in the Doha Round of World Trade Organization (WTO) negotiations. In the United States, while crafting measures together to stimulate the American economy, Congress and the President reaffirmed our commitment to international trade obligations.

As we reiterated the U.S. commitment to the rules-based global trading system, we exercised American rights within that system to bring more of its promised benefits – jobs and economic opportunities – home to American families and businesses. Fighting for market access abroad and responding to unfair foreign competition at home sometimes required new dispute proceedings at the WTO or action through other venues; in other cases, long-standing disputes that had paralyzed American ranch and farm exports were resolved through reinvigorated negotiations. We also found new market opportunities in existing vehicles for trade consultations – for instance, through a Joint Commission on Commerce and Trade agreement to further open China's market to American wind energy products.

In 2010, American exports will be critical to the creation and support of new American jobs. Accordingly, President Obama has set a goal of doubling U.S. exports in the next five years – an increase that will support 2 million additional jobs in America. Smart trade policies will play an important role in helping to meet the President's goals as part of the new National Export Initiative.

As part of our daily focus on spurring economic growth and putting Americans back to work, the Administration began several months ago to craft a comprehensive plan for reaching the President's goal of increasing exports over the next five years. Key cabinet agency officials including the United States Trade Representative and the Secretary of Commerce, along with the Council of Economic Advisers, the National Economic Council, and the National Security Council carefully analyzed growth trends in the world economy and policies the Administration could pursue to help improve U.S. export performance over the 2009-2014 period.

The President's National Export Initiative includes a newly created Export Promotion Cabinet, an enhancement of funding for key export promotion programs, the mobilization of government officials to engage in export advocacy activities, the launch of export tools for small- and medium-sized businesses, the reduction in barriers to trade, and the opening of new markets.

Creating and implementing these and other forward-leaning policies requires a frank conversation with Congress and with the American people about the benefits and challenges of engagement with global trade and investment.

The President's Trade Policy Agenda for 2010 advances a robust American role in the global trading system by further outlining what trade can mean for American exports, jobs, and economic growth – and also for global economic recovery and well-being. It discusses policies that implement our commitment to the rules-based trading system and the enforcement of our rights within that system. It outlines the steps that we will take to further stimulate jobs and growth here at home and around the world, and how we are building on existing trade agreements and pending pacts. It addresses how our trade policy partners the United States with the developing countries of the world. And it examines the Administration's commitments to the American people on energy and the environment, to making trade policy more reflective of American values – including the fundamental rights of workers – and to political transparency in trade policy.

Trade and American Jobs

Effective trade policy helps increase exports that yield well-paying jobs for Americans – a win both for our companies and for our working families. Whether businesses are large or small, studies show that firms engaged in trade usually grow faster, hire more, and on average pay better wages than those that do not. In recent years, exports of manufactured goods have become an important source of employment, supporting almost one in five of all manufacturing jobs.

Commerce Department estimates suggest that over 10 million jobs were supported by exports in 2008 and doubling exports from 2009 to 2014 could help exports support millions more jobs. Export expansion will also bring broader benefits for American recovery: the U.S. economy began to expand again in the last six months of 2009, at a rate of 4 percent (on an annualized basis) – and rapidly growing U.S. exports contributed nearly 2 percentage points to this growth rate.

Trade is also the lifeblood of many American farms and ranches. Compared to the general economy, U.S. agriculture is twice as reliant on overseas markets. And our traditionally high levels of exports of such crops as wheat, rice, and corn are being joined by growing exports of fruits, vegetables, and animal products. The Agriculture Department estimates that our agricultural exports currently support jobs for more than 800,000 Americans.

To improve American prosperity, we must match other countries in seeking new international markets aggressively. About 95 percent of the world's customers and almost 80 percent of its economic production are already outside U.S. borders. International Monetary Fund forecasts indicate that nearly 87 percent of world growth over the next 5 years will take place outside of the United States. America cannot reach its full potential for generating jobs without selling more goods and services globally. As the President said in the State of the Union, "If America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores."

We have to be frank in recognizing that some Americans lose jobs as markets shift in response to trade competition. Working with Congress, the President was able to sign into law in 2009 expanded eligibility and much-needed advances in Trade Adjustment Assistance (TAA), including covering service workers for the first time. There is more we can and must do to limit the impact of dislocations and to support new jobs for workers in transition, and we will continue our ongoing work with Congress to ensure adequate funding for TAA programs and to ensure that U.S. workforce programs complement each other.

Effective trade initiatives can open markets and ensure that more of trade's benefits accrue to American workers. Trade promotion policies can help to meet expanded export goals with new advocacy assistance for American firms, more trade related financing, and policies designed to stimulate innovative technologies. But trade policy alone cannot achieve our goals. Our policies for education, investment, labor markets, health care, energy, the environment and innovation also have to respond to changes in the world economy. American workers will prosper and American firms will compete strongly only if we improve competitiveness at home.

A broad international effort is also vital. As President Obama said in November 2009, for the sake of a stable and balanced global prosperity, the major economies must work together to rebalance the world economy and avoid the boom and bust cycle that has plagued us. Trade policy has a key role in this rebalancing. As an economy, the United States needs to slow the rate of consumption growth, while it saves, invests, produces and exports more. Countries with large trade surpluses should increase their domestic consumption and imports as part of a more balanced growth strategy. Collectively, the community of nations has to break down long-standing barriers to trade and investment as well as newer impediments that obstruct trade and slow economic integration. Competitive global markets, governed by effective rules for trade and sound domestic policies, can advance our broader economic agenda for sustainable growth and prosperity shared by farmers, workers, ranchers, entrepreneurs large and small, and those who struggle economically here and around the world.

Our Policy Priorities

Support and Strengthen a Rules-Based Trading System

In a time of global economic challenge, the United States has reaffirmed its commitment to the rules-based trade system anchored by the WTO's system of multilateral trading rules and dispute settlement. The WTO is both a venue for multilateral liberalization through negotiation and a defense against protectionism. The alternative to respect for the rules is growing mutual suspicion and conflict among trade partners.

Strengthening of the trade system can occur through better enforcement of existing rights and through new rules negotiated to respond to changing economic conditions. Enforcement actions both increase public confidence in the fairness and effectiveness of trade rules, and they provide an equitable way to handle disagreements in a mature trade relationship. The WTO's system of dispute settlement is a vital avenue for countries to resolve difficult disagreements while maintaining solid working relationships. Just as importantly, a strong dispute settlement system gives countries an incentive to negotiate earnestly to avoid the risk of litigation.

It is not enough just to preserve past progress in trade liberalization and enhance public confidence in existing rules. We seek to continue the process of reducing trade barriers in order to strengthen the commerce that yields good jobs.

Although there are many avenues for trade negotiation, the WTO remains the most comprehensive venue and influences the functioning of the rest of the trade system. As the President made clear in a November 2009 speech in Japan, the United States is "working toward an ambitious and balanced Doha agreement – not any agreement, but an agreement that will open up markets and increase exports around the world." This is why we strongly support the work to complete an ambitious and balanced Doha Round agreement. A successful Doha Round will embrace a process of balanced and ambitious give and take among established or newly emerging trading powers, while giving due consideration to the special interests and circumstances of developing economies, including major achievements in regard to their development agenda.

There should be no mistake about the context for the Doha Round. The United States is the most open major market in the world. Similarly, the United States provides significant duty-free and quota-free market access to least-developed countries. The question is how to move forward based on this foundation, and whether advanced developing economies will accept responsibility commensurate with their growing economic influence.

In terms of what is currently on the table in the Doha negotiations, the value of what the United States would give in market opening, along with a reduction of U.S. agriculture support, is well-known and easily calculable. In contrast, the value of new opportunities for our businesses, workers, farmers, and ranchers remains vague because of the broad flexibilities available to key emerging markets, like China, India, and Brazil that are fast growing economies and important markets of the future. To achieve further progress, it is essential to gain more clarity in the level of market access contributions by advanced developing countries, and ensure that the results provide significant market opportunities for American entrepreneurs and workers in agriculture, goods, and services. Such market access contributions also will underpin the development goals of the negotiations given that 70 percent of the tariffs developing countries pay are paid to other developing countries.

The Doha negotiations, launched in 2001, had been stalled for years when President Obama took office in 2009. Strict focus on the effort to negotiate broad, generally-applicable formulas for tariff reduction (so-called "modalities") had produced no final agreement at ministerial gatherings in 2006, 2007, and 2008. Rather than agreeing to replicate the past negotiating process that had led to weak results, the United States has supported a different approach to the end game in order to gain a stronger outcome.

Since a review of the negotiations at the outset of this Administration, the United States clearly has indicated ways to advance the negotiations through a variety of mechanisms. These include pursuing negotiations focusing on tariff liberalization in selected industrial goods sectors (*e.g.*, chemicals, electronics, health care products, industrial machinery) and improved packages in services (providing new market access in key infrastructure services sectors such as financial services, information and communications technology, distribution, energy and express delivery). Meaningful progress on reducing non-tariff barriers that inhibit our exports is critical. The United States has led the way with proposals on remanufactured goods, and in sector-specific areas such as the automotive sector and electronics. The United States also remains a leader in advancing the Doha negotiations on trade facilitation aimed at reducing red tape and addressing other unwarranted customs barriers at the border – matters which especially concern U.S. exporters.

We remain convinced that a Doha success can be achieved if all major economies are willing to come to the negotiating table. Recent U.S.-led innovations in the negotiating process have supplemented the broad-based multilateral negotiations with direct bilateral engagement among key Members. The purpose is to achieve more clarity and to bridge gaps – especially with regard to ensuring sufficient market access contributions by advanced developing countries. In the Doha Round, the least developed countries are not being asked to make any commitments. In 2009, G-20 Leaders directed that a stock-taking of the Doha negotiations be conducted in early 2010, and the United States is committed to ensure that this be done in the most efficient and appropriate format that contributes to further progress.

A sound Doha agreement that provides meaningful liberalization in all three core market access areas – agriculture, goods and services – could boost the world economy, support many good jobs, assist poorer countries, and reinforce confidence in a rules-based trading system. In short, it would be good for the world and for the United States. But a weak agreement would not serve these interests and ultimately would weaken the WTO.

Enforce Our Rights in the Rules-Based System

The American people expect firm pursuit of our rights in the rules-based trading system in order to ensure fair competition with global trading partners. Americans succeed in global competition when partners play by the established rules for exporting and importing.

Our trade rights include protection of intellectual property, the ability to address a wide array of market access barriers to U.S. goods and services, and recourse to trade remedies when necessary. Taken together, these rights guarantee the economic opportunities of trade by reducing critical barriers to our exports and leveling the playing field among trading partners. Our rights also include the upholding of the American values embodied in basic international labor standards and in the implementation of international environmental agreements.

During 2009, this Administration responded to the call of the American people for more vigilant trade enforcement, and exercised our discretion to assert America's trade rights. Whether addressing a harmful surge of Chinese tire imports into the United States, challenging unjustified restrictions on U.S. exports of agricultural products in multiple countries, acting to implement a finding that Canada violated the softwood lumber agreement, winning distribution rights for American content companies in China, or filing suit over Chinese export quotas and duties on raw materials needed by core U.S. industrial sectors from steel and aluminum to chemicals, the Administration has taken actions under the legal remedies authorized by our trade agreements.

At the same time, we have made it clear that we welcome rapid and pragmatic resolution of trade disputes rather than prolonged uncertainty. In this spirit, we maintained some WTO-authorized trade sanctions, but refrained from imposing sanctions on new European Union products while working with the EU to address the long-standing American claims against policies that restricted imports of American beef.

We continue to strengthen our capacity to monitor markets and strongly enforce our rights and benefits under our trade agreements. This year, we will report and act on new measures instituted in 2009 to spot and address trade barriers that particularly affect America's agricultural producers and manufacturers, such as sanitary and phytosanitary measures restricting U.S. agricultural exports and technical barriers impeding our producers' ability to trade worldwide. We will continue to increase coordination between USTR and the Departments of State, Labor, Commerce, Agriculture, and other federal agencies to spot and respond to violations of our trade rights more quickly and effectively.

Many of the most troublesome problems for our exporters involve behind the border barriers that are co-mingled with legitimate rules for important social purposes such as privacy, consumer protection, and food safety goals. These purposes are recognized fully and supported under trade agreements, but they sometimes serve as an excuse to introduce discriminatory trade measures. Too frequently, scientific judgments and internationally accepted guidelines are ignored when making policies for agricultural products, including rules governing poultry sanitation, restrictions on pork and pork products in response to the H1N1 virus, non-science-based restrictions on the import of U.S. beef, and regulations governing some genetically modified food products. Even in trading partners with sophisticated regulatory systems, such as the European Union and Japan, certain regulations and enforcement actions are inconsistent with scientific evidence and internationally accepted guidelines. More vigorous enforcement of existing trade rules may address some trade related problems for such high-growth industries as biotechnology. When making decisions to enforce our trade rights, we will be careful to consult with other U.S. agencies to ensure consistency with, and the protection of, our own domestic policy interests. Because the foundations of global agricultural trade depend on economies' adherence to scientific evidence and internationally accepted guidelines, we will continue to rely on the best scientific advice when making our decisions.

Over the last year, we also instituted more vigorous scrutiny of foreign labor practices and began to redress practices that impinge upon labor obligations in our trade agreements, deny foreign workers their internationally recognized rights, and tilt the playing field away from American workers. We will enhance monitoring by USTR and other agencies of labor practices in FTA partner countries, ensure thorough review of all public submissions under FTA labor chapters, directly engage other governments to address areas of concern through dialogue and technical cooperation programs as appropriate, and invoke FTA consultation and arbitral panel provisions as needed. In addition to enforcement of labor provisions in trade agreements, we will intensify dialogue with key trade partners to ensure the discussion of labor rights as part of our trade discussions. In doing so, we will seek regular, high-level dialogue with key trade partners, including China, India, Mexico, Canada, and the EU, to elevate the discourse on the relationship between respect for labor rights and enhanced trade.

Monitoring our FTA partners' implementation of, and compliance with, environment chapter obligations is an important part of USTR's mission. USTR gathers information on implementation and compliance issues through regular meetings with our FTA partners, active engagement with our advisory committee members, and by engaging civil society in both the United States and our FTA partner countries. Recently, USTR created a Subcommittee of the Trade Policy Staff Committee (TPSC) to focus exclusively on monitoring of implementation and compliance issues for FTA environment chapters. These mechanisms and high-level dialogue on trade and environment issues with our FTA partners will provide USTR with the tools necessary to ensure our FTA partners are faithfully and fully adhering to their FTA environmental obligations.

We will enforce fully labor and environmental rights specified in our trade agreements, including through dispute settlement as necessary.

Enhance U.S. Growth, Job Creation and Innovation

American trade policy has to emphasize the pursuit of the most significant new market opportunities in ways that enhance sustainable growth, innovation, and good jobs through expanded trade.

Deepening engagement with major emerging markets is critical for American trade prospects. We placed a particular emphasis on countries such as China, India, Brazil, and Russia in 2009; these and other large emerging markets will figure prominently in the future. As a region, the Asia-Pacific will weigh much more prominently in American trade and world economic activity in the future, and it will take multiple initiatives to maximize the opportunities for the region. Deepening and strengthening our longstanding and vital trade ties with the European Union will build upon the already immense benefits of that relationship. Beyond geographic opportunities, we plan to target specific classes of market barriers that impede our trade, and focus on sectors that provide special opportunities for enhanced growth of jobs and innovation, working within and enhancing key bilateral and regional arrangements.

The U.S.-China Joint Commission on Commerce and Trade (JCCT) addressed numerous issues with our second largest trading partner in 2009. Some significant progress emerged on issues involving intellectual property (*e.g.* combating Internet piracy), better access for American wind energy companies, and agriculture (*e.g.* working to dismantle the barrier to U.S. pork products created over fears concerning the H1N1 virus), but many matters influencing market access remain unresolved including China's approach to industrial policies such as indigenous innovation. A greater understanding of best practices regarding government policies for intellectual property protection, the setting of industry standards, and government procurement practices could promote government policies that foster, rather than hamper, the development of technology markets. China's industrial policies in various sectors, particularly steel, involve substantial government involvement in production and investment decisions, contributing to production overcapacity and unnecessary trade frictions. Concerns about transparency also continue. We must continue to improve the management of the U.S.-China relationship to address concerns in a timely, proactive way. In 2010, we will make the JCCT more effective by ensuring our priorities reflect evolving market conditions and changing Chinese policies and develop work plans with clear outcomes and responsibilities. A successful and productive JCCT in 2010 will reinforce the United States' other work with China, including the Strategic and Economic Dialogue.

Similarly, in 2009 the Administration sought to strengthen frameworks for America's growing relationship with India. U.S.-India trade has doubled in the last five years. To accelerate this trend, the most recent ministerial meeting of the U.S.-India Trade Policy Forum set out a significantly expanded work program and refreshed its advisory groups. In 2010, as part of the Trade Policy Forum, we intend to address key trade irritants and develop cooperative initiatives – especially on issues related to innovation, services, agriculture, market access, and investment. Our plans also include work on a commercial space launch agreement and continued negotiation of a Bilateral Investment Treaty.

After years of emphasis on the multilateral dimension and bilateral concerns in the U.S. trade relationship with Brazil, this Administration sought a more collaborative focus in 2009. U.S. exports and imports with Brazil more than doubled between 2001 and 2008 in a balanced trading relationship. We can do even better with a stronger bilateral mechanism for engagement, and in 2010 we will explore options for the creation of a more robust formal framework for trade dialogue between the United States and Brazil.

In 2009, the United States worked with Russia to develop a well-functioning and more mature trade relationship in keeping with the objective of both our governments for a stronger overall partnership. Even as we pressed strongly for changes in Russian policy to end significant barriers to American farm products and other exports, we still worked diligently with Russia on how it could achieve its goal of accession to WTO membership. Since the apparent reversal of Russia's announced plan to accede to the WTO as part of a customs union with Kazakhstan and Belarus, we have awaited clearer signals on its trade plans in 2010, including its intentions on how to resume work on its WTO accession and to resolve a bilateral trade concern. We will continue to work with Russia to ensure that trade and investment priorities keep pace with other important aspects of our bilateral relationship.

Bilateral relationships are crucial. But as we know, multi-faceted regional economic relationships are of major, and even growing, importance for United States and for the world.

The Asia-Pacific region, encompassing Asia and the Americas, already constitutes the largest share of the world economy, and that share will continue to grow in the coming decade. If the United States is to benefit from more exports, job expansion, and accelerated innovation through trade, the Asia-Pacific must take a central place in our trade agenda. And countries in that region must see the United States as a committed and engaged trading partner if we are to remain similarly at the center of its network of intensifying trade relationships.

Given the region's diverse institutions, an Asia-Pacific strategy necessarily must include multiple, complementary approaches. Finding the right vehicles for achieving our interests was a critical task for our trade agenda in 2009. Two initiatives with different approaches and constituencies will be central to our regional efforts in 2010 and 2011.

After a careful analysis and extensive consultation with Congress and with stakeholders, the United States announced in December 2009 that it intends to enter into negotiations of a regional, Asia-Pacific trade agreement, known as the Trans-Pacific Partnership (TPP) Agreement, with Australia, Brunei, Chile, New Zealand, Peru, Singapore, and Vietnam. The Administration believes that the TPP is the strongest vehicle for achieving economic integration across the Asia-Pacific region and advancing U.S. economic interests with the fastest-growing economies in the world. Building on the most forward-looking aspects of existing Free Trade Agreements (FTAs) and on the emerging special opportunities and challenges characterizing the Asia-Pacific market, the United States intends to shape a broad, deep, and high quality 21st century regional trade agreement. We believe that the dynamic economies of the countries involved in the negotiation, and its strong policy ambitions, will lead other countries to seek to join the undertaking.

The Administration will develop its negotiating objectives for the TPP Agreement consistent with its pledge to engage fully with diverse stakeholders in America. To that end, this Administration has embarked upon an unprecedented scale and scope of consultative outreach related to TPP involving all 50 states and key Congressional committees. We will organize advice not just by traditional industry boundaries, but also in response to cross-cutting concerns involving matters ranging from labor and the environment to the efficiency of regional supply chains and the concerns of small- and medium-sized businesses. This effort will also demonstrate that a properly designed process of expanded consultation with stakeholders and Congress does not have to slow down trade negotiations, but can in fact energize talks. We plan to participate in the first two negotiating sessions of the TPP in the first half of 2010, even as the consultative process progresses.

At the same time, we will continue work with our trading partners in the Asia Pacific Economic Cooperation (APEC) forum to build consensus and advance work on critical trade and investment issues leading up to 2011 when the United States will host APEC. To this end, we are coordinating with the 2010 host nation, Japan, on an ambitious agenda that engages APEC's broad membership on crucial trade and investment topics for the region's future. Initiatives in APEC are a successfully demonstrated way of building a stronger and constructive American role in the Asia-Pacific market.

The expanded APEC agenda addresses many of the key prospects for growing jobs through expanded exports and faster rates of economic growth and innovation. For example, in 2009 APEC concluded work on an initiative co-sponsored by the United States, aimed at enhancing the cross-border trade of services that has become so vital for American exporters. APEC members also took steps to make it cheaper, easier, and faster for businesses to conduct trade in the region in order to expand exports and grow jobs. Specifically, we worked to simplify rules of origin and documentation, making it easier to take advantage of preferential trade deals in the region; to reduce the time, cost, and uncertainty of moving goods and services through the region by improving logistics and transportation networks; and to improve the transparency and accessibility of APEC economies' customs information and regulations. We believe that these new APEC work programs will stimulate the trade-driven growth of small- and medium-sized enterprises that particularly need less red tape and more cost-effective logistics. Additionally, APEC members agreed on an ambitious plan to address barriers to trade and investment in environmental goods and services.

The TPP and APEC initiatives will be complemented by other undertakings in the region. For example, we are committed to continue working with the ten Southeast Asian countries that comprise the Association of Southeast Asian Nations (ASEAN) to build our economic relationships in this region of commercial and strategic importance to the United States and to support ASEAN integration.

The Administration recognizes the maturity, stability, and immense mutual benefits of the U.S. trade relationship with the European Union. The instances of transatlantic trade tensions are dwarfed by the depth of our investment and trade ties, much of which translates directly to jobs and which signifies the leadership of the United States and Europe in a 21st century innovation economy. A deepening of this partnership and removal of remaining impediments promises even greater returns. We will look for ways to respond more fully to the shared challenges we face as an innovation-driven transatlantic market, especially as other major trading partners assume a more prominent role in global trade. While fully respecting those who regulate on behalf of the health and safety of American and European citizens, we must also find means of minimizing trade conflict in the regulatory sphere, particularly in areas where technology is presenting new challenges. We also are confident that the United States and the EU can benefit from a fuller sharing of experiences about the vital roles of small- and medium-sized enterprises (SMEs) in our trade relationship. For example, a larger percentage of European SMEs export globally than do U.S. SMEs, and we will seek to identify lessons to help U.S. small businesses enjoy similar export successes.

Even as we address trade in bilateral and regional contexts, a smart trade policy must also pursue new ways to enhance our prospects in the high-growth, high-value-added markets at the core of American competitive strength in goods, services, and many parts of agriculture. This leads us to another set of trade initiatives focused on our biggest growth opportunities.

The significance of non-tariff barriers has increased in the global trading system as tariffs have declined. While enforcing existing rules governing non-tariff barriers is essential, we will pursue new initiatives on non-tariff barriers that bolster the legal protections of our exporters and investors within the rule-making and judicial processes of our trading partners. We will propose agreements on improving transparency in decision-making because they reinforce the right of American firms to be full players in the process. We will advocate for agreements reinforcing the rights of American firms to the same treatment as the firms of the host country, including the state-owned enterprises that often receive privileged treatment under national industrial policies.

We will tackle one of the most vexing problems for American firms on world markets: the costly and time-consuming regulatory review of products across many national markets. Whenever the prospects for success are reasonable and our own ability to regulate in the public interest can be fully protected, we will use trade policy to help American firms get their products to market more simply and more efficiently. For example, winning recognition of testing results issued by qualified U.S. laboratories by regulators in other countries could reduce costs and simplify safety certification while upholding safety standards.

Because fostering innovation is essential to our prosperity and to the support of countless jobs in the United States, we will protect American inventiveness and creativity with all the tools of trade policy. Insufficient protection of intellectual property rights undermines key U.S. comparative advantages in innovation and creativity, to the detriment of American businesses and workers. We will address insufficient protection of intellectual property rights by negotiating and enforcing effective intellectual property protection in a manner compatible with basic principles of the public welfare. This will also advance global welfare, as the innovation rewarded by creation of intellectual property rights will be essential for solving pressing global energy and environmental issues. At the same time, we will continue to recognize the need for timely transparency and public consultation when addressing intellectual property problems in rapidly changing markets, as our domestic legislation on intellectual property represents a careful and complex balancing of competing equities. This is why we have committed this year, with our trading partners, to assure meaningful public input on the proposed Anti-Counterfeiting Trade Agreement.

We will also pursue opportunities to improve trade rules in global and regional markets that present the largest opportunities for boosting innovation that can benefit American exports and even improve well-being around the world. For example, a 1990s trade initiative on e-commerce cleared the way for the global expansion of markets that was newly possible due to the emergence of the World Wide Web. This created major opportunities for American exports of information products and services. Today, another wave of major change in information and communications technology goods and services has expanded people's opportunities to benefit from powerful information services around the world, enabling sweeping innovations ranging from smart energy grids to vastly expanded telemedicine. We will discuss with our trading partners how trade policy could best enhance these new infrastructure services and technologies that are the digital foundations for the global innovation at which American firms particularly excel. When trade policy can advance these or other large opportunities for growth, such as energy and environmental technologies, we will respond by being flexible about the forum and the means.

Work to Resolve Outstanding Issues with Pending Free Trade Agreements and Build on Existing Trade and Investment Arrangements

Like other members of the WTO, the United States has created an extensive series of bilateral and regional trade and investment agreements. Last year, we pledged to seek paths forward on three pending Free Trade Agreements, and to build on important existing agreements to better achieve our goals of more jobs, higher growth, and the promotion of our core values. We seized the opportunities offered by current Free Trade Agreements and Trade and Investment Framework Agreements to discuss problems and launched new initiatives with a number of partners. We promised a careful review of the North American Free Trade Agreement (NAFTA) and of the model text guiding our negotiators on Bilateral Investment Treaties (BITs).

The Administration continues to believe that proper resolution and implementation of Free Trade Agreements with Panama, Colombia and Korea can bring significant economic and strategic benefits. However, there have been serious questions in America about some aspects of these pending pacts. Rather than brush these questions aside, we conducted extensive consultations with Congress, stakeholders, and the public on the pending Agreements, including a *Federal Register* Notice on Colombia and Korea to more precisely identify issues. We will continue to engage with the Governments of Panama, Colombia, and Korea as we further refine our analysis of these issues.

With Panama, we are tackling issues involving reform of its labor regime to achieve consistency with the pending trade agreement and are pursuing an understanding on tax transparency rules. We have begun working with Colombia to assess and improve the labor code and the measures to address violence against labor union officials to ensure that union rights in that country can be fully and freely exercised. With Korea, we are determining how best to address outstanding issues, particularly related to automobiles and beef, in light of the recent agreement between President Obama and President Lee to work together to move the agreement forward. If these outstanding issues can be successfully resolved, we will work with Congress on a timeframe to submit them for Congressional consideration so our producers can take full advantage of the opportunities presented by these agreements.

Our partnership with Canada and Mexico is strong. We will seek opportunities to further strengthen this relationship both bilaterally and through the NAFTA process during the coming year. Last year's trade agenda promised to examine how to recalibrate the NAFTA, so that it better responds to the challenges facing North American competitiveness and the needs of our societies in the United States, Canada, and Mexico. The task now is to determine how best to make improvements in labor practices and policies, and environmental practices and policies, into complements to our common NAFTA goal of accelerating job creation and economic growth. Our trade ministers have agreed to seek closer cooperation to strengthen our undertakings with regard to labor and environmental issues related to our trade relationships.

With all NAFTA commitments to eliminate duties and quotas now fully phased in, regulatory cooperation is the next big opportunity to facilitate trade in North America and increase our global competitiveness. Our three governments agreed to focus in 2010 on cooperating to reduce unnecessary regulatory differences on matters such as standards and technical regulations. This priority is in keeping with the Administration's commitment to increase exports by small- and medium-sized American enterprises, as they disproportionately experience the costs of regulatory disparities when seeking to expand exports throughout the NAFTA region.

Substantial investment in foreign markets has become an indispensable foundation for supporting many American exports. Bilateral Investment Treaties are important tools for protecting the interests of American enterprises in overseas markets. As a result, these treaties have taken on greater significance for promoting American jobs and prosperity. We have to keep these agreements attuned to changing market conditions while maintaining their consistency with broader American values.

The Administration began a review of the "Model Bilateral Investment Treaty," co-led by the Office of the United States Trade Representative (USTR) and the Department of State, in spring 2009. It particularly assessed the proper balance of investor and government rights under the BIT and the adequacy of investor protections in markets featuring a prominent role for state-owned enterprises. Extensive public outreach contributed to the analysis. The Administration is working to conclude the BIT review expeditiously, so that the United States can resume negotiations with carefully chosen countries, including with key emerging economies, such as China, India, Vietnam, and Mauritius.

Facilitate Progress on National Energy and Environmental Goals

The President is working with Congress to advance new energy and environmental policies for the United States, including a strong response to the challenge of climate change, investment in alternative energy supplies and improved sustainability of key natural resources. Good trade policy can accelerate the success of sound energy and environmental initiatives.

The United States will back trade initiatives that will lower the cost and enhance the efficacy of our energy and environmental strategies. For example, we fully support fast-tracking action with willing partners in the WTO's work on liberalizing trade in innovative, climate-friendly goods and services through tariff reductions that will stimulate their global markets. These technologies can make our societies more energy efficient and less dependent on imported fossil fuels. This is a good environmental policy with strong jobs potential through greater exports.

Trade policy can complement sustainable growth. By promoting investment in clean energy technologies, we can create jobs at home and reduce greenhouse gas emissions around the world. A smart and comprehensive approach to climate change will respect our international trade obligations and help U.S. industries gain a competitive edge in the new clean energy economy. And, we can continue to work to ensure emerging and less developed economies will reduce carbon emissions while protecting the intellectual property rights that provide incentives for firms to innovate.

There are many other possibilities for complementary progress on trade and the environment. The management of sustainable natural resources could benefit strongly from trade rules that help to balance competitive markets with sustainable yields. Improving efficiency, reducing production subsidies, and curbing trade in illegally produced products can reduce costs while strengthening responsible resource management. For this reason, we are advocating strong rules in the WTO on fisheries subsidies, which can effectively curb overcapacity and overfishing. We have also championed the APEC Framework for Environmental Goods and Services and have used our trade dialogues with China and countries in Southeast Asia to introduce new initiatives on promoting trade in legally-harvested forest products. We will explore other trade measures to address the problem of illegal logging.

Foster Stronger Partnerships with Developing and Poor Nations

This Administration supports expanding trade opportunities to stimulate market-led growth in the poorer countries of the world and to lift their national income levels. Trade expansion can also be a powerful tool for restoring jobs to a nation devastated by natural disaster, such as Haiti. At the same time, the Administration recognizes that opportunities created by open markets require complementary measures to achieve the greatest boost for these countries.

Much can be done through the WTO. The United States stands by our Hong Kong commitment to provide duty-free and quota-free market access to least-developed countries as part of the implementation of a successful conclusion to the Doha Round. We also will champion the WTO’s work on trade facilitation, as simplifying and modernizing customs procedures enhances trading opportunities, improves the investment climate and helps better integrate developing countries, particularly least developed countries (LDCs), into global supply networks. We also will continue support for the Enhanced Integrated Framework through bilateral trade capacity building assistance and on-the-ground presence in LDCs. This will include the work of USAID and the Millennium Challenge Corporation. We will work with developing countries to help prioritize trade in their development plans, particularly in critical undertakings such as food security. Entrepreneurs in developing countries are important champions for creating market-based prosperity.

Trade preference programs, such as the Generalized System of Preferences (GSP) and the African Growth and Opportunity Act (AGOA), help developing countries to find a place in the world trading system. We will continue to work with the Congress and other stakeholders to implement and improve these programs, and to better focus benefits on the poorest countries. We also will continue to provide trade-related technical assistance for these programs. Even as the United States retains its role as the world’s largest donor of “aid for trade,” countries benefiting from preference programs must also make the critical reforms and investments needed to diversify their exports and improve their competitiveness in the United States as well as regional and global markets.

In the world’s poorest countries, ranging from Haiti to Sub-Saharan Africa, we will make special efforts to link trade and economic opportunity for countries that have been particularly ravaged by disaster or violence. For example, we will work with the Haitian government, the private sector and international institutions to promote the recovery of Haiti's job-generating export sectors. We will help Haiti to take maximum advantage of opportunities in the U.S. market, particularly through the implementation of the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE II) Act and will explore further steps that can be taken to encourage investment in Haiti and the development of a vibrant private sector.

Sub-Saharan Africa is the location of the world's largest cluster of extremely poor countries, but the beginnings of growth and reform are evident. The United States will continue to partner with African countries to perpetuate positive changes. Building on the success of last summer's AGOA Forum in Nairobi, USTR will work with Congress and stakeholders toward a new U.S.-Africa trade paradigm that takes into account new and evolving global trade developments. The next AGOA Forum of U.S. and African trade ministers, to be hosted by the United States this year, can promote the benefits of U.S.-Africa trade to the American public, develop plans to better incorporate small- and medium-sized businesses into trade with Africa, and work with Congress to help African countries take better advantage of AGOA and other trade opportunities. The United States also will continue to work on a bilateral investment treaty with Mauritius, to work with African partners through existing Trade and Investment Framework Agreements (TIFAs), and to consider what other types of trade arrangements the United States can advance with African nations.

Finally, as the United States creates opportunities in developing economies, we will use trade policy and promotion measures to open markets for American businesses that are promising partners for comparable firms in developing countries. Credit for trade financing is critical. The United States strongly supported the G-20 call for international financial institutions and export credit facilities to assure adequate financing. The Administration is also coordinating all U.S. agencies to strengthen financing of small- and medium-sized American exporters.

Reflect American Values in Trade Policy

As trade's share in the national economy has grown – approximately tripling since 1970 to 30 percent of GDP – the consequences of trade policy for American governance and society have grown as well. The growing scope and impact of trade policy led this Administration to pledge greater transparency in the crafting of a trade policy that is more reflective of American values. We have turned these pledges into actions and these values inform our approach to the broad range of activities we pursue, ranging from market opening measures, enforcing trade agreements, and ensuring that regulatory regimes are consistent with trade obligations.

Reflecting American values in our trade policy begins with a keen appreciation of the relationship between trade and our workers, firms, farmers, and ranchers. It requires regular and thorough examination of how trade policy can best respond to the real people behind the shifting contours of the American economy – for instance, through increased attention to job-creating small- and medium-sized firms as the shift toward more sustainable and equitable growth for the United States decreases domestic consumption and increases the importance of exports. During the last 15 years, small- and medium-sized businesses have generated approximately 65 percent of all new jobs. It is for this reason that the U.S. Trade Representative designated an Assistant U.S. Trade Representative for Small Business, Market Access and Industrial Competitiveness, who will coordinate the agency's work on small- and medium-sized business trade priorities and enhance outreach to those firms, and why USTR has also requested extensive studies for delivery this year by the U.S. International Trade Commission on the export activities and potential of these key drivers of employment in the United States. We will continue to expand our focus on small and medium-sized firms' concerns across the broad range of initiatives we are pursuing to open markets.

We also have acted on this Administration's commitment to greater transparency in trade policy. In the past year, USTR has revamped its public information and public outreach efforts, with a completely new website at http://www.ustr.gov and an embrace of social networking tools. This has improved the information available to the public about trade policy, while inviting a broader range of stakeholder comments.

Membership on official trade advisory groups was reviewed to increase the diversity of perspectives from citizens with expertise on the issues. New membership rosters will be announced as committees come up for re-chartering, beginning in the first quarter of this year. In keeping with the President's goal of reducing the influence of special interests on U.S. policy, the Administration also has announced that registered lobbyists will not be appointed (or reappointed) to these committees in the future.

No trade policy can succeed without close cooperation with the Members and leadership of Congress. There is a lively debate in Congress over American trade policy. We promise to continue to fully inform and consult with all Members of Congress on all aspects of our trade policy, and will work closely with our committees of jurisdiction when defining priorities. We will fully and respectfully engage with Congress on finding ways to advance the goals and policies outlined in this Agenda. We are confident that the American people and their representatives in Congress can support trade agreements and policies that live up to the standards set in this Agenda, and we will seek appropriate Congressional authorities when needed.

In addition, we have undertaken a review of the transparency policies for trade negotiations. Confidentiality remains an essential tool of diplomacy; but, timely public debate and review of major agreements is also essential. In the case of significant agreements that do not require Senate advice and consent or Congressional approval, USTR is introducing other means to assist meaningful public comment. For example, in the Anti-Counterfeiting Trade Agreement, USTR has laid out the policy premises for the negotiation and the details of the negotiating process more fully than in the past. USTR sought advice from a broad group of experts, including representatives of intellectual property rightsholders, Internet intermediaries, NGOs, and others, about prospective U.S. positions on IPR enforcement in the digital environment. And it won an endorsement from the countries in the negotiation of the importance of providing for meaningful public input to the negotiating process before its conclusion.

We also have extended the expansion of comment and advice into the Special 301 process that pinpoints key challenges for U.S. intellectual property-based businesses affected by piracy, counterfeiting, and other forms of IPR theft. In 2010 we will introduce a more far-ranging public hearing to assure that Special 301 decisions are based on a robust understanding of complicated issues involving intellectual property. Our commitment to public engagement will contribute to the development and implementation of sound, well-balanced trade policies to ensure the protection and enforcement of intellectual property rights. And we reaffirm our commitment to preserving developing countries' ability to protect public health and, in particular, to promote access to medicines for all, consistent with the principles laid out in the WTO Doha Declaration on the TRIPS Agreement and Public Health.

Conclusion

A trade policy focused on the largest opportunities for increasing American exports and jobs, on opening markets and boosting innovation, and based on the principles of a rules-based global trading system can contribute powerfully to the President's economic agenda for America. Our goal is sustainable economic growth that brings home the benefits of trade – including well-paying jobs – while also advancing global recovery. This will be done consistently with our goals for American values, including the rights of workers, environmental sustainability, and political accountability.

This Administration is committed to the hard work necessary to harness trade policy as an engine of growth and prosperity for America and for the world.

Ambassador Ron Kirk
United States Trade Representative
March 1, 2010