# The Ninth WTO Trade Policy Review of the United States of America
## STATEMENT BY UNITED STATES AMBASSADOR PETER ALLGEIER
## GENEVA
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Chairman, Ambassadors, and distinguished representatives,

It is with great pleasure that I introduce this, the ninth trade policy review of the United States. I am honored to see the large number of participants at today's meeting and, in particular, to greet so many of my Geneva colleagues. Thank you for the time you are taking from your busy schedules to participate in this important WTO process.

We especially appreciate the participation of Ambassador Claudia Uribe of Colombia, who so ably chaired the Trade Policy Review Body in 2006, and whom we are honored to have as our discussant today.

We also want to acknowledge the key contribution made by the Secretariat and the Trade Policies Review Division. Director Boonekamp and his Americas team led by Raymundo Valdes asked us challenging, thought-provoking questions and worked hard to produce a comprehensive and informative report that provides a solid basis for this discussion.

At the outset, I would like to reiterate the continuing high value that the U.S. Government attaches to the trade policy review process. In that spirit, my delegation is working diligently to answer the multitude of questions – more than eight hundred – you've all put before us. For Members that gave us their questions two weeks before today's meeting, we have provided preliminary responses to the vast majority of your questions. We've also included responses for those Members that missed the two-week deadline by one or two days and responses to questions submitted after the deadline that overlap in substance with questions that were received on a timely basis. We provided these responses to the Secretariat just prior to today's meeting and they will be available as soon as copies can be made. We are continuing to work hard on all the remaining questions

**Overview of the U.S. Economic Environment**

I will now turn to an overview of the U.S. economic environment where our international trade performance is increasingly in the spotlight. For the first time in recent memory, international trade has become a topic of U.S. kitchen table conversation, a “pocketbook issue,” meaning dollars and cents to an individual and to that individual’s family. We agree with the WTO Secretariat’s conclusion that reducing the U.S. current account deficit requires expanding U.S. exports, “which would be facilitated by a more liberal trading system and stronger demand growth outside the United States.”

Over the period of review, 2006-2007, the U.S. economy performed well, as documented in the U.S. report for this trade policy review. The U.S. economy grew at an average annual rate of 2.5 percent over the two years. Employment increased by 3.9 million. The unemployment rate moderated from 5.1 percent in 2005 to 4.6 percent in 2007 and real labor compensation in the business sector increased by 2.8 percent. Concerning U.S. trade, real goods and services exports expanded by over 17 percent and real imports, by 8 percent. In nominal terms, the goods and services trade deficit first rose from $715 billion in 2005 to $764 billion in 2006 and then fell to $708 billion in 2007. These nominal figures reflect in part an increase of two-thirds in the price of U.S. crude oil imports in the period under review

Given recent and still-developing circumstances in the U.S. and global economies, I know that many Members are interested in economic developments over the most recent months. In brief, a decline in U.S. demand for housing in recent quarters has resulted in excess U.S. inventories of unsold homes, falling housing prices, and declining levels of investment in new residential construction. This has led to loss of homes for some U.S. purchasers, asset depreciation and solvency concerns for some lenders, and substantially tightened credit conditions in U.S. financial markets.

Against this background, the most recent data on the U.S. economy for the first quarter of 2008 show continued GDP expansion, although at the modest annualized rate of 0.9 percent.

The full range of public policy responses, including monetary and fiscal policy actions, is being brought to bear to help resolve the economic challenges created by the current market corrections in the United States. Time is required for the housing market to return to equilibrium, for counter cyclical public policy actions such as current personal income tax rebates to have their full impact and for credit markets to absorb fully and adjust to the current challenges. There is a good possibility that growth, which has been widely expected to be weak or even negative in the first half of 2008, will improve in the second half. For the year overall, however, growth is likely to be weak. We have full confidence though that, with one of the world's most flexible and adaptive economies, the United States is productively addressing the current difficulties and that the economy will move back to healthy expansion.

Global U.S. trade imbalances have been a source of concern in previous U.S. trade policy reviews. With slower growth in U.S. demand, stronger growth outside the United States and the increased price competitiveness of U.S. exports, the U.S. imbalance has begun to shrink. In nominal dollar terms, the goods and services trade deficit fell from a peak 6.2 percent of GDP in 2005's fourth quarter to 5.0 percent of GDP in 2007's third quarter. Under the impact of rapidly rising petroleum import prices that deficit remained at slightly more than 5.0 percent in the first quarter of 2008. In real terms the change has been more dramatic. In the most recent period of two-year change – 2006 to 2008, first quarter to first quarter – U.S. exports increased by 16.0 percent, roughly seven times faster than U.S. imports at 2.3 percent. Strong export growth has likewise been a stabilizing element for the U.S. economy as other sources of growth have weakened. Export expansion has accounted for more than 40 percent of U.S. economic growth over the last two years.

Even as the United States undergoes a temporary period of growth-dampening economic adjustment, let me state that we remain firm in our belief in the value of open markets, freer trade, and the rules-based international trading system as organized under the WTO. Open markets are obviously helping facilitate U.S. economic adjustment by accommodating strong U.S. export growth at a time when U.S. domestic demand growth is exceptionally subdued.

More fundamentally and in the longer term, however, the United States believes that movement toward freer, competitive markets and expanded trade under the rules based system has aided our economy employ resources more efficiently, enhance productivity and boost labor compensation more rapidly, while supporting employment and economic growth.

## Recent Trade Policy Developments

I will turn now to the U.S. trade policy environment and review the key themes of U.S. trade policy.

## Openness of the U.S. Market

First, the United States continues to expand access to its already very open market. The current U.S. simple average tariff is 3.5 percent on a legally bound basis under the WTO. When GSP and other preferences are taken into account, the U.S. trade weighted average tariff is just 1.3 percent on an applied basis. Last year nearly 70 percent of all U.S. imports (including under preference programs) entered the United States duty free. U.S. services markets are open to foreign providers and U.S. regulatory processes are transparent and accessible to the public.

Because of our open markets, U.S. goods and services imports in 2007 were $2.35 trillion – that is about $4 million per minute. The United States was the destination for nearly 23 percent of world goods exports in 2006 (excluding intra-EU25 trade). We remain the world's largest importer and a major engine of global economic growth. Exports now support one in six U.S. manufacturing jobs. Imports have kept inflation at bay and increased choices for U.S. consumers, and have made our producers more competitive because of cheaper inputs and capital equipment.

The United States continues to be the world's largest host for foreign direct investment. Currently, foreign direct investment in the United States is roughly $1.5 trillion. We are committed to keeping the United States an attractive destination for foreign investment, both to avoid disruptions in trade and capital flows and to preserve the significant and tangible benefits that investment brings to us.

## Importance of Multilateralism

Second, the multilateral trading system remains at the heart of U.S. trade policy, as has been the case for more than sixty years. Recently, in testimony before Congress, Ambassador Schwab said that, "The business of the WTO is the global trading system itself, and its operation is at the center of U.S. trade policy." We view the rules-based multilateral system of the WTO as the essential foundation of an increasingly integrated and competitive global economy of the 21st century, and we strongly support further efforts to reduce and eliminate restrictions on the flow of international trade. The ultimate success of the Doha Development Agenda is vital to the U.S. vision of a more prosperous economic future for our trading partners and for us. As Ambassador Schwab has stated on a number of occasions, a successful WTO Doha Round outcome is the top U.S. trade negotiating priority.

In his State of the Union address at the beginning of this year, President Bush confirmed that the United States is committed to concluding a strong Doha Round in 2008, and will provide the leadership necessary to achieve this objective. He confirmed that a successful Doha agreement must reduce and eliminate tariffs and other barriers, as well as market-distorting subsidies for agricultural goods. Just recently, in his statement of May 1, the President focused on worldwide food shortages and again invoked the importance of successful Doha Round negotiations towards achieving a solution.

As 2008 continues to unfold, the negotiations – as we know all too well -- have reached a critical juncture. The United States plans to continue working with our trading partners to achieve the ambitious outcome that will be necessary for a successful agreement, an agreement that generates meaningful new trade flows and new economic opportunities for citizens around the world – in agriculture, industrial goods, and in services. We also attach great importance to trade facilitation and subsidies disciplines, particularly fisheries subsidies, which could result in a win for trade, development, and the environment.

## Expanding Bilateral and Regional Initiatives

Third, as we strive for success on the multilateral front, the United States is pursuing an active agenda of regional and bilateral initiatives in a manner that is supportive of the multilateral trading system. Without exception, these initiatives look to the multilateral system as the foundation upon which to build. They are based on the premise that deeper economic integration can convey great benefits, economic as well as political, and at the same time challenge the multilateral trading system to keep pace with the interests and needs of Members. Our agreements include high standards and strive for ambitious and comprehensive outcomes. In conformity with our obligations, we notify these agreements to the WTO.

Today, the United States is party to FTAs that are in force with 14 countries, with several others in various stages of negotiation and implementation.

Based on experience, we have found that these agreements have not undercut our ability to participate fully in multilateral negotiations, nor have they diminished our enthusiasm for multilateral liberalization. One of the criteria that we have used in selecting our free trade agreement negotiating partners is a clear, consistent commitment to WTO-based trade liberalization. It is worth noting that our partners include some of the strongest supporters of MFN-based liberalization here in Geneva.

## U.S. Initiatives to Foster Development

A fourth important aspect of U.S. trade policy is to create opportunities for our developing country partners. Integral to the U.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. U.S. imports from many beneficiary countries under these programs have grown significantly, and the Administration is using the means at its disposal to increase trade under preference programs and ensure that their benefits extend to lesser- and least-developed beneficiaries.

We also recognize that market access can be of little value if beneficiaries are not able to take advantage of it. The United States is committed to assisting developing countries build up their capacity by providing aid for trade. We reaffirm the commitment made at Hong Kong to more than double our contributions to global Aid for Trade, from $1.3 billion in 2005 to $2.7 billion in grants by 2010. The United States plans to continue to support the WTO's catalytic role in aid for trade as well as the Enhanced Integrated Framework that aims to help the least trade-active countries participate in the global trading system.

The United States believes firmly that trade capacity building—Aid for Trade—is an important complement to the trade liberalization undertaken by the members of the WTO and recognizes trade as a key element of any sustainable national development plan. My government is ready to use all of its available tools, including the Millennium Challenge Account and USAID programs, to support Aid for Trade, reflecting our view that trade plays a central role in efforts to reduce poverty and spur growth.

The U.S. has more than doubled its annual TCB spending since 2001, resulting in aggregate outlays of approximately $7 billion in grants. USAID and the Millennium Challenge Corporation (MCC) are the two largest U.S. providers of TCB; a number of other U.S. Government agencies provide assistance in their areas of specialty. U.S. TCB has also benefitted from changes in the way that U.S.

assistance is delivered by supporting partner country ownership, promoting best practices to improve aid effectiveness, and leveraging private resources.

## Implementing Dispute Settlement Decisions

A fifth important theme is my government's continuing support for the rule of law in international trade. While the United States expects compliance in disputes where it prevails, we also recognize our responsibility to implement adverse DSB recommendations. As our Government Report shows, the United States has acted on its responsibilities. Compliance issues in accordance with a rules-based international trading system will continue to be a high priority.

## Looking Forward

My closing message is that the United States will continue to play a strong leadership role and do all that we can to achieve an ambitious and mutually beneficial outcome to the Doha negotiations. In the interest of success, President Bush has made it clear that the United States is willing to make bold proposals and take political risks, provided others do the same. But breakthroughs are urgently needed where the greatest impetus to growth and the greatest development gains will come. The United States remains strongly committed to open markets, and we are convinced that the Doha negotiations are the most powerful tool to get there. But it is a step that we all must take together.

Thank you again for your interest and attention. The United States appreciates the opportunity to share its views with this Body.