

**THE PRESIDENT'S  
TRADE POLICY AGENDA**



# I. THE PRESIDENT'S 2008 TRADE POLICY AGENDA

## **A Legacy of Leadership, Economic Opportunity and Freedom**

The 2008 Trade Policy Agenda and 2007 Annual Report is the final such report of the Administration of President George W. Bush. In this year's edition, we look back on seven active years in which the United States provided strong global leadership in international trade and investment and created new opportunities for U.S. farmers, ranchers, manufacturers, service providers, workers, and consumers; a seven-year period during which U.S. exports to the world increased 50 percent, and concluded in 2007 with exports attaining their highest share of GDP in U.S. history, at nearly 12 percent. We also look ahead to the many market-opening, pro-growth trade and investment policy opportunities on the horizon in the coming year and beyond.

In the years preceding the Bush Administration, public support for trade had eroded due in part to domestic partisanship and general unease – not only in the United States but also in other countries – about the pace and nature of globalization. In addition, the multilateral trading system struggled to regain its footing following the tumultuous World Trade Organization (WTO) Ministerial meeting that took place in Seattle in 1999.

Despite rising protectionist sentiments during the 1990s, Republican and Democratic administrations successfully negotiated – and Congress ultimately approved – two significant trade pacts, the North American Free Trade Agreement and the Uruguay Round Agreement (which created the WTO). In the seven years following the approval of the Uruguay Round, however, there was only limited activity on either the bilateral or multilateral trade fronts. This was due in part to Congress' failure to extend fast-track negotiating authority, which had previously ensured that trade agreements could be submitted to a straight up-or-down vote. By the beginning of 2001, the United States had implemented only three free trade agreements (FTAs), the last of which entered into force in 1994. Throughout the 1990s, other countries continued to negotiate preferential bilateral and regional trade agreements while the United States remained on the sidelines – at a potential cost to long-term U.S. economic strength and security.

President Bush took office with a vision that knocking down barriers to trade could help alleviate poverty, generate prosperity, and promote economic and political freedom around the world. The Administration has acted on the President's vision.

The terrorist attacks on September 11, 2001 dealt a severe blow to the world's economic health. In an effort to help revitalize the global economy and defy those who advocate political repression and economic isolationism, the United States and other WTO Members joined together to launch the first round of multilateral trade liberalization talks under the auspices of the WTO. Throughout the Doha Development Agenda negotiations, the United States has led efforts to achieve an ambitious, comprehensive, and balanced agreement that will foster continued global economic growth and development and lift millions of people out of poverty.

The President also committed early in his Administration to work with Congress to reinvigorate U.S. engagement in the broader trade arena. In 2002, working with Congress, the Bush Administration secured Trade Promotion Authority (TPA), which reinstated the ability of the President to submit trade agreements for a straight up-or-down vote. President Bush quickly put TPA to work for the American people and embarked on an aggressive agenda to negotiate gold standard trade agreements at the

multilateral, regional, and bilateral levels, as well as to focus and expand U.S. trade enforcement activities to ensure that our trading partners lived up to their commitments.

Today, the United States is party to FTAs with 20 countries in every corner of the world (14 in force, 3 approved by Congress but not yet in force, and 3 concluded but not yet approved by Congress). These agreements bring real benefits to American workers, farmers, ranchers, manufacturers, and service providers. U.S. exports to the 11 trade partners with which the U.S. implemented FTAs between 2001 and 2007 grew over 70 percent faster on average than did U.S. exports to the rest of the world. Moreover, although our FTA-partner countries accounted for only 7 percent of the global economy in 2007 (excluding the United States), they were the destination for 41 percent of total U.S. exports. Increased imports from these countries have provided consumers with more choices and better prices while providing U.S. companies with high-quality, low-cost inputs to increase their production, productivity, and competitiveness. These agreements have also reinforced the U.S. commitment to critical allies and regions of particular geo-strategic importance in the Americas, Middle East, and Asia-Pacific region.

The Bush Administration has complemented its ambitious bilateral and multilateral agendas with a rigorous enforcement program designed to ensure U.S. trade partners comply with their various trade agreement commitments. Since the Administration took office in 2001, 25 WTO cases brought by the United States have been concluded, a number that is comparable to other major users of the system following the initial rush of pent up cases launched upon establishment of the WTO. The United States has won or settled favorably 24 of those cases. In addition, several important WTO dispute settlement proceedings are ongoing, involving the commitments of major trading partners such as China, India, and the European Union. While the Bush Administration prefers to resolve disputes by engaging trade partners in robust dialogue, USTR has demonstrated its willingness to use all enforcement tools at its disposal when dialogue fails to yield sufficient results.

### **Working with Congress**

In 2007, the President reached out to the new Democratic Congressional Leadership in an effort to rebuild America's bipartisan consensus on trade policy and to continue delivering important trade policy objectives for the American people. Only through a unified bipartisan pro-trade approach can we expect to take on the economic populism and protectionist rhetoric that threatens our economic health and global leadership.

The Administration worked with congressional leaders to achieve the Bipartisan Agreement on Trade Policy of May 10, 2007. The strong bipartisan votes in the House and Senate in support of the Peru Trade Promotion Agreement in late 2007 marked the first step in realizing the promise of the May 10th agreement. The Administration will continue to work with Congress to secure prompt consideration of the agreements with Colombia, Panama, and Korea in 2008. Each of the three pending FTAs deserves a vote, and the process should commence without further delay with consideration of the Colombia FTA. Failure by Congress to approve these agreements will not create a single job in the United States, will not promote enhanced labor protections anywhere, and will not prevent the extinction of one endangered species. Furthermore, rejection of these agreements would discredit and undermine staunch allies in Latin America and Asia, two regions of vital national security and economic interest to the United States. In 2008, Congress has an historic chance to build on the bipartisanship that led to overwhelming approval of the FTA with Peru by providing strong votes in support of the FTAs with Colombia, Panama, and Korea. The Bush Administration urges congressional leaders to commence this process in earnest by undertaking consideration of the Colombia FTA as expeditiously as possible.

## **Avoiding Economic Isolationism and Fear in the Years Ahead**

Despite a reinvigorated trade agenda, a strong record on enforcement, and significant progress in restoring bipartisan support for trade, rising sentiments of protectionism and economic isolationism within the United States threaten the economic well-being both of our country and the rest of the world. The Administration is committed to responding vigorously to these sentiments by working with Congress to advance a pro-trade agenda that promotes economic prosperity and by addressing the changes and disruptions that can follow from increased globalization.

The benefits of free and fair trade and of a robust trade policy are shared by the millions of American workers and farmers whose jobs are supported by trade, as well as among the millions of American households reaping the benefits of an increasingly open and transparent global economy. Since completion of the Uruguay Round and NAFTA implementation in 1994, U.S. private sector employment has increased over 21 percent, accounting for more than 20 million net new jobs. The annual rate of unemployment in the United States dropped from 6.1 percent in 1994 to 4.6 percent in 2007. Productivity (real output per hour worked) for U.S. business sector workers increased at a healthy average annual rate of 2.4 percent during those 13 years and real compensation per hour grew by nearly 24 percent.

During this same period, U.S. manufacturing output grew 47 percent and our exports of manufactured goods increased over 100 percent. As a reflection of U.S. economic success, data from the World Bank show that per capita real income in the United States in 2005 exceeded that in other high income countries by nearly 47 percent. Such high income countries account for just over 15 percent of the world's population. In addition, the American consumer has benefited immeasurably from access to a wider assortment of high quality goods attainable at prices that are more competitive than ever.

Despite this record of sustained economic progress and prosperity, critics continue to promote the myth that trade is the root of all economic ills. Close scrutiny of the facts, however, does not support their assertions. A recent study conducted by the President's Council of Economic Advisers revealed that no more than 3 percent of all job disruptions can be attributed to trade. The study pointed to other factors such as productivity increases, new technologies and innovation, and domestic competition as accounting for the remaining 97 percent of job displacement. As international trade is the cause of only a fraction of the jobs lost in this country, protectionist or isolationist approaches cannot address these disruptions nor create the new better jobs of the future. Moreover, to attempt to wall off the United States from foreign competition and "protect" U.S. workers would only serve to cripple the U.S. economy and potentially induce a global trade war and world economic slowdown.

Legitimate concerns many Americans have about their economic security are, in fact, rarely related to trade, and we therefore must not embrace policy prescriptions that would injure the vast majority of workers who benefit from trade. To the extent that trade does contribute to economic insecurity, protectionist proposals to address these insecurities made to date do not solve the problems and, likely would exacerbate them.

Nevertheless, we can and should address the disruptions directly attributable to trade policy. Together with Congress, the President has pledged to work to improve the Trade Adjustment Assistance (TAA) program and help trade-affected workers and farmers access the training and reemployment services they need to return to work quickly. TAA reform would complement the President's ambitious American Competitiveness Initiative, which is designed to ensure U.S. competitiveness in innovation through investment that strengthens education and encourages entrepreneurship, and research and development. The continued economic strength of the United States is dependent on the continued competitiveness of its workers, farmers, and businesses. The Administration and Congress must work together to ensure that all Americans have the training and opportunity to compete in the global marketplace.

Many critics have also pointed to the trade deficit as a sign of economic weakness. The question to ask is how much of the trade deficit is a result of trade policy itself and what, if anything, does the deficit's size tell us about the global economy? There are many causes of the U.S. trade imbalance – from fuel prices, to currency exchange rates, to disparate savings rates with our trading partners, to strong growth in the United States and relatively sluggish growth among some of our trading partners who would be natural consumers of U.S. products and services. As some U.S. trading partners have enjoyed stronger growth in the last two years, their growth has helped generate a rapid expansion of U.S. exports that has contributed to a steady decline in the trade imbalance. In 2007, U.S. exports grew more than twice as fast as imports (over 12 percent versus less than 6 percent) and the trade deficit dropped by over 6 percent. As a share of GDP, the deficit dropped from 5.7 percent in 2006 to 5.1 percent in 2007. Gradual reduction of the U.S. trade and current account deficits through export expansion is the path most consistent with sustained long-term growth of the U.S. economy and personal incomes.

The Bush Administration is convinced that, in the years ahead, the United States must continue to boldly lead international efforts to open markets and increase economic integration – and continue the economic policies of the last six decades which have produced the most diverse, innovative, productive, open and prosperous economy in history. The pursuit of these policies – embraced by Republican and Democratic Administrations and Congresses alike – has created a strong foundation on which to build prosperity and freedom for future generations. With improved growth performance in the global economy, the future expansion and prosperity of our manufacturers, service providers, workers and farmers will be strongly influenced by the degree to which they have access to 95 percent of the world's consumers who reside outside our borders.

Globalization and the increasing interdependency of global markets are irreversible forces that will march on with or without us. USTR estimates that 300 regional trade agreements are currently in force worldwide, with more than 100 having been implemented since 2002. In the Asia Pacific region alone, the number of free trade agreements has more than doubled in this same period – from 23 in 2002 to 51 in 2007.

While many of these agreements do not constitute high standard, comprehensive agreements of the type that the United States has negotiated, they unquestionably afford preferential trading positions to the companies and workers of the countries involved. As a result, they threaten to place U.S. stakeholders at a relative disadvantage in accessing many of the world's most dynamic markets. That is why the Administration is committed to pursuing agreements that provide enhanced market access and strong investment protections to the thousands of U.S. companies, investors, workers, service providers and farmers whose ongoing success hinges on the ability to effectively compete in an increasingly integrated global economy. Whether negotiating gold standard FTAs, Bilateral Investment Treaties, an ambitious conclusion to the WTO Doha Round, or intellectual property protection through initiatives such as the Anti-Counterfeiting Trade Agreement, the Bush Administration remains committed to liberalizing global trade and investment flows that hold the promise of improving standards of living both here at home and throughout the global economy.

As we confront an economic slowdown brought about by challenges in the housing and credit markets, traditional drivers of growth such as consumption and investment are being adversely affected. In this environment, strong export growth is playing an important role in supporting the U.S. economy. In 2007, U.S. exports of goods and services accounted for 42 percent of overall U.S. GDP growth. Real exports have increased by 17 percent in the past two years, reaching an all-time high of nearly 12 percent of U.S. GDP. Figures such as these provide ample evidence that, if we are to be successful in ensuring economic growth for the long-term, an open trade policy that supports faster growing exports will play a prominent role.

Going forward, numerous challenges will confront U.S. policymakers in the international trade arena. As tariffs are reduced, more complex barriers arise that can interfere with the free and fair movement of goods and services. As the U.S. economy's labor force shifts toward knowledge-intensive services industries, the bilateral, regional, and multilateral rules of services trade become even more important. As new technologies and innovations rapidly generate new products and services which could not have even been imagined a few decades ago, trade policy must adapt and evolve to changing circumstances to ensure that trade liberalization continues unabated. Moreover, as technology and innovation generate new sources of energy and engineered commodities that hold the promise of addressing vexing issues such as global energy demand, climate change and hunger, trade policymakers must develop and employ the tools to ensure the dissemination of these critical technologies and services. Ultimately, policymakers will be tasked with demonstrating that legitimate concerns involving health, product safety and national security can and must be addressed in the context of free and open markets that expand economic growth and alleviate global poverty. Over the last seven years, the United States has set the stage for continued negotiations and development of trade policies that not only adapt to but also expand the benefits that technology and innovation offer.

The Bush Administration's ambitious trade-liberalizing agenda of the last seven years reinvigorated U.S. trade policy and expanded U.S. leadership across the globe both to open markets and to ensure trade partners complied with their commitments. Other elements of the Administration's pro-trade agenda, such as trade capacity building in developing nations and preference programs like the Africa Growth and Opportunity Act (AGOA), also contributed to furthering our global role and responsibilities. Whether through leadership in trade liberalizing agreements or trade-related self-help programs, the United States has continued to wield this extremely effective form of "soft power" around the world.

The report that follows summarizes some of the highlights of the last seven years, provides the details of some key developments in 2007, and sets out the Administration's trade policy goals for 2008. The Administration is committed to concluding its important trade objectives for 2008, while setting the stage for future bipartisan accomplishments that will continue to expand the free flow of commerce in the years ahead.

## **WTO and other Multilateral Affairs**

The World Trade Organization Doha Development Agenda has been at the center of Administration trade policy since the multilateral negotiating round was launched in Doha, Qatar in 2001. President Bush has personally and actively led U.S. efforts to press the Doha Round forward, including in international fora such as the United Nations General Assembly, during innumerable bilateral encounters, and at various leaders' gatherings such as the Group of Eight (G8) and Asia Pacific Economic Cooperation (APEC). A successful conclusion of the Round remains a once-in-a-generation opportunity to help lift tens of millions of people out of poverty by spurring economic opportunity across the globe. The launch of the WTO Doha Round just a few months after the September 11, 2001 terror attacks brought the United States and other WTO Members back together. By launching the Round, the WTO membership affirmed its commitment to trade liberalization as a vital element to global economic growth and development. The Members agreed that an open trading system dedicated to the rule of law advances global security and alleviates political tyranny and poverty.

Since the beginning of the Round, the United States has led the effort to move the Doha Development Agenda forward toward a successful final agreement and to rally other WTO Members to stay focused on achieving an ambitious market-opening outcome. The litmus test for a successful Doha outcome remains a result that generates meaningful new trade flows and new economic opportunities for citizens around the world – in agriculture, industrial goods, and in services. As has been the case in each of the preceding

eight global negotiating rounds since the end of World War II, U.S. leadership will be essential to achieving a Doha success.

In early 2007, the United States stepped forward, engaging with India, Brazil, and EU in a G4 process aimed at moving the Doha negotiations toward solutions in agriculture, industrial goods, and services that could contribute to the broader multilateral process moving forward into the final phase of the overall negotiations. While some technical results were achieved in agriculture, the G4 process broke down mid-year, primarily over industrial tariff cuts by emerging economies, and the central focus of the Doha Round returned to the multilateral process in Geneva, where, as 2008 begins to unfold, the Doha negotiations face another critical juncture.

As President Bush noted in his State of the Union address, the United States is committed to concluding a strong Doha Round in 2008, and will provide the leadership necessary to achieve this objective. We look forward to each of our key trading partners making similar contributions to ensure success.

### **The Americas**

The United States and many of its neighbors in the Western Hemisphere have entered a new era of economic cooperation and stability in the last seven years. We have concluded a number of free trade agreements that have created real economic opportunity for people throughout the Americas. As a result, deeper and stronger trade and investment relationships are complementing political changes undertaken by courageous leaders in Central and South America. Meanwhile, the North American Free Trade Agreement (NAFTA) continues to benefit the United States and its closest neighbors, as trade flows between Canada, Mexico, and the United States have increased by 210 percent since the agreement entered into force to the benefit of all three nations, and Canada and Mexico represent the largest markets for U.S. exports.

The U.S.-Chile Free Trade Agreement was the first concluded under the new Trade Promotion Authority (TPA) obtained by the Bush Administration in 2002. Since the agreement came into force in 2004, U.S. goods exports to Chile have increased by \$5.2 billion (193 percent) and U.S. goods imports from Chile have increased by \$5.3 billion (143 percent).

The United States has created economic opportunity for people in the Caribbean region through the Caribbean Basin Initiative (CBI), which was expanded in 2002 and in 2006 when additional preferences were provided to Haiti through the HOPE Act. In addition, President Bush signed into law the Andean Trade Promotion and Drug Eradication Act (ATPDEA) in 2002, extending and expanding product coverage of trade preferences for Andean countries.

Another key accomplishment in the Americas was the conclusion of the Dominican Republic – Central America – United States Free Trade Agreement (CAFTA-DR), which Congress approved in 2005. Many of the signatory countries were in the throes of civil war and economic chaos just 15 years ago. Now, both two-way trade with the United States and intra-regional trade are creating opportunities for people in these six countries and strengthening the establishment of political stability and peace in the region.

In 2007, our mutually beneficial commercial relationships in the region continued to expand as Congress approved the U.S.-Peru Trade Promotion Agreement (PTPA) with overwhelming bipartisan support. Reforms Peru has undertaken in the last six years have helped a half million Peruvians escape poverty. The PTPA will build on this success and fortify reforms that Peru's leaders have put in place. Also, we are working to ensure that agreements with Colombia and Panama will also receive strong bipartisan votes in 2008.

The agreements with Peru, Colombia, and Panama will give U.S. products duty-free access to markets with a combined population of 79 million people. Upon entry into force of the agreements, roughly 80 percent of U.S. exports of consumer and industrial goods will enter these countries duty-free immediately, with the remainder to become duty-free over time. In terms of agricultural products, U.S. farm exports to these countries could increase by nearly \$1.7 billion per year. The agreements will also remove barriers to U.S. service suppliers, provide a secure, predictable legal framework for investors, and protect intellectual property.

For many years, most U.S. imports from these countries have received duty-free treatment thanks largely to preference programs such as the Andean Trade Preference Act (ATPA), Caribbean Basin Initiative (CBI), and the Generalized System of Preferences (GSP). As the benefits of these programs have taken root, the democratically-elected leaders of Peru, Colombia, and Panama embraced the additional benefits that would flow from locking in preferential access to the largest market in the world and making trade a two-way street. The leaders of these countries appreciate how the FTAs will be catalysts for making their countries more attractive to foreign and local investors, create economic opportunity, and help enhance economic competitiveness. The economic arguments for congressional approval and implementation of these agreements are compelling as the agreements level the playing field for American workers, farmers, ranchers, and service providers.

Implementing the agreements provide equally compelling foreign policy benefits. Our friends and allies in the region share our belief that democracy and prosperity are best advanced through transparency and open markets. Many of these nations lead by example as their success demonstrates to others in the region that market-oriented economies, political freedom, transparency, and respect for the rule of law will help create a better life for their people. The leaders of Peru, Colombia, and Panama deserve our support for embracing that philosophy and rejecting models of government that restrict political and economic liberty.

Colombia is a case in point. Colombia's courageous leaders, in partnership with the United States through Plan Colombia, have taken bold steps to stem the power of drug cartels and terrorists. By doing so, they have dramatically reduced violence throughout the country. In seven years, Colombia went from the cusp of being a failed state to a place where families can once again live in peace and where investors and entrepreneurs can succeed. Congressional approval of the Colombia Trade Promotion Agreement is vital to continue this positive trend.

In Panama, democracy has taken root and foreign investment and U.S. exports are flowing in at a rapid pace. With the canal that links two oceans, Panama occupies a unique place in international trade. Congressional approval of the Colombia and Panama FTAs is among the Administration's top priorities for 2008.

## **Africa**

Over the last seven years, the Administration has strengthened the U.S.-African trade and investment relationship on several fronts. The implementation of the African Growth and Opportunity Act (AGOA), approved by Congress with broad bipartisan support in 2000, is the cornerstone of the Bush Administration's trade and investment policy toward sub-Saharan Africa and has helped increase U.S. two-way trade with sub-Saharan Africa. During the 2001-2007 period, U.S. non-oil imports from AGOA countries more than doubled, from \$1.4 billion in 2001 to \$3.4 billion in 2007. Several non-oil sectors have experienced sizable increases, including apparel, chemical products, footwear, machinery products, electronics, toys, sportswear, fruits, nuts, and cut flowers.

AGOA has also helped spark opportunities for U.S. businesses. Under AGOA, Africans are seeking U.S. inputs, expertise, and joint-venture partnerships, resulting in increased U.S. exports and investment. U.S. exports to sub-Saharan Africa have more than doubled since AGOA was launched, totaling over \$14 billion in 2007.

Under the annual U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum, known informally as “the AGOA Forum,” hundreds of U.S. and African businesses and organizations have delved into ways to further expand trade and investment in sub-Saharan Africa. The most recent of the six AGOA Forums was held in Accra, Ghana in July 2007.

More broadly, the Administration has given its full support to further integrating African countries into the global economy by encouraging their fuller participation in the WTO and by urging deeper and stronger trade ties with each other. These initiatives include the signing of six Trade and Investment Framework Agreements (TIFA) with African countries and regional organizations: the Common Market for Eastern and Southern Africa (COMESA), Liberia, Mauritius, Mozambique, Rwanda, and the West African Economic and Monetary Union (UEMOA). In 2007, the Administration launched Bilateral Investment Treaty (BIT) negotiations with Rwanda, which concluded with the President’s signature in February 2008. The United States continued to explore the possibility of launching a BIT negotiation with Gabon.

In November 2006, the United States and the five Southern African Customs Union (SACU) countries agreed to pursue a Trade, Investment, and Development Cooperation Agreement (TIDCA) that could help lead to a U.S.-SACU FTA in the longer term.

For these initiatives to succeed they must coincide with technical assistance in building the infrastructure of commerce. The United States devoted nearly \$1.2 billion to trade capacity building (TCB) activities in sub-Saharan Africa over the last seven fiscal years, including \$505 million in fiscal year 2007, up 26 percent from 2006.

In 2008, USTR will continue its efforts to expand trade and investment with sub-Saharan Africa using the full range of tools described above as well as the Trade Advisory Committee on Africa (TACA), which had its inaugural meeting in March 2007. The TACA advises USTR on trade and economic policy matters with respect to the countries of sub-Saharan Africa. Its members are drawn from distinguished representatives of the private sector and civil society who have expertise in Africa’s trade and development.

The Administration is committed to continuing to work with Congress and private sector stakeholders to strengthen U.S.-African trade and investment in 2008 and to lay the foundation for more robust trade in the years ahead.

## **South Asia**

Since taking office in January 2001, the Bush Administration has made the transformation of the United States-India relationship a top priority in South Asia. The United States and India maintain one of the world’s fastest growing major bilateral trade relationships, and we are on track to meet the goal established by the two leaders in 2005 of doubling bilateral trade to approximately \$60 billion by 2008.

Following Prime Minister Singh’s historic visit to Washington in July 2005, India and the United States created an Economic Dialogue as a vehicle for enhancing bilateral economic cooperation. Among the elements of the Economic Dialogue is the U.S.-India Trade Policy Forum, co-chaired by the U.S. Trade Representative and India’s Commerce Minister. The Trade Policy Forum (TPF) includes an umbrella

forum under which multiple departments and ministries in both countries cooperate in efforts to address trade policy priorities in services, investment, intellectual property rights, tariff and non-tariff barriers, and agriculture. In 2008, the Administration will continue to pursue more bilateral trade and investment with India, including through exploratory discussions of a possible Bilateral Investment Treaty.

Another top priority for the Administration has been to build a relationship with Pakistan as a strategic partner for the long term. In the aftermath of 9/11, Pakistan has been a critical partner on the front line in the fight against al Qaeda and the struggle to counter extremism. Our task is even more important today as the Pakistani people look to elections and a democratic transition in the wake of the tragic death of Benazir Bhutto. U.S. economic support for Pakistan and our growing bilateral trade relationship have been important contributors to Pakistan's significant economic growth and development in the years since 2001. In pursuit of these goals, in 2003 the United States and Pakistan signed a TIFA and held meetings in 2005 and 2006. The next meeting is scheduled to be held in the spring of 2008.

In addition to these activities, in March 2006, President Bush announced the Reconstruction Opportunity Zones (ROZ) initiative which would allow certain items produced in designated zones within Afghanistan and the border regions of Pakistan duty-free entry into the United States. This initiative is designed to support counter-terrorism efforts by spurring job creation and investment in these sensitive geographic areas. The Administration is working with Congress to put in place enabling legislation.

In addition to ROZs, the United States normalized trading relations with Afghanistan, extended benefits under the Generalized System of Preferences (GSP), and signed the United States-Afghanistan TIFA in 2005. With U.S. support, Afghanistan has also begun the process of accession to the WTO.

### **Southeast Asia/Pacific**

Under the Bush Administration, the United States has significantly stepped up its engagement with the commercially and strategically significant Southeast Asian region. It completed bilateral FTAs with Singapore and Australia and launched negotiations with Malaysia and Thailand. Since the United States-Singapore FTA entered into force on January 1, 2004, two-way trade surged 44 percent through 2007, and Singapore is now the United States' tenth largest export market. The United States-Australia FTA has helped boost our bilateral goods trade by 28 percent – to \$28 billion in 2007 – since the agreement entered into force in January 2005. In 2006 (the latest available data), our two-way trade in services totaled \$13.9 billion, a 28 percent increase from 2004.

The United States also launched FTA negotiations with Thailand in 2004 and with Malaysia in 2006. Negotiations with Thailand were suspended in 2006 because of political developments and negotiations with Malaysia are ongoing. The Administration will seek to conclude an FTA with Malaysia in 2008 and to reengage on our bilateral agenda with Thailand following the recently held Thai elections.

On the regional front, in 2002, President Bush announced the Enterprise for ASEAN Initiative, which sought to deepen bilateral ties with the members of the Association of Southeast Asian Nations (Brunei Darussalam, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, and Vietnam). Under this initiative, the Administration also signed TIFAs with five Southeast Asian countries, adding to the two previously concluded. The Administration utilizes TIFAs to monitor implementation of trade agreements, address bilateral issues, and launch new initiatives that will further strengthen our relationships with ASEAN countries. In addition, in 2006 the United States negotiated a TIFA with ASEAN, promoting U.S.-ASEAN trade and regional integration. The first Ministerial meeting under this agreement was held in November 2007.

Trade between the United States and ASEAN nations has grown significantly during the past decade, and this bloc was the fifth largest export market for the United States in 2007, with U.S. exports nearly reaching \$61 billion. In addition, U.S. direct investment in ASEAN countries reached \$99 billion in 2006 (latest available data), up 13 percent from the previous year.

Trade also continued to serve as a catalyst for political reconciliation and reform in Vietnam and Cambodia. After years of negotiations and congressional approval of Permanent Normal Trade Relations, Vietnam entered the WTO in 2007. In June 2007, the United States signed a bilateral TIFA with Vietnam intended as a vehicle to support Vietnam's efforts to implement its WTO commitments and to further deepen bilateral trade and investment relations. U.S. exports to Vietnam totaled \$1.8 billion in 2007, a 66 percent increase over 2006.

The United States supported Cambodia's accession into the WTO in 2004 and signed a TIFA with that nation in 2006. In 2007, the first ever visit by a U.S. Trade Representative to Cambodia took place.

In 2006 and 2007, the United States has also worked with countries in the region to address specific issues in international trade. The United States and Indonesia concluded an agreement to combat illegal logging associated with trade, the first of its kind for both countries. The agreement is designed to promote forest conservation by combating illegal logging and to help ensure that Indonesia's legally-produced timber and wood products continue to have access to markets in the United States and elsewhere.

The United States also concluded agreements with Indonesia and the Philippines to enhance bilateral cooperation to prevent illegal transshipment of textiles and apparel to the United States and to better distinguish between legitimate transactions and those that are intended to circumvent trade rules and procedures.

With the proliferation of FTAs in the Asia-Pacific region, the United States will seek out ways to maintain its leadership and presence in this region and to encourage regional integration in a manner that benefits the United States. The United States announced on February 4, 2008, that it will join negotiations on investment and financial services set to begin in March among Singapore, Chile, New Zealand, and Brunei, known as the "P4" group of countries. These four countries have negotiated their own FTA, the Trans-Pacific Strategic Economic Partnership, based largely on the United States' FTAs with Singapore and Chile. While the Trans-Pacific Strategic Economic Partnership Agreement entered into force in 2006, the investment and financial services chapters remain to be negotiated. As it begins these negotiations, the United States will also begin a detailed consultation with Congress and private stakeholders to determine whether it should participate in the full Trans-Pacific Strategic Economic Partnership to further regional economic integration with like-minded countries committed to high-standard agreements.

### **China; Hong Kong, China; and Taiwan**

The transformation in the size and complexity of U.S. trade relations with China, already evident in the 1990s, accelerated and emerged as the subject of intense public scrutiny after China entered the WTO in December 2001. The Administration has handled the historic changes in trade and investment issues with China with great care and determination – first by negotiating rigorous and appropriate terms for China's entry into the WTO, and then by working constructively with China as it sought to phase in its WTO commitments over the next five years. Our more recent efforts, after the conclusion of China's five-year transition period as a new WTO member, have emphasized holding China fully accountable as a mature member of the international trading system.

The United States and China currently have a robust, mutually-beneficial trade relationship, though that relationship needs to be more balanced. Since 1990, bilateral trade in goods between the United States and China has increased by an astounding 1800 percent. Over the past six years alone, bilateral goods trade has nearly tripled, services trade has more than doubled, and investment flows remain strong.

Thanks to its commercial engagement with other countries, China's economy has grown by nearly 10 percent a year for the past 20 years, and many millions of people have been lifted out of poverty. Meanwhile, China has also emerged as an enormous, rapidly growing market for U.S. goods and services, helping to sustain strong U.S. economic growth rates. U.S. exports of manufactured goods, agricultural products, and services have grown an average of 22 percent per year since China joined the WTO. China became the United States' third largest export market in 2007 and is among the fastest growing major export markets for the United States in the world.

This does not, however, obscure the persistent and significant challenges that have accompanied deeper economic engagement with China. The Administration conducted an interagency top-to-bottom review of trade with China and submitted a report in February 2006 which concluded that, positive developments notwithstanding, the relationship lacked "equity, balance, and durability."

The report signaled U.S. intentions to address what could become an untenable situation. The United States continues to press for more progress by China in fully implementing its WTO obligations in areas such as intellectual property rights enforcement, barriers to market access, persistent government intervention in the economy, and lack of transparency in its legal and commercial procedures.

The Administration has used dialogue whenever possible. In December 2007, top Administration officials and their Chinese counterparts participated in the 18th U.S.-China Joint Commission on Commerce and Trade (JCCT) meeting, followed by the Third U.S.-China Strategic Economic Dialogue meeting. During the JCCT meeting, China agreed to take additional steps to ensure market opportunities for U.S. exporters, such as by eliminating redundant testing requirements on medical equipment makers. Prior accomplishments of the JCCT included several commitments relating to IPR protection and enforcement, such as China's agreement to preload legal operating system software on all computers produced in China, and China's agreement to accede to the WIPO (World Intellectual Property Organization) Internet Treaties. In previous meetings, China also committed to suspend problematic mandatory national standards on wireless encryption, to finalize biotechnology approvals for U.S. soybeans and corn, and to take steps to improve transparency in its legal regime. But dialogue alone has not been sufficient to address all of our concerns.

Since March 2006, the United States has brought four formal WTO cases related to China's trade practices, for a total of five since the Administration took office. These cases demonstrate the Administration's resolve not only to discuss issues with China but also to use all available tools to enforce the rules. Far from indicating a failure in our trade relationship with China, these cases illustrate that we have moved into a new, more mature stage as trading partners, using neutral, legal mechanisms to resolve differences. WTO dispute settlement is designed to prevent trade wars rather than fuel them.

The first WTO case, brought in March 2004, challenged China's discriminatory tax treatment of imported semiconductors and, like the prohibited subsidies WTO case discussed below, was resolved through a settlement where China removed the offending measures. (The United States prepared but did not have to bring another case involving a paper product – kraft linerboard – when China dropped unjustified antidumping duties in January 2006.) In March 2006, the United States, together with Canada and the European Union, initiated a WTO case to examine China's regulations imposing local content requirements in the auto sector through discriminatory charges on imported auto parts. WTO panel proceedings in that dispute are underway, and the Administration is optimistic about its outcome.

In a case involving China's continued use of WTO-prohibited subsidies, the United States' resort to dispute settlement spurred changes in China's policies. In February 2007, the United States, followed by Mexico, requested consultations with China on China's use of a dozen illegal subsidies. Most were tied to exports, giving an unfair competitive advantage to Chinese products and denying U.S. manufacturers the chance to compete fairly with them in the United States and in third country markets. The remaining subsidies, known as "import substitution" subsidies, encouraged companies in China to purchase Chinese-made goods instead of imports. These subsidies were designed to give Chinese-made goods a significant edge in the Chinese market over high quality, fairly priced goods from the United States and other countries. Following two rounds of consultations, the case moved to the establishment of a dispute resolution panel in August. In November, however, the United States and China reached an agreement to terminate the subsidies by January 2008. The outcomes of this case and the kraft linerboard case show that President Bush's policy of serious dialogue and resolute enforcement is delivering concrete results.

In April 2007, the United States initiated a WTO case challenging deficiencies in China's legal regime for protecting and enforcing copyrights and trademarks on a wide range of products, and a case challenging China's restrictions on the importation and distribution of products from copyright-intensive industries. In 2008, the United States will continue to pursue its rights at the WTO in the cases that are still pending, and will seek additional action, as needed, to ensure China's compliance with its WTO obligations.

The most important goal is one that both countries share and which both must rise to meet: the successful battle against economic retrenchment. In China, economic retrenchment has taken the form of shielding parts of China's economy from the very market forces that have allowed it to grow so rapidly. The sixth annual report on China's progress in meeting its WTO accession commitments, issued by USTR in December 2007, noted a potential trend toward a more restrictive trade regime. China continues to use its regulatory and other policies to develop so-called "national champions" in some sectors and tilt the playing field against foreign competitors.

This has been evident in the promotion of homegrown technology through biased national standards and the emergence of regulators acting as competitors. The United States also has made clear its concerns with China's increasingly restrictive investment regime.

In addition, the United States has expressed disappointment that China has not yet made a meaningful contribution to the successful conclusion of the Doha Round, even though it has become one of the largest trading nations in the world. In the United States, meanwhile, China has become the chief focus of the economic anxiety many Americans are experiencing at this time of rapid globalization and change. There has been an increase in legislative proposals to impose tariffs on Chinese goods and other "get tough" measures. Many of these proposals are ill-conceived. It is doubtful that any of them would actually assist the American workers, farmers, and entrepreneurs they purport to help, and may in fact harm them.

So long as the overall benefit of engaging with China is evident, and the Administration's mix of serious dialogue and resolute enforcement is producing concrete results, Congress should proceed with caution on legislation aimed at China. From aerospace to financial services to agriculture, the United States must be careful not to abandon future opportunities that come from economic engagement with China because of the current challenges in our relationship.

In this time of rapid change and closer integration of participants in the global trading system, it is imperative for the United States, as a veteran trading power, and China, as a major new actor, to champion the benefits of the free and fair flow of commerce.

Hong Kong, China is a special administrative region of the People's Republic of China and is a duty-free port with few barriers to trade in goods and services and few restrictions on foreign capital flows and investment. The Administration continues to engage Hong Kong by seeking needed improvements in intellectual property rights protection, the lifting of Hong Kong's restrictions on U.S. beef imports and less restrictive food labeling regulations.

The United States and Taiwan have continued to engage in robust work under our bilateral trade and investment framework agreement (TIFA) to reduce barriers in our bilateral economic relationship. In particular, we are conducting work in the areas of investment, taxation, intellectual property rights, pharmaceuticals, and customs cooperation related to textiles and apparel trade aimed at expanding our already substantial trade and investment ties. We are also seeking to address obstacles to U.S. agriculture exports, beef and pork in particular, by urging Taiwan to adopt policies that are based on science and consistent with international standards.

### **North Asia, Japan, and APEC Affairs**

This region is home to some of the United States' largest and most promising commercial relationships, and the Administration has made great strides in recent years in establishing deeper and stronger ties with countries there.

Japan is the world's second largest economy, with an annual GDP of nearly four and a half trillion dollars. This is about 8 percent of the world's GDP. Our two countries share a respect for democracy and freedom and both have expanded trade relationships in Asia and around the globe. Japan is the United States' fourth largest trading partner, with two-way goods trade of \$208 billion in 2007. The Administration has steadily worked to promote economic reforms to open this large and prosperous country to more U.S. goods and services.

In 2001, the United States and Japan entered into the Economic Partnership for Growth as a comprehensive approach to help aid Japan's economic recovery after years of low or negative growth and to open and promote economic reform in the Japanese economy. Over the past seven years, the Partnership has proven to be a valuable, flexible vehicle to promote reform measures in a wide range of sectors that are helping create new opportunities for businesses and benefits for consumers in Japan.

Also in 2007, the United States signed a Mutual Recognition Agreement (MRA) with Japan for testing and certification of telecommunications equipment, which enters fully into force in 2008. This agreement will lower costs and increase the speed of marketing for equipment traded between the two economies, factors critical for the success of the high-tech industry.

In the past year, the Administration also continued to press Japan for additional measures to open its market to competition and increase the transparency of trade and commercial policies. Work remains to be done to establish the kind of robust trade and investment relationship fitting of the world's first and second largest economies, such as further reforms to open trade in areas such as wireless services and products, information technology, health care, distribution, and in agriculture – including access to Japan's market for all U.S. beef and beef products from animals of all ages.

With regard to beef, the United States will continue to urge Japan and other countries in Asia, notably China and Korea, to fully re-open their markets to U.S. beef. The international scientific body that evaluates these concerns and sets international standards – the World Organization for Animal Health (OIE) – has provided the clear science-based view that U.S. beef is safe.

Overall, even with challenges, United States-Japan trade ties are stronger as a result of the Administration's efforts over the last seven years. There are even increasing calls today for the United States and Japan to explore a bilateral FTA. Given the size and complexities of our economies and the U.S. policy of concluding comprehensive FTAs, this would be the most ambitious undertaking in our bilateral economic history. In the interim, the United States will continue to urge Japan to make regulatory reforms, open its agricultural sector, and assume a more constructive role in the Doha negotiations.

Perhaps one of the most prominent examples of new trade relationships that are shaping the future of international commerce is the United States-Korea Free Trade Agreement (KORUS FTA), signed June 30, 2007, after 10 intense months of negotiations. This landmark agreement is the most commercially significant free trade agreement the United States has concluded in 15 years. It will provide the United States with preferential access to the 11th largest economy in the world and strengthen our bilateral partnership as Korea undertakes economic reforms that will help it stay competitive in the years ahead.

Korea is a nearly \$1 trillion economy and the United States' seventh largest goods trading partner. Our two countries already have an \$83 billion two-way goods trade relationship. Congressional approval of the KORUS FTA will provide U.S. manufacturers, farmers, ranchers, service providers, and workers access to a fast-growing market of nearly 49 million consumers with per capita incomes of roughly \$20,000 a year.

Within three years of entry into force, 94 percent of trade in consumer and industrial goods will become duty-free. Nearly two-thirds or \$1.9 billion of our trade in agricultural products will become duty-free immediately upon entry into force. The agreement would give meaningful market access to U.S. service providers and provide strong protections for investors and intellectual property rights. In addition the agreement would significantly improve the business environment in Korea through strong investment and intellectual property right protections, state-of-the-art competition policy provisions, and groundbreaking transparency and regulatory due process obligations. The agreement also contains strong and unprecedented commitments and enforcement capabilities that will eliminate tariffs and non-tariff barriers in Korea, enabling U.S. automakers to compete on a level playing field in this large and growing market.

In addition to these solid economic benefits, the KORUS FTA will strengthen a strategic alliance forged in war and growing in peace. As Korea and other Asian nations establish strong trade and investment ties, the KORUS FTA will serve the United States' vital interest in maintaining and expanding our partnerships in Asia.

Korea's leaders saw the opportunities that would come from preferential access to the world's largest market and were willing to make the tough decisions needed to achieve the kind of comprehensive, high-standard free trade agreement the United States pursues. As Korea grows as an economic power in Asia, the United States must make good on its commitments to this vital ally. In 2008, the Administration will work closely with Congress on the approval of the KORUS FTA.

On a regional basis, the Administration continues to promote trade and investment liberalization among APEC member economies (Australia; Brunei; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Philippines; Russia; Singapore; the United States; Taiwan; Thailand; and Vietnam). Together, these economies account for 56 percent of global GDP and 49 percent of global trade. The United States exported \$695 billion in goods to APEC economies in 2007. In 2007, APEC furthered its regional economic integration agenda (REI) by announcing that it will intensively explore the prospect of a Free Trade Area of the Asia-Pacific (FTAAP). This announcement came after years of work in APEC to promote the development of high-quality free trade agreements.

In addition, in 2007, APEC again provided strong support to the Doha Round of multilateral talks. APEC economies also agreed to further reduce trade transaction costs by 5 percent by 2010, as part of APEC's long-standing trade facilitation agenda. The United States led APEC efforts this year to improve IPR border enforcement, to address the growing problem of notorious marketplaces that sell infringing goods, and to advance work on reducing tariffs on environmental goods and services. In addition, the United States worked with its APEC partners to strengthen product import safety.

### **Europe, Russia, and Central Asia**

The United States and Europe, especially the 27 member European Union (EU), are bound by a history of close relations and commitment to open markets. The over \$2.2 billion-a-day relationship in trade in goods and services is at the center of our common pursuit of prosperity, cooperation and stability. Throughout the last seven years, the Administration has worked actively to strengthen the trans-Atlantic trade and investment relationship in many ways, from a broad range of regulatory cooperation activities, to an agreement to facilitate bilateral trade in wine, to joint efforts on enhanced IPR cooperation, and through shared U.S.-EU leadership in the WTO negotiations of the Doha Development Agenda (DDA).

In April 2002, under the auspices of the Transatlantic Economic Partnership, the United States and European Commission reached agreement on "Guidelines for Regulatory Cooperation and Transparency," setting forth specific principles that regulators will follow in bilateral discussions on regulatory issues. At the April 2007 United States.-EU Summit, President Bush and his EU counterparts launched the Framework for Advancing Transatlantic Economic Integration, with the goal of fostering cooperation and reducing trade and investment barriers through a multi-year work program in such areas as regulatory cooperation, intellectual property rights, investment, secure trade, financial markets, and innovation. Building upon the 2005 United States.-EU Initiative to Enhance Economic Integration and Growth, this new Framework also established a cabinet-level Transatlantic Economic Council (TEC) to oversee the Framework implementation and help resolve barriers to trade and investment, with input from transatlantic stakeholders. In November 2007, senior Administration and EU officials conducted the first meeting of the TEC to review progress under the Framework since its launch. USTR and other agencies will continue to work closely with their European counterparts to advance priority activities under the Framework in 2008.

The United States has also worked to expand our trade and investment ties with Russia and other countries of the former Soviet Union. We have worked closely with both Russia and Ukraine on their accessions to the WTO. In addition, the United States-Russia Intellectual Property Rights Working Group meets quarterly to discuss Russia's implementation of our bilateral agreement on IPR. USTR will continue to engage regularly with Russian officials to facilitate and encourage economic relationships between our countries.

The United States also signed a multi-party TIFA with all five Central Asian nations (Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan) in 2005 and has held three annual TIFA meetings in this format. In 2007, we signed a bilateral TIFA with the Republic of Georgia and held a successful initial meeting.

### **Middle East**

President Bush's deeply-held view that trade is an essential tool to promote freedom and cooperation is particularly applicable to the Middle East. In May 2003, the President proposed the Middle East Free Trade Area (MEFTA) and moved with resolve to establish stronger bilateral trade ties with countries throughout the region, each at their respective level of development and integration into the global trading

system. Among MEFTA's key goals are the promotion of greater regional cooperation and the advancement of opportunities to further integrate countries in this part of the world into the international community.

Since the United States-Bahrain FTA entered into force on August 1, 2006, U.S. exports to Bahrain in 2007 have increased 64 percent, while U.S. imports from Bahrain in 2007 have increased 48 percent. Since the United States-Morocco FTA entered into force in January of 2006, U.S. exports to Morocco have increased 156 percent, while Moroccan exports to the U.S. increased 45 percent.

The United States has been actively engaging other Middle Eastern countries, as well. The Administration cooperated extensively with Saudi Arabia to complete that country's accession to the WTO in 2005. Including Saudi Arabia, the United States has in place TIFAs with 10 countries in the region (Saudi Arabia, Egypt, Yemen, Kuwait, the United Arab Emirates, Qatar, Algeria, Tunisia, Iraq, and Lebanon). The bilateral TIFA Councils established under these agreements allow the United States to work with trading partners to promote market access, liberalization of investment rules, intellectual property protection, and, where applicable, accession to the WTO.

In support of the Administration's broader efforts to support the stabilization, reconstruction and economic development of Iraq, the United States normalized trade relations with Iraq in 2004, extended GSP benefits, and signed a TIFA in 2005. The United States is also providing technical assistance in Iraq's bid to accede to the WTO.

Under the MEFTA rubric, the United States will continue to utilize FTA Joint Committees, TIFA Councils and other mechanisms (such as Bilateral Investment Treaties and the successful Qualifying Industrial Zone programs between Israel and Jordan, and Israel and Egypt) to enhance bilateral trade and investment relations with countries of this critical region, as well as to support regional economic contact and cooperation.

## **Agriculture**

The Administration has opened markets for U.S. agricultural exports through bilateral and regional agreements, and multilateral negotiations and dispute settlement. The free trade agreement (FTA) agriculture packages we have negotiated since 2000 offer substantial new access for farmers and ranchers in Western Hemisphere (Chile, CAFTA-DR countries, Peru, Colombia, and Panama), Middle Eastern (Morocco, Bahrain, and Oman), and Asian (Singapore, Australia, and Korea) markets. These packages provide for the elimination of both traditional barriers to agricultural trade, *e.g.*, tariffs and quantitative restrictions, and regulatory obstacles, *e.g.*, non-science-based sanitary and phytosanitary (SPS) measures and unjustified technical standards. Taken together, our most recently negotiated FTAs with Peru, Colombia, Panama, and Korea have the potential to generate over \$3 billion in additional farm exports when fully implemented.

With respect to regulatory barriers, the Administration has secured recognition of the equivalence of the U.S. meat and poultry inspection systems (by Peru, Colombia, Panama, Vietnam, and Central American countries), as well as import rules consistent with international standards, such as on Bovine Spongiform Encephalopathy (BSE) (in Canada, Peru, Colombia, Panama, Guatemala, Honduras, Jamaica, Barbados, the Philippines, Indonesia, Jordan, Bahrain, Kuwait, Oman, Saudi Arabia, and the United Arab Emirates).

We also have advanced agricultural trade goals through World Trade Organization (WTO) negotiations and dispute settlement. The Doha Round has been and remains a top Administration priority. In the context of WTO accessions, the U.S. Government has reached agreements with Russia (\$1 billion export market for U.S. agricultural products) addressing long-standing issues, including plant inspections,

trichinae, and biotechnology, that have impeded trade in a wide array of U.S. agricultural goods. When Vietnam joined the WTO, tariffs on more than 75 percent of U.S. agricultural exports were bound at rates of 15 percent or less (down from average applied rates of 27 percent), thereby reducing barriers to products ranging from cotton to meat and dairy to horticulture. Ukraine's accession to the WTO also will provide expanded market access for several U.S. agricultural products, including poultry, pork, and beef.

In WTO dispute settlement, we have prevailed in a wide variety of cases, including: Europe's moratorium on approvals for agricultural biotechnology, and ban on the use of growth promoting hormones in beef; Japan's unjustified phytosanitary restrictions on U.S. apples; Canada's grain handling and transportation practices, and export subsidies on dairy products; Mexico's soft drink tax, and antidumping orders on U.S. rice; and Turkey's import restrictions on U.S. rice.

In addition, the U.S. Government has concluded three agreements on wine, including one with Europe, an understanding with Mexico resolving long-standing issues in sweeteners trade, and an arrangement with Canada on trade in potatoes. We also have negotiated a rice agreement with Korea that provides guaranteed market access for 50,000 metric tons of U.S. rice annually, allows U.S. exporters to compete for additional quantities under the global portion of Korea's rice quota, and requires Korea to distribute a growing share of U.S. rice to consumers, rather than selling it for industrial use.

Looking forward, we remain focused on securing congressional approval of the Colombia, Panama, and Korea FTAs, and on reaching agreement on modalities for the Doha Round agriculture negotiations. At the same time, we are pursuing new market openings for U.S. agricultural exports in bilateral and plurilateral negotiations and high-level dialogues, including with China, Japan, India, Malaysia, and Europe, and working to ensure the full and faithful implementation of agriculture-related commitments in existing agreements such as the NAFTA and other FTAs. Finally, the elimination of non-science-based SPS measures and other unjustified regulatory barriers will remain a centerpiece of our agricultural trade strategy.

## **Manufacturing**

While the United States remains the largest producer and consumer of manufactured goods, 95 percent of the world's consumers live outside our borders, many in countries with rapidly growing demand for manufactured goods. Foreign markets are critical to maintaining the strength of U.S. manufacturing and to its future success. Additionally, by expanding opportunities for trade, U.S. citizens and manufacturers enjoy a variety of reasonably-priced products and inputs to production. Manufactured goods account for 61 percent of total U.S. goods and services exports worldwide. The United States exported \$982 billion in manufactured goods in 2007, an increase of 10 percent over 2006. Since 2002, U.S. exports of manufactured goods have grown by \$376 billion, an increase of 62 percent.

Free trade agreements boost U.S. manufacturing exports with partner countries. For example, since the entry into force of the U.S.-Chile FTA on January 1, 2004, U.S. exports of manufactured goods have increased by 190 percent through 2007 (annualized) – from \$2.5 billion to \$7.2 billion. Since entry into force of the U.S.-Australia FTA on January 1, 2005, U.S. manufactured goods exports to Australia have increased by 32 percent through 2007. In the Doha Round non-agricultural market access (NAMA) negotiations, the United States is seeking an ambitious outcome that lowers tariffs and non-tariff barriers for manufactured goods and results in real market-opening and opportunities for growth for U.S. exporters. In addition to across-the-board reductions in tariff rates for all industrial products, the U.S. is seeking full tariff elimination for chemicals, electronics and electrical products, forest products, health care (pharmaceuticals and medical devices), gems and jewelry, and sports equipment.

Ensuring full implementation of U.S. trade agreements is one of the Administration's strategic priorities. The Administration has held its trading partners fully accountable to WTO and FTA rules by engaging in dialogue to resolve potential disputes. We have also not hesitated to bring legal action under our trade agreements when dialogue does not produce results. Trade enforcement actions brought by the United States in this administration benefit U.S. companies and workers by bringing down barriers to U.S. exports and addressing unfair practices. Among the many manufacturers that have benefited from strong enforcement of our trade agreements are auto parts producers, aircraft producers, steelmakers, textile mills and paper producers.

The United States has been pursuing a number of trade initiatives concerning manufactured goods that have led to increasing U.S. exports. For example, the Information Technology Agreement (ITA) which provides for the elimination of duties on information technology products continues to support growing U.S. exports of these important products. U.S. ITA exports reached \$189 billion in 2006, an increase of 54 percent since 2001, and account for 11.4 percent of U.S. manufactured goods exports. The United States continues to actively encourage the addition of new ITA members. Since 2001, 14 additional countries have joined the ITA, which now totals 70 members.

Under the 2005 Multi-Chip Packages (MCP) Agreement, Japan, Korea, Taiwan, the European Union and the United States agreed to eliminate tariffs on MCPs (also known as multi-chip integrated circuits). MCPs are an evolutionary new high-tech semiconductor technology used in small computer products such as cell phones, digital cameras and hand-held personal digital assistants (PDAs). The MCP Agreement has expanded opportunities and improved sales for U.S. firms and workers in the \$4.2 billion global market (2004), which is expected to almost double by 2008.

## **Services**

Trade policy under the Bush Administration has reflected the critical importance of the services sector in the U.S. economy. As the largest component of the U.S. economy, private service producing industries account for almost 70 percent of U.S. GDP, and 84 percent of GDP growth. Services are also the largest driver of job creation in the United States, with 8 out of every 10 Americans employed in the sector. Since 1990, the service sector has created nearly 40 million new jobs across a range of sectors and employs more workers and account for more business sales than any other sector.

The United States is the world's leading services supplier, with total exports and sales by foreign affiliates approaching \$1 trillion per year. International trade in services is important to the continued expansion of our economy, and international markets offer huge opportunities for U.S. service firms and their employees. Services trade liberalization yields tangible benefits not only for the broader U.S. economy, but for individual Americans – by one estimate, total elimination of global barriers to trade in services would raise U.S. annual income by over \$460 billion, or more than \$6,000 per family of four.

In order to harness these opportunities, the United States has pursued rules-based services trade and investment liberalization in the WTO through WTO accession agreements and ongoing DDA negotiations, through bilateral free trade agreements, and in other regional venues. We have developed a unified market access strategy across all negotiating fora, pressing for the removal of barriers to core infrastructure services – including financial services, telecommunications, computer and related services, express delivery, energy services and distribution – the liberalization of which improves the competitiveness of both the services and goods sectors. As a result, WTO accession agreements, FTAs, and Bilateral Investment Treaties (BITs) concluded during the Bush Administration included provisions to reduce and eliminate barriers to U.S. providers of these core infrastructure services.

The United States is continuing to pursue services and investment liberalization in ongoing bilateral FTA and BIT negotiations. The United States has also championed broad infrastructure service liberalization in the context of the DDA. An acceptable final DDA package must include an ambitious result on services.

In the context of the DDA, the United States has advocated that services liberalization is a “win/win” proposition for both developed and developing countries. In many developing countries, the service sector accounts for the largest share of total economic output and is the fastest growing component of GDP. Service sector growth is associated with rising per-capita income. According to World Bank data, elimination of barriers to trade in services would result in nearly \$900 billion in annual income gains by developing countries. In addition to creating jobs and supporting growth in the service sector, services trade supports manufacturing and agriculture by reducing production costs, enhancing productivity gains, and facilitating product distribution.

Service industries harness rapid technological change in ways that are constantly altering the economic and social landscape. For example, the convergence of computer technology, telecommunications networks, and audiovisual services is fundamentally altering the way people access information and entertainment across the world. As such changes blur the distinctions between “traditional” service sectors and create wholly new ones, it is important that the rules-based trading system accommodate and facilitate such developments. The Administration is working with our trading partners to ensure that convergence issues are addressed in a systematic and comprehensive manner.

## **Investment**

In the highly integrated global economy in which we live, investment is inextricably linked to trade policy. In that light, the Administration has recognized the importance of maintaining an open investment policy which keeps both inbound and outbound investment flowing. Foreign-owned companies operating in the United States provide employment to 5.1 million Americans and contribute \$540 billion to U.S. GDP. These companies are responsible for 19 percent of U.S. exports, and account for 14 percent of total research and development performed by businesses in the United States. American workers employed by foreign-owned companies are paid 26 percent more than the national average for private-sector firms. Foreign investment creates and sustains high-paying jobs in all 50 states and particularly in the manufacturing sector, which accounts for one-third of the jobs supported by U.S. affiliates of foreign companies.

Investment abroad is equally important to our economy. U.S. companies earned \$310 billion from their overseas investments in 2006, more than a 100 percent increase from 2002. In that period, half of these profits were brought back to the United States.

The Administration will continue its efforts to enhance the benefits of international investment by pressing for the removal of barriers to U.S. investment through free trade agreements and Bilateral Investment Treaty (BIT) negotiations, as well as through Trade and Investment Framework Agreements (TIFAs). The Administration concluded a BIT with Rwanda in February 2008, and is near completion of BIT negotiations with Pakistan. We will also continue exploratory BIT discussions with China, India, and other countries, and seek to engage countries such as Brazil, Russia, Indonesia, Vietnam, and Egypt to engage in exploratory BIT discussions. These initiatives will help increase economic efficiency and real incomes in the United States, provide important protections for U.S. investors, and expand exports of U.S. goods and services abroad.

We will also continue to play an active role as a member of the Committee on Foreign Investment in the United States (CFIUS), both in CFIUS case reviews and in securing successful implementation of the

Foreign Investment and National Security Act of 2007 (FINSA), the comprehensive CFIUS reform legislation. While the United States must carefully review the national security implications of foreign investment consistent with the Exon-Florio Amendment as amended by FINSA, we must ensure that it is done in a manner consistent with the United States' open investment policy, which welcomes investors from around the world.

The Administration is also using our open investment policy to forge a coherent and effective approach to "sovereign investment" – investments made by government-controlled investors (such as sovereign wealth funds and state-owned enterprises) that are gaining increasing influence in international business and finance. Sovereign investment raises a number of important policy issues, including those concerning national security, financial stability, and protectionism. The United States is working closely with other countries – both those that make and those that receive sovereign investments – to anticipate and manage these challenges. We have called on the IMF and World Bank to develop "best practices" for sovereign wealth funds, to highlight sovereign investors' own responsibilities and promote strong international standards of transparency and corporate governance. We are also working bilaterally and through the OECD to encourage countries that receive significant sovereign investment – like the United States – to maintain open, transparent, and non-discriminatory investment policies. We will vigorously continue our efforts in this regard.

### **Intellectual Property Rights**

America's economic success increasingly rests on knowledge, creativity, and the goods and services that flow from them. Accordingly, enhancing the protection and enforcement of intellectual property rights (IPR) around the world has been a key priority of the Administration's trade policy. This focus has taken on particular urgency as rapidly developing technologies bring new opportunities for American creators and innovators, as well as new challenges from increasingly sophisticated IPR thieves.

The free trade agreements negotiated during this Administration have set a new international standard for strong IPR protection and enforcement, in line with the high standards reflected in U.S. law. The IPR chapters of our FTAs establish high-standard provisions governing the protection of copyrights, patents, trademarks and other forms of IPR, and they commit FTA partners to establish solid enforcement mechanisms to make sure those protections are upheld in practice.

In 2007, the United States, Japan, the European Union and other key trading partners announced they are taking a major step in the fight against counterfeiting and piracy by seeking to negotiate an Anti-Counterfeiting Trade Agreement (ACTA). ACTA represents a vision to establish a leadership agreement among countries sharing a common determination to strengthen enforcement against piracy and counterfeiting activity that robs innovators and endangers consumers. Beyond ACTA, the Administration is seeking out opportunities to address the global IPR infringement challenge through the G8, APEC, the OECD, the WTO's Council for Trade-Related Aspects of Intellectual Property Rights, and other fora.

The Administration has used a diverse array of other trade policy tools to protect U.S. intellectual property overseas. Among them are WTO accession negotiations with Russia and other trading partners, TIFA negotiations, bilateral discussions of IP issues, the "Special 301" process, U.S. preference programs, and dispute settlement. For example, the Administration has actively used the Special 301 provision of U.S. trade law to call attention to shortcomings in IPR protection among U.S. trading partners and to engage those partners in efforts to bring about improved performance. In 2007, the Administration's actions under Special 301 included elevating Chile from the "Watch List" to the "Priority Watch List," following a special review that identified shortcomings in a number of critical areas of IPR protection and enforcement. Russia, Brazil, Pakistan, and the Czech Republic have been the subject of ongoing Special 301 reviews during the course of the year. The Special 301 report in 2007 also

included an extensive review of IPR issues in China, including efforts being undertaken at the provincial level.

### **Eliminating Barriers to Trade in Other Multilateral Fora**

The United States worked with its trading partners through the international system over the last seven years to ensure free and fair trade flows affecting many specific sectors. For example, in the steel sector, the United States worked with the Organization for Economic Cooperation and Development (OECD) Steel Committee and the North American Steel Trade Committee (NASTC), in WTO accession negotiations, and with countries bilaterally to reduce inefficient excess steel capacity worldwide and to establish greater disciplines on subsidies and other market distorting practices affecting global steel trade. In 2006, the Administration initiated a cooperative steel dialogue with China, under the U.S.-China Joint Commission on Commerce and Trade (JCCT), in an effort to increase China's adoption of market-oriented policies regarding the steel sector.

The United States also worked within APEC to establish an APEC Chemical Dialogue, in which officials and industry representatives from Member Economies discuss issues including chemical sector liberalization, facilitation, capacity building, regulatory policy, and best practices for the benefit of APEC economies, human health and safety, and the environment. APEC economies also launched the Life Sciences Innovation Forum, which brings together scientific, health, trade, economic and financial considerations to address the key challenges of infectious and chronic disease and aging populations in the APEC region. This activity included assisting economies in developing an environment that attracts investment and supports innovation in life sciences, for both pharmaceuticals and medical devices.

### **Enforcement**

The Administration believes the United States can compete in any market so long as the rules of international trade are effectively enforced. Public support for trade depends on whether stakeholders are confident that the playing field is even and that the government is standing up for U.S. interests. To that end, resolute enforcement has been a hallmark of U.S. trade policy. The Administration has not hesitated to use the tools at its disposal in cases involving a range of countries.

In the first year of the Administration, the United States engaged Canada on such issues as softwood lumber and the fairness of Canadian Wheat Board marketing policies and Mexico on its discriminatory tax on high fructose corn syrup and telecommunications practices. In 2004, the United States challenged Europe's subsidies for aircraft giant Airbus, its prohibition on agricultural products made from biotechnology, and its customs procedures. In 2003, the United States brought a successful challenge against Europe's discriminatory regime for geographical indications. Similarly, in 2003 the United States brought a successful challenge against Mexico's antidumping duties on U.S. rice and a challenge against Egypt's excessive tariffs on textiles. The following year, the United States prevailed in a WTO case involving Japan's treatment of U.S. apples, which was brought to the WTO in 2002, and in a case brought by the Administration against Turkey's import barriers to U.S. rice. These cases produced real results for American exports. In January 2007, we welcomed Mexico's repeal, in response to a successful WTO case brought by the Administration, of its 20 percent tax on soft drinks and other beverages made with sweeteners other than cane sugar. As noted earlier, in November the Administration avoided a drawn out legal battle with China after that country agreed to terminate subsidies prohibited by the WTO. In August, we initiated arbitration proceedings under the 2006 Softwood Lumber Agreement (SLA) to determine Canada's obligations in applying an import surge mechanism and anti-circumvention provisions.

In addition, as noted earlier, the United States brought three new WTO cases against China in 2007, challenging prohibited subsidies, deficiencies in China's IPR enforcement regime, and market access restrictions affecting products from copyright-sensitive industries. The United States continues to pursue a case that arose over China's use of discriminatory charges aimed at imported auto parts. And the United States challenged India's application of excessive duties on a wide range of products.

In addition to challenging the policies and actions of our trading partners, the Administration has defended U.S. trade laws at the WTO. For example, in December, a WTO panel again found in favor of the United States in a case involving the "zeroing" method for calculating anti-dumping duties in administrative reviews in a case brought by Mexico. The case marked the third time a WTO panel has found that "zeroing" in assessment proceedings is not prohibited by the WTO Antidumping Agreement.

In all, the Bush Administration has won or successfully settled 96 percent of the cases it has taken to the WTO. When it comes to defending cases brought against us, we prevailed or reached productive settlements almost half the time. In 2008, we will continue our resolute pursuit of U.S. interests.

## **Labor**

The Bipartisan Trade Promotion Authority (TPA) Act President Bush signed in 2002 required for the first time that FTAs have provisions in the core text obligating signatory countries to effectively enforce their labor laws and to subject those provisions to enforceable dispute settlement. This was a major step forward from previous grants of so-called fast-track trade authority with respect to recognizing the trade-related aspects of labor policies.

Negotiations of FTAs under TPA led to significant labor reform by U.S. FTA partners. For example, in preparation for negotiation of our FTA, Morocco passed labor reforms that had languished for over 20 years. Bahrain removed bans on labor unions existing since the 1970's and passed legislation guaranteeing collective bargaining and union organizing rights. In addition, Oman enacted laws that recognized trade union and collective bargaining rights for the first time in its history and raised the minimum age for employment from 13 to 15.

In the course of passage and implementation of the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR), the ILO conducted a review of laws and practices of the Central American countries and these countries issued *Building on Progress: Strengthening Compliance and Enhancing Capacity* (better known as the "white paper") in which each committed to enforce its own labor laws and adhere to international labor standards. The Administration has honored commitments to Congress during consideration of CAFTA-DR to fund labor capacity building programs, devoting \$20 million a year to these efforts beginning in FY 2005.

The Administration built on this solid record with the Bipartisan Agreement on Trade Policy of May 10, 2007, which established the strongest-ever labor protections in trade agreements. As a result of that bipartisan agreement, FTA partners Peru, Colombia, Panama, and Korea will adopt and maintain in their laws the fundamental labor rights recognized in the *ILO Declaration on Fundamental Principles and Rights at Work and its Follow-Up (1998)*. Under the agreements, they will also be required to enforce effectively their labor laws. These labor obligations will be subject to dispute settlement with the same potential remedies as commercial obligations.

In 2008, the Administration will continue to work with Congress and U.S. trading partners to address any concerns with labor rights in Colombia, Panama, and South Korea so that those agreements can receive bipartisan support.

## Environment

In the course of the past seven years, the Administration has taken unprecedented steps to link wise environmental stewardship to trade in bilateral and regional free trade agreements, and in multilateral initiatives. The Trade Act of 2002 established for the first time that enforcement of environmental laws would be among the core objectives in the negotiation of free trade agreements. As a result, the FTAs concluded during this Administration demonstrate that good trade policies can encourage sound environmental policies. In cases where developing country trading partners might lack the resources for robust enforcement of environmental laws, such as the CAFTA-DR countries, the Administration adopted models of cooperation and capacity building to assist them.

The Peru FTA includes a groundbreaking environment chapter addressing biodiversity, as Peru is one of the few “mega-diverse” countries. The Environment Chapter also requires the establishment of an independent secretariat to receive public submissions on environmental enforcement matters. The Peru FTA Environment Chapter also includes a first-ever Annex on Forest Sector Governance. This Annex recognizes the environmental and economic consequences of trade associated with illegal logging and illegal trade in wildlife. The Annex lays out concrete steps to enhance forest sector governance in Peru and promote legal trade in timber products.

On the multilateral front, the United States endorsed the launch of the Doha Round with the inclusion of first-ever “win-win-win” mandates that promise gains for trade, environment, and development in such areas as fish subsidies, trade liberalization for environmental goods and services, and the WTO’s relationship with multilateral environmental agreements (MEAs). Also in 2007, the United States introduced a groundbreaking proposal to strengthen WTO rules on fisheries subsidies, a key part of the Doha environmental negotiating mandate. Under the U.S. proposal, all subsidies that contribute to marine fishing fleet overcapacity and over-fishing would be prohibited -- a clear “win-win-win” for trade, the environment, and sustainable development.

In addition, the United States developed and introduced, with the European Union, a WTO proposal for an innovative new environmental goods and services agreement (EGSA) and a commitment by all WTO Members to remove barriers to trade in a specific set of climate-friendly technologies and services (*e.g.*, solar panels, fuel cells, and wind turbines). The proposal was prompted by President Bush’s initiative earlier in 2007 to seek an agreement with major economies on a new international climate strategy. A recent World Bank study on climate and clean energy technologies suggests that by removing tariffs and non-tariff barriers to key technologies, trade in these products could increase by an additional 7 percent to 14 percent. A corresponding increase in the use of such technologies and services could contribute importantly to global efforts to address climate change and energy security. To build support for our proposal, the Administration will continue to lead work in APEC on environmental goods and services, including hosting another workshop featuring private sector advice, and establishing an APEC environmental goods and services database. APEC Leaders endorsed this work and urged its continuation.

Among the bilateral highlights in 2007 were the conclusion of Memoranda of Understanding with both Indonesia and China to combat illegal logging. The interim agreement with China establishes a framework for both immediate cooperation and the negotiation of a more detailed bilateral agreement to be concluded by the Fourth U.S.-China Strategic Economic Dialogue in June 2008. The MOU, and eventually the more detailed agreement, will also provide important support for third countries seeking to manage their forests in a sustainable manner by further closing markets to timber that has been illegally harvested.

The MOU with Indonesia establishes a working group under the existing United States-Indonesia TIFA to share information on timber trade, including information on illegally-produced timber products, and provide for cooperation in law enforcement activities. The United States committed \$1 million to fund related projects, such as training for customs and law enforcement officials, assistance for Indonesia's efforts to develop legality standards (including methods to distinguish legal from illegal timber), and enhancing partnerships with NGOs and the private sector. Forests are a major factor in the global effort to address climate change, with deforestation worldwide accounting for approximately 20 percent of greenhouse gas emissions.

In 2007, the link between trade and environmental policy was strengthened in the Bipartisan Agreement on Trade Policy of May 10. Pursuant to that agreement, the United States worked with its FTA partners Peru, Colombia, Panama, and Korea to include in those FTAs provisions that require each country to adopt, maintain and implement laws, regulations and all other measures to fulfill obligations covered under multilateral environmental agreements (MEAs). The obligations in the Environment Chapter of each agreement are subject to the same dispute settlement provisions as those in any other chapter.

Also in 2007, the United States led efforts to reform and revitalize the International Coffee Organization (ICO), concluding a new International Coffee Agreement (ICA) in September. As a result of the new agreement, the ICO will be able to demonstrate the role of international commodity organizations in facilitating international trade and sustainable development in economic, social and environmental terms and in a manner consistent with market principles.

In 2008, the United States will continue its leadership in Doha negotiations to include in the final agreement disciplines on fisheries subsidies

### **Development and Trade Capacity Building**

Under the Bush Administration, United States' global economic growth development objectives, particularly with poorer developing economies, were integrated with trade and investment objectives into a unified trade and economic growth strategy and discussed by experts in bilateral and multilateral negotiating fora. Integral to the Administration's goal of accelerating growth and economic reform in the developing world and, most importantly, in its poorest regions, are the four U.S. preference programs (the Generalized System of Preferences, the African Growth and Opportunity Act (AGOA), the Caribbean Basin Initiative, and the Andean Trade Preference Act) through which eligible products enter the United States duty-free from 131 beneficiary developing countries. In 2007, the Administration also worked to implement enhancements to AGOA that were granted to "lesser-developed" countries by the Africa Investment Incentive Act (AIIA), which President Bush signed on December 20, 2006.

Although U.S. imports under the preference programs comprise just 5 percent of total U.S. imports, the trade under these programs has grown sharply since 2002 and now constitutes a significant share of imports from many beneficiary countries. The Administration is employing many ways to increase the trade under preference programs and distribute their benefits, especially to lesser- and least-developed beneficiaries. These efforts include giving seminars via videoconferences or in-country, distributing export analyses, posting website guides in multiple languages, and working with individual exporters on how to expand their preference use. In the case of AGOA, the Administration is strengthening U.S. trade relations with sub-Saharan African countries by holding an annual ministerial level forum with AGOA-eligible countries.

For the first time, U.S. free trade agreements with developing countries establish trade capacity building committees that are charged with developing programs to assist with the implementation of the obligations of the agreements and with the transition to liberalized trade resulting from the agreements,

known as trade capacity building (TCB). These committees have already begun to meet under the CAFTA-DR, and will begin meeting for the Peru, Colombia and Panama FTAs as soon as they have entered into force.

This early strategy by the Bush Administration of incorporating trade capacity building into its bilateral trade negotiations, and making increased trade an objective of its development work, was adopted in the WTO in the form of the “Aid for Trade” initiatives, including the “Integrated Framework”. These WTO programs assist poorer developing country members to identify and meet the challenges and opportunities presented by trade. Four WTO Aid for Trade meetings were held in 2007; including three regional sessions followed by a global review at WTO headquarters that specifically focused on improving the integration of trade in the development plans of developing countries and in the assistance provided by donor countries.

In 2008, the United States and other WTO Members will continue to work together on Aid for Trade efforts, which not only provide technical assistance, but also help create the legal, administrative, and physical infrastructure that developing countries need to fully participate in the global marketplace. TCB is an important element of the U.S. development assistance framework and is provided by a number of U.S. government agencies. The two primary implementers of U.S. TCB efforts are the U.S. Agency for International Development (USAID) and the Millennium Challenge Corporation (MCC). Their broad work is complemented by more than twenty U.S. government agencies providing assistance in their areas of specialization. TCB is also an integral part of a number of trade agreements and programs, including AGOA and free trade agreements like CAFTA-DR, Peru, and Colombia. As the largest single donor of TCB assistance, the United States is proud to lead these TCB efforts.

Complementing these efforts was the establishment in 2004 of the Millennium Challenge Corporation (MCC), which has committed \$5.5 billion in project investments to date that encompasses more than \$3.4 billion in trade-related investments. MCC assistance is uniquely grant-based and is directed solely toward poorer developing countries. MCC has committed this financial support, principally for infrastructure, to 16 qualifying countries in Africa, Latin America, the Caucasus, and Asia/Pacific during the MCC’s four years of operations. USTR is a member of the MCC Board of Directors and encourages MCC funding that helps these poorest countries take advantage of global trade opportunities.

### **Working with State and Local Governments and Private Sector Advisory Committees**

USTR considers the statutory private sector advisory committee system and outreach to state and local governments and other domestic stakeholders to be an integral part U.S. trade policy. Over the past seven years, the Bush Administration has made significant strides to improve the consultation process with advisory committees, and to broaden outreach and communication efforts with States, localities, and the public. In the year ahead, we will continue our efforts to increase transparency in the advisory committee system by posting online updated rosters of advisors and the organizations and interests they represent, and increasing our public outreach efforts to groups around the country regarding the President's 2008 trade agenda.

During the Bush Administration, USTR has streamlined and updated the statutory advisory committee system created by Congress in 1974 to meet the needs of the 21st century economy. USTR created a first-ever secure encrypted advisor website to allow cleared advisors from around the country to review documents and provide advice to the U.S. government in real-time. USTR established plenary sessions of industry and agriculture committees, respectively, to allow greater exchange of ideas and information across sectors and established monthly teleconferences for advisory Chairs, to allow greater exchange of ideas and information across all committees. USTR appointed public health representatives to key

industry and agriculture committees and established a new Trade Advisory Committee for Africa to provide advice on trade policy issues and to promote Africa's economic development.

Under the Bush Administration, USTR has also significantly expanded the membership of Intergovernmental Policy Advisory Committee (IGPAC) to include state and local associations, state government points of contact, and regulatory experts in order to broaden the geographical representation and technical expertise and advice to the U.S. Government on trade issues affecting the states. USTR established monthly joint teleconferences for IGPAC and 50 State points of contact to allow greater exchange of ideas and information. USTR also expanded outreach to States and localities by participating in major State and local association meetings such as the National Governors Association, Western Governors Association, National Conference of State Legislatures, National Association of Attorneys General, Council of State Governments, U.S. Conference of Mayors, and others, and meeting with individual State and local officials around the country.

### **Conclusion**

In this final report by the Bush Administration, it is important to separate legitimate concerns about trade's impact on individuals, families, and communities from the myths. Globalization will continue, and the United States has been a tremendous beneficiary of a more open global economy. Our trading partners will continue to negotiate trade agreements bilaterally and regionally with or without us. They will not take a time out, and neither can we. Leaders in both parties in Congress and the Administration must work together to secure the benefits and address the challenges presented by globalization. The United States cannot afford to retreat from the global economy, nor can it succeed unless a genuinely bipartisan trade policy based on economic openness is embraced.

Susan C. Schwab  
United States Trade Representative  
March 1, 2008