THE PRESIDENT'S TRADE POLICY AGENDA

I. The President's 2007 Trade Policy Agenda

I.   A Commitment to Sustaining U.S. Prosperity and Promoting Development Through Trade

In 2006, the Bush Administration built on its solid record of opening markets and creating economic opportunities for U.S. manufacturers, service providers, farmers, ranchers, and consumers. Under President Bush's leadership, the United States also continued to set the standard for all nations seeking to spur development and alleviate poverty by increasing trade flows.

In 2007, the Administration will continue to make strides in its multilateral, bilateral and regional trade liberalization efforts and to work with Congress, industry and public interest groups, as well as the American people, on a bold, growth-oriented agenda. Free and fair trade is a crucial component of President Bush's economic and foreign policy. The benefits of expanded trade are clear. Economists across the intellectual political spectrum have long agreed that trade is a vital tool for achieving economic growth. And with economic growth and development, individual well being and political freedom can flourish.

Since World War II, industrialized countries have lowered their average tariff on industrial goods from 40 percent to four percent. The results have been impressive. In the period of roughly 1950 to 2005, global exports grew from $58 billion to $13 trillion.

According to the Peter G. Peterson Institute for International Economics, U.S. annual income increased by $1 trillion from 1945 to the present due to increased trade liberalization. Trade liberalization in the last ten years has helped raise U.S. GDP by nearly 40 percent and boosted job growth by over 13 percent.

It is no coincidence that the United States, which is one of the most open markets in the world, also has among the strongest economies and highest living standards in the world. From wages to productivity to innovation, the United States leads. Americans' prosperity increased while the United States helped bring the economic benefits of trade to more and more countries, demonstrating that trade expands the economic pie for all.

The Bush Administration's trade agenda is focused on sustaining this prosperity in the near term and making sure economic opportunities will multiply for generations to come. The current and future economic health of the United States will depend in large part on the success it has in reaching the billions of consumers – 95 percent of the world's people – who live outside the U.S. borders.

The Administration's trade agenda also reflects President Bush's vision that the free and fair flow of commerce creates economic opportunity and hope for all people and promotes democratic governance and peace around the world. Development and trade are inextricably linked.

World Bank economists estimate that tens of millions of people could be lifted out of poverty in the next decade if nations agree to full multilateral trade liberalization. The Bank also estimates that per capita real income grew three times faster for developing countries that lowered trade barriers more (5.0 percent per year) than other developing countries (1.4 percent per year) in the 1990s.   In addition, a widely-cited study by White and Anderson of the Institute of Development Studies, University of Sussex, UK, concludes income gains for the poor are proportionately stronger than other income groups among countries that are opting for trade liberalization.

Trade, more than economic aid, offers millions of people in developing countries a chance for better lives. The 2005 Blair Commission Report on Africa, for example, estimates that increasing Sub-Saharan African countries' share of global trade by just one percentage point – from two to three percent – could boost export revenues for people in those countries by $70 billion. This is three times the amount of foreign aid that developed countries provide in an average year. Just as important, the United States and its trading partners need to encourage more trade among developing countries. It is estimated that 70 percent of duties developing countries pay are paid to other developing countries. These tariffs discourage the trade of other developing countries.

For over 60 years, trade has bolstered America's economic strength and security and helped spur development and cooperation around the world. More than ever, the economic health of all nations, particularly developing nations, depends on increasing trade flows. Accordingly, the Bush Administration moved with enthusiastic determination to open markets in 2006.

II. 2006 in Review

The World Trade Organization and the Doha Development Agenda

Throughout 2006, the United States led efforts to conclude a multilateral agreement to liberalize trade in agricultural goods, industrial and consumer products and services through the World Trade Organization's Doha Development Round. The WTO is at the foundation of an increasingly large portion of global trade and President Bush regards the Doha Round as an historic opportunity to tackle poverty and its accompanying ills and to create a more prosperous future for all nations. As 2007 begins, the Administration is pursuing a breakthrough that will enable WTO Members to complete the Doha Round negotiations as soon as possible.

After a long impasse, the United States jump started the Doha Round negotiations in October 2005 with an ambitious offer in agriculture, which included offering to make significant tariff cuts and to eliminate export subsidies, and to allow for major disciplines on trade-distorting domestic support. The United States challenged all WTO Members to embrace a robust, comprehensive multilateral agreement at the WTO Ministerial meeting in Hong Kong in December 2005 and pushed its trading partners to match the proposal. At that meeting, many WTO Members were either unwilling or unable to commit to meaningful reductions in tariffs on agricultural products and industrial goods and to reductions on barriers to trade in services.

The United States pursued every opportunity available in 2006 to break the apparent deadlock in the Doha Round, but to no avail. Major WTO Members continued to resist matching U.S. ambitions and the formal talks were suspended in July 2006.

Nevertheless, the President made it clear he was determined to get WTO Members back to the table as soon as possible. In a series of meetings with trade ministers around the world at which a number of trade matters were discussed, the U.S. officials affirmed the President's deep and enthusiastic commitment to an ambitious and balanced final outcome for Doha.

These gatherings provided a chance to have "quiet, what-if conversations," – small, private meetings where top trade officials could speak candidly and work creatively. In these meetings, the United States made it clear that half measures – measures that would not create meaningful new trade flows - would fall short of the development goals WTO Members embraced at the outset of the Round over five years ago. Proposals on agricultural market access that were riddled with loopholes and exclusions, or proposals that allow more advanced developing countries to continue to impose high barriers to industrial goods and services, will not produce the new trade flows needed to lift people out of poverty or create new economic opportunities.

The United States has argued that a watered-down multilateral agreement would simply lock in place many of the current barriers to trade for another ten years or more. The United States has also made it clear that an agreement must be balanced and comprehensive and offer U.S. farmers, ranchers, businesses and consumers more economic opportunities in exchange for the concessions the United States would make, including reductions in agricultural subsidies, tariffs and other barriers. We could not and would not take to our Congress for approval an unbalanced agreement that did not provide any new opportunities for U.S. exporters. The United States was willing to walk away from the table in the past and will do so in the future if the agreement lacks balance and falls short of the development goals of Doha. At the same time, the Administration remains determined to seize this historic opportunity for a comprehensive multilateral agreement.

While 2007 began without the breakthrough the United States has been struggling to achieve, from the efforts over the last several years a consensus has emerged that a comprehensive multilateral agreement has the potential to deliver significant benefits to all nations, particularly developing nations. Also, many countries now recognize that the United States, Europe and major industrial WTO Members cannot conclude that agreement by themselves. The fact is that emerging trade powers such as Brazil, India, and China, and major industrialized countries all have a stake in the global trading system and each country must contribute to keeping the system growing and dynamic and bring creative thinking and political courage to this effort.

In the meantime, U.S. commitment to the strong multilateral trading system was evident throughout 2006, as the Administration made historic progress in bringing additional countries into the WTO.

In May, after nearly a decade of work, the United States and Vietnam concluded a bilateral market access agreement that opened Vietnam's market to U.S. products and was essential to Vietnam's accession to the WTO. Later in the year, Congress approved the granting of Permanent Normal Trade Relations and Vietnam formally joined the WTO on January 11, 2007.

Vietnam's historic transformation to a member of the rules-based trading system will benefit its people and its trading partners. The accession agreement means U.S. producers of all varieties of goods and providers of a broad range of services will enjoy increased transparency and enhanced access to one of the fastest-growing markets in the world.

The United States also successfully completed bilateral market accession agreements with Ukraine in March and with Russia in November as part of these countries' WTO accession negotiations. These agreements will help the United States ensure enforcement of intellectual property rights and improve market access for American farmers and ranchers. Multilateral negotiations will continue on the broader implementation of WTO rules and the establishment of limits on agricultural supports and subsidies. Ukraine, Russia and the United States will benefit from the participation of these countries in the global trading system when these negotiations are complete. The Office of the United States Trade Representative (USTR) looks forward to continuing to work with other countries seeking WTO Membership.

Free Trade Agreements with Nations Around the World

In 2006, the Administration made significant progress on its bilateral and regional market-opening efforts. These initiatives complement U.S. multilateral efforts.

In February, the United States launched negotiations on the Korea-United States Free Trade Agreement (KORUS FTA). When completed, the KORUS FTA will have significant economic, political, and strategic benefits for both countries. It will be the most commercially-significant FTA the United States has completed in 15 years. For 2006, two-way goods and services trade between the U.S. and Korea is valued at $95 billion and should grow once an FTA is concluded. The KORUS FTA will also further deepen our 50-year-old economic and strategic relationship with the Republic of Korea. In addition, as the United States' first FTA negotiation with a North Asian partner, conclusion of this agreement would underscore the U.S. commitment to deepening and strengthening trade ties with the many dynamic and fast-growing countries of Asia.

In 2006, negotiators from the United States and the Republic of Korea engaged in five rounds of negotiations and made significant progress on a wide range of issues. As 2007 begins, the United States is eager to work through each side's priorities and sensitivities in order to achieve a balanced, comprehensive agreement that benefits the people of both countries.

In March 2006, the United States and Malaysia launched FTA talks and held three rounds of negotiations during the year, making solid progress on a range of issues. Malaysia is the United States' tenth largest goods trading partner with two-way trade in goods amounting to nearly $50 billion in 2006, and it has been at the forefront of the economic dynamism transforming Asia in recent years. The removal of trade and investment barriers between the United States and Malaysia would improve market access, enhance competitiveness and increase prosperity for both countries and strengthen the relationship with a key player in Southeast Asia.

The United States also continued its efforts to expand and improve trade ties with countries in the Western Hemisphere. The Dominican Republic-Central American Free Trade Agreement (CAFTA) entered into force with El Salvador, Guatemala, Honduras and Nicaragua in 2006. The Administration has continued to work with Costa Rica and the Dominican Republic to complete their respective implementations. Only a few decades ago, many of the CAFTA countries were plagued by stubborn poverty and political violence. With CAFTA, the United States is working with its neighbors to ensure that market-oriented economic reform and political stability will take hold.

The United States also signed free trade agreements with Peru in April and Colombia in November, and concluded FTA negotiations with Panama in December. Through the first 11 months of 2006, U.S. goods exports to Peru were estimated at an annualized total of $2.9 billion, and to Colombia of $6.7 billion. Colombia is currently the largest market for U.S. agricultural exports in South America. The implementation of the trade promotion agreements with Peru, Colombia and Panama can be expected to boost U.S. exports.

Significantly, these FTAs have leveled the playing field for the United States. For years, many countries in the Western Hemisphere have enjoyed duty-free access to the U.S. market. Now, the United States will have duty-free access for nearly all U.S. products exported to these growing markets.

In addition, the United States reached agreements with Peru, Colombia, and Panama on important product-specific issues related to sanitary and phytosanitary measures and technical standards. These agreements provide for the recognition of the equivalence of U.S. regulatory systems and for an approach to BSE and other animal disease-related rules in these Western Hemisphere markets that is consistent with international standards.

These agreements with countries in South America will build on economic reforms underway in this region and promote the development of economic opportunities outside of the cultivation and distribution of illegal drugs. This move away from illegal drugs will help reduce the crime and violence associated with this activity and stems the flow of narcotics to the United States.

The agreement with Panama contains important provisions on trade security which will facilitate secure and reliable transportation for the goods from all over the world that pass through the Panama Canal.

U.S. trade and security objectives also converged in Administration efforts in the Middle East in 2006, with the entry into force of the FTA with Bahrain and congressional approval of the FTA with Oman. These agreements build on free trade agreements concluded earlier with Israel, Jordan and Morocco. They are complemented by Trade and Investment Framework Agreements (TIFAs) and Bilateral Investment Treaties (BITs), which create mechanisms for identifying and resolving differences in emerging trading relationships and building blocks for broadly improved trade relationships throughout the Middle East.

These initiatives represent more than new market opportunities for U.S. citizens. They are tangible manifestations of President Bush's core belief that nations engaged in trade reject isolationism, seek to resolve political conflicts peacefully and embrace the rule of law. This is at the heart of President Bush's proposed Middle East Free Trade Area (MEFTA) initiative and consistent with the recommendations of the 9-11 Commission, which included using trade expansion to help stem political extremism in the region.

Other Bilateral Efforts

In addition to historic accession efforts with regard to Vietnam, Russia and Ukraine, as well as FTAs, the United States succeeded in several other efforts to strengthen bilateral trade relationships in 2006.

In the Western Hemisphere, the United States and Canada concluded an agreement to end over two decades of friction over trade in softwood lumber. The agreement, which was announced in April and went into effect in October, will help bring stability for lumber producers and consumers in both countries.

Elsewhere around the world, the United States continued to strengthen its trade and investment relationships with many countries through a series of TIFAs.

The United States signed TIFAs with Rwanda in July and Mauritius in September. These agreements will help advance the Administration's goal of helping countries in Sub-Saharan Africa to participate more effectively in the global market and to use trade to grow their economies and reduce poverty.

The United States also signed a TIFA with Cambodia in July, with the Association of Southeast Asian Nations (ASEAN) nations in August, and with Lebanon in December.

In March, June and December, senior U.S. trade officials met with Indian government representatives as part of the U.S.-India Trade Policy Forum. TIFA meetings were also held with Pakistan and Sri Lanka. The United States concluded a Memorandum of Understanding (MOU) with Indonesia under the auspices of the U.S.-Indonesia TIFA in September to combat illegal textile transshipment and an additional further MOU in November to combat illegal logging. In August, the United States signed an MOU with the Philippines that will help safeguard and promote legitimate textile trade between the two countries, while stopping illegal textile transshipments.

The United States is taking steps to further strengthen and deepen trade and economic ties with Japan, including urging Japan to accelerate economic regulatory reform and working with Japan to strengthen IPR protection and enforcement in the region.

The United States continued its economic engagement with China as well in 2006 as that nation completes its implementation of its WTO commitments. U.S. exports to China grew at an average annual rate of 24 percent in the last five years. Meanwhile, a quarter of a trillion dollars in foreign direct investment from countries around the world in the last 20 years has helped lift at least 400 million people out of poverty in China.

Monitoring and Compliance

In 2006, the United States continued to insist that its trading partners honor their WTO and bilateral commitments, using a range of formal and informal options to monitor and enforce compliance with trade agreements.

Cases

We have not hesitated to bring cases when our trading partners refuse to live up to their commitments. With respect to U.S. rights under the WTO, in January, USTR requested additional consultations with the European Union over subsidies to aerospace giant Airbus and in March with Canada over its countervailing duty proceedings on U.S. corn exports.

In many cases, the WTO vindicated the United States' rights. In November, the WTO ruled against the European Union's barriers to U.S. agricultural products made with biotechnology. In December, the WTO concluded that a lack of uniformity in Europe's customs procedures violated WTO rules.

China

The United States also vigilantly monitored China's compliance with its trade commitments. In January, as the United States was about to initiate a WTO action, China ended duties it had imposed on U.S.-made kraft linerboard, a widely used component in cardboard boxes. In March, the United States joined with Canada and the European Union and requested WTO consultations with China regarding Chinese rules that impose local content requirements in the auto sector and unfairly discriminate against imported auto parts.

In April, the United States concluded a successful meeting of the Joint Commission on Commerce and Trade (JCCT), which resulted in China making several commitments relating to IPR protection and enforcement as well as commitments that included opening its market to U.S. medical devices and preloading patented software on computers.

In the summer, USTR filled the newly created position of Chief Counsel for China Trade Enforcement and made changes in the internal organization of the agency to augment the focus on IPR enforcement, not only in China but also in other countries.

In December, as China completed its five-year transition to WTO membership, USTR issued a report detailing the progress – and the backsliding - that country has made on its commitments under the rules-based trading system.

In December, administration officials also held the first meeting with Chinese officials under the high-level Strategic Economic Dialogue (SED), which the Bush Administration initiated this year. Through this dialogue, attended by multiple cabinet-level officials on both sides, the Administration reinforced expectations articulated in February's Top-to-Bottom review of U.S.-China trade relations. The SED is providing a useful framework for understanding and supporting, at a broader level, key bilateral problem-solving efforts, such as the JCCT process and other bilateral dialogues.

In addition to formal WTO action with regard to China's practices, the United States undertook additional actions to monitor China's trade activities and to ensure China honors its WTO and bilateral obligations. In the Top-to-Bottom review of the trade relationship with China, the Administration noted that China has made progress since its WTO accession in 2001, but stressed the need for improvements in China meeting its WTO obligations in a number of areas, notably the enforcement of intellectual property rights. That review concluded that the bilateral trade relationship lacked “equity, balance or durability” and signaled that China and the United States have entered into a more mature relationship as trading partners. That relationship will require candid dialogue over differences and the use of all the tools the United States has at its disposal, including WTO dispute settlement consultations, to resolve differences.

The United States has also used its active TIFA and other dialogues with its trading partners to address a wide array of market access barriers faced by U.S. manufacturers, services suppliers, and farmers. These dialogues provided the United States the opportunity to closely and regularly monitor implementation of bilateral and multilateral commitments by trade partners and fora to seek to address issues, both small and large.

Legislative Reform

The United States further demonstrated its commitment to the global trading system by taking the steps necessary to come into compliance with three WTO rulings. In February, Congress repealed the Byrd amendment (which paid anti-dumping duties directly to U.S. parties instead of going to the U.S. Treasury). In April, Congress repealed the remaining provisions of export subsidies for multinational corporations known as the extra-territorial income exclusion. In August, Congress terminated export subsidies for cotton producers. The Administration also undertook a review of trade preference programs aimed at spurring trade and development opportunities for developing countries covered by the U.S. Generalized System of Preferences (GSP). In close consultation with the Administration, Congress extended the GSP program for two years. The legislation reauthorizes the program for all beneficiaries, but includes new statutory thresholds that identify products that have succeeded in becoming globally competitive and thus no longer warrant duty-free benefits. The legislation also includes new reforms which help focus benefits on the poorest developing countries. Finally, extensions of the Andean Trade Preferences Act and key provisions of amendments to the African Growth and Opportunity Act became law.

III. Advancing the Trade Agenda in 2007 and Beyond

The Administration is committed to sustaining momentum for trade liberalization and stemming the growth of economic isolationism and protectionism both domestically and abroad. The United States’ vigorous leadership is vital to its own prosperity and the economic health of the global trading community.

The pace of change in today’s world can stir anxiety and uncertainty. Even though the average unemployment rate for 2006 was just 4.6 percent, American workers worry about trade competition and whether their children will enjoy long-term prosperity and opportunities. These concerns about trade are due, in part, to the fact that the benefits of trade are diffuse but the dislocations it can cause are more concentrated. Critics of trade choose to ignore the clear benefits of trade while stoking fear and disillusionment and often misrepresenting trade’s effect on the economy.

Trade critics often suggest that open trade policies are responsible for persistent U.S. trade deficits, while in fact those deficits are attributable to many factors, principally macroeconomic conditions. If some of the major U.S. trading partners were growing at rates close to ours, consumers in those countries would likely buy more U.S. goods and services, or goods from other countries that now rely heavily on the U.S. market, and the U.S. trade deficit would be smaller. In addition, the fact that Americans save a smaller percentage of their income than do citizens of some of the United States’ major trading partners, such as China, also contributes to the trade deficit. Also, an increase in petroleum prices contributed significantly to the size and growth of the deficit in 2006. Finally, the monetary and fiscal policies of other countries can affect trade balances.

Second, according to the President's Council of Economic Advisers, trade is one of many factors affecting overall employment – and a relatively minor factor at that. On average over the decade from 1995 to 2005, the economy eliminated roughly 15 million jobs per year, but created 17 million. This happened for a variety of reasons, from changes in consumer preferences to productivity gains to technological innovations, and even natural disasters. Moreover, during roughly the same time period, trade and overseas relocation accounted for no more than three percent of annual job losses in layoffs of 50 or more workers.

It is noteworthy that some of the periods of highest unemployment have also been times when the United States was running small trade deficits or even surpluses. Trade policy works to expand U.S. exports and export opportunities, including by enforcing agreements with U.S. trading partners to ensure they live up to their commitments. The trade deficit is largely a function of macroeconomic factors rather than trade policy. Import restrictions in response to the trade deficit may have little impact on the overall deficit but would reduce U.S. incomes and living standards. In fact, American farmers, ranchers, manufacturers and service companies might ultimately export less of what they produce if the United States withdraws from its efforts to advance multilateral, bilateral and regional market openings.

Third, the United States has benefited from opening its market to direct foreign investment from other countries. In 2005, the stock of foreign direct investment in the United States was $1.5 trillion, and United States affiliates of foreign-owned firms supported over 5 million jobs. Similarly, U.S. investment abroad generates additional exports and better paying U.S. jobs.

As the world becomes more interconnected, the United States must continue to adapt quickly to new challenges and seize new opportunities. When trade does cause dislocations, government must assist the individuals and communities affected but in a way that does not harm the vast majority of Americans who benefit from open markets.

If the United States allows the proponents of economic isolationism and protectionism to prevail and the United States starts sitting on the sidelines of trade, it will be a loss for the United States as a nation and to the detriment of the entire global economy and the hundreds of millions of people whose lives could be improved through the flow of goods, services and ideas.

The Administration will work closely with leaders of both parties in both Houses of Congress to secure an extension of Trade Promotion Authority so that the United States can continue to open new markets across the globe for American farmers, ranchers, workers, and service providers. As other countries negotiate and close trade agreements, the United States cannot be left behind without forfeiting the economic growth that expanding trade generates. All Presidents need Trade Promotion Authority to obtain the bilateral, sectoral, regional, and multilateral deals that benefit the American economy.

Many Avenues for Expanding Trade

A comprehensive multilateral agreement offers the best chance for expanded trade and development opportunities around the world but bilateral and regional trade liberalization can also provide significant benefits. In 2007, the Office of the U.S. Trade Representative will continue to explore ways of advancing economic integration in the Western Hemisphere and expanded trans-Atlantic trade initiatives as well as FTAs with countries that are ready to embrace comprehensive, state-of-the-art trade liberalization.

Asia

The United States continues to deepen its trans-Pacific economic ties through APEC, which President Bush has called the "premier forum in the Asia-Pacific region for addressing economic growth, cooperation, trade and investment." When the 14th summit of APEC Economic Leaders convened in November 2006 in Vietnam, the United States gained agreement with the 21 APEC economies to further promote regional economic integration, with establishment of a Free Trade Area of the Asia-Pacific as a long-term prospect.

For example, the U.S.-ASEAN TIFA could help further deepen U.S. commercial ties with this region and support ASEAN integration. In 2006, the ASEAN TIFA created a work plan to help with the development of an ASEAN Single Window to facilitate customs clearance; a framework agreement on sanitary and phytosanitary standards to promote trade in tropical fruits; and support for the development of harmonized standards for pharmaceutical registration and approval to speed the introduction of innovative medicines to markets and patients in ASEAN countries. In 2007, the Administration will consider additional work to strengthen U.S.-ASEAN relations and promote ASEAN integration.

In a parallel effort, the United States will work to expand its bilateral cooperation with Japan and other major trading countries in the region in specific issue areas, such as the protection of intellectual property, to set a higher bar for the rest of the Asia-Pacific region.

The Middle East

The Administration will also continue to engage with Middle Eastern countries through the President's MEFTA initiative. In addition to negotiating high standard FTAs with countries in the region, we will engage vigorously with TIFAs, promote WTO accessions and explore negotiating Bilateral Investment Treaties (BITs) where appropriate.

Sectoral Efforts

Another way we engage our trading partners is through functional or sectoral initiatives that address changes in the global marketplace, such as the 2005 agreement the United States negotiated with the European Union, Japan, Korea, and Taiwan that applies zero tariffs on multi-chip integrated circuits, a new type of semi-conductor.

Through the multilateral process over the years, WTO Members have come together on important sectoral issues such as curtailing the use of subsidies that lead to over fishing, expanding market access for environmental technologies, enhancing trade capacity building and protecting intellectual property rights. The United States and its trading partners will continue to explore ways of improving the sector-specific regulations and processes that govern global trade.

Services

The United States pursues services trade liberalization through WTO negotiations, bilateral free trade agreements, and other regional venues. Services liberalization is a "win/win" proposition for both developed and developing countries. It provides developing countries the essential infrastructure of modern economies and global economic growth and development. Services trade accounts for nearly one-third of total U.S. exports, and, by one estimate, total elimination of global barriers to trade in services would raise U.S. annual income by over $460 billion, or $6,830 per family of four. Services trade is an area where continued multilateral cooperation could yield many benefits.

Investment

Another area that merits continued attention is international investment. The Administration will continue to push for the removal of barriers to U.S. investment through free trade agreement negotiations, ongoing Bilateral Investment Treaty negotiations with Pakistan, and through TIFAs and exploratory BIT discussions with Gabon, Rwanda, Saudi Arabia and other countries. These initiatives will help increase economic efficiency and real incomes in the United States and expand exports of goods and services abroad. While the United States must review security considerations in foreign investment, this country must continue to welcome the confidence of investors from around the world.

Trade Capacity Building

The United States and other WTO Members will continue to work together in trade capacity building (TCB) efforts, which not only provide technical assistance, but also help facilitate the creation of the legal, administrative, and physical infrastructure that developing countries need to fully participate in the global marketplace. TCB is 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, the United States is proud to lead these TCB efforts and has pledged to double U.S. aid-for-trade contributions to $2.7 billion annually by 2010.

Another historic Bush Administration initiative is the Millennium Challenge Corporation (MCC), which has signed compacts that include nearly $1 billion in trade-related assistance in 2005 and 2006. This financial support, principally for infrastructure, was committed to eight qualifying countries in Africa, Latin America, the Caucasus and Asia/Pacific during the MCC's first two years of operations. USTR is a member of the MCC Board of Directors and encourages MCC funding that helps countries take advantage of global trade opportunities.

Bilateral Paths to Trade

The United States and its trading partners have benefited greatly from Trade Promotion Authority legislation, which was enacted in 2002. The Administration has negotiated high-quality, comprehensive free trade agreements with countries in every corner of the world, which have created commercial opportunities for people in the United States and our trading partners and has advanced U.S. security by promoting engagement and cooperation among nations.

Beginning with the Jordan FTA in 2001, the U.S. Congress has approved free trade agreements with 13 countries since this Administration took office. Implementation is pending on three of the agreements Congress has approved and negotiations of another three have been concluded and await congressional approval.

The significance of such agreements is illustrated by the fact that U.S. exports to the 10 countries with which we implemented FTAs between 2001 and 2006 grew twice as fast as U.S. exports to the rest of world during the same period. The United States generated an $11 billion goods trade surplus with these 10 FTA partners in 2005, with total goods exports of $42.3 billion, compared to total imports of $30.4 billion.

Here are some highlights of increased trade with some of our FTA partners that have been implemented in the last five years.

Jordan: Since the entry into force of the U.S.-Jordan FTA in 2001, U.S. exports to Jordan have risen by 92 percent. Auto exports alone jumped by over 2,000 percent, to over $100 million, in 2005. In the agricultural sector, corn exports rose from $1 million in 2001 to $41 million in 2006.

Singapore: The United States ran a \$5.5 billion trade surplus with Singapore in 2005, and enjoyed a 23 percent increase in Singaporean foreign direct investment in the United States, totaling \$2.4 billion in 2005 (latest figures available). Building on an already healthy trade relationship, U.S. exports to Singapore have risen by over \$7 billion (42 percent) since entry into force of the FTA in 2004 through 2006 annualized. The biggest dollar gains were in sectors where U.S. exporters already had a foothold, such as gas turbines (exports rose from \$814 million to \$1.6 billion), aircraft parts (increase from \$635 million to \$1.1 billion), and in certain organic chemicals namely, carboxylic acid (exports were up over 4,700 percent to over \$250 million).

Chile: Since entry into force of the U.S.-Chile FTA, exports to Chile from the United States rose by over 151 percent, from \$2.7 billion in 2003 to \$6.8 billion in 2006 (annualized to end of the year). Among the notable increases in U.S. exports were petroleum oils (other than crude). In that sector, U.S. exports reached \$1 billion in 2006, a nearly 2000 percent increase. Motor vehicles for the transport of goods exports also increased significantly, reaching over \$300 million in 2006, a 440 percent increase over exports in 2003. It is worth noting that, while U.S. exports to Chile constituted 25 percent of the Chilean import market in 1995, that share consistently dropped in the years after as other trading partners, including the European Union, Mexico and Canada, all negotiated FTAs with Chile before the United States. U.S. import share reached a low of 14.5 percent in 2003. With the entry into force of the FTA, U.S. import share in Chile has begun to climb again, reaching 15.1 percent in 2004 and 15.8 percent in 2005.

Australia: Since our FTA went into effect in 2005, the United States has significantly strengthened and diversified its exports to Australia. Imports by Australia of U.S. goods rose by \$3.5 billion in the first two years after entry into force of the U.S.-Australia FTA to \$17.7 billion – a 25 percent increase, contributing to a goods trade surplus of nearly \$10 billion in 2006. Particularly significant gains were seen in U.S. exports to Australia of gas turbines (48 percent increase since 2004); and yachts and other pleasure boats (up 49 percent since 2004). Total U.S. agricultural exports to Australia were at a record of roughly \$520 million in 2006. Exports of pork reached \$41 million and exports of fresh fruit reached roughly \$50 million in 2006.

Success of U.S. Free Trade Agreements

Agreements in force with U.S. trading partners continue to stimulate economic growth. While the countries with which the United States has agreements in force account for only 7.2 percent of world GDP, excluding the United States, they account for fully 42 percent of U.S. exports to the world. In countries and regions throughout the world, the United States is opening markets for U.S. exporters, creating economic growth and development opportunities for U.S. FTA partners, obtaining welfare gains for U.S. consumers, and enhancing the leadership role of the United States in the global economy.

The Gold Standard

More important than the number of free trade agreements is the fact that U.S. FTAs represent the gold standard for how to spur free trade, investment and economic reform. U.S. FTAs are comprehensive and go beyond elimination of tariffs on goods and the free flow of services and address other aspects of 21st century economic relationships, such as investment, intellectual property rights, government procurement, transparency, and non-tariffs barriers resulting from the tax and regulatory systems of our trading partners.

Labor

Free trade agreements concluded under TPA have helped raise labor standards. They have been an impetus for significant labor law reform by U.S. trading partners with respect to core labor standards, most recently historic reforms in Oman and Bahrain providing trade union organizing and collective bargaining rights. All recent U.S. FTAs contain provisions requiring U.S. trading partners to strive to ensure that internationally recognized labor rights and the principles of the International Labor Organization are protected in their labor laws and that labor laws are effectively enforced. In addition, the United States has gone beyond the text of the agreements and has worked with U.S. trading partners, notably in Central America, to assist them in building the institutional and legal infrastructure to monitor and enforce these rights.

Environment

U.S. FTAs have also advanced the United States' effort to highlight how trade can promote environmental protection. For example, agreements with Peru, Colombia, and Panama included special mechanisms to provide the public with opportunities to present their views on failures to effectively enforce environmental laws. Additionally, the agreements with both Peru and Colombia include groundbreaking provisions on protecting biodiversity.

With recently-concluded FTAs, the Administration is now working on implementation of key environmental provisions. A new independent Environmental Secretariat has been established for the CAFTA-DR countries to receive submissions from civil society related to enforcement of environmental laws. The Administration has committed to providing $18.5 million to start up environmental cooperation projects with CAFTA-DR partners in 2007; projects range from raising environmental standards to improving capacity to enforcing environmental laws and implementing relevant international conservation agreements, such as CITES – the Convention on International Trade in Endangered Species.

Free Trade Agreements in 2007 and Beyond

In 2007, USTR will work closely with Congress as we seek approval of FTAs with Peru, Colombia and Panama. These FTAs will level the playing field and allow U.S. citizens to seek new economic opportunities in these growing markets. These agreements will also make permanent the access these countries have had to the U.S. market through one-way preference programs and help sustain their growth and market-oriented reforms.

In addition, we also expect to work toward the completion and to seek congressional approval of FTAs with the Republic of Korea and Malaysia. These agreements will advance the United States' long-term goal of locking in economic reforms in Asia as countries there continue to develop their economies.

With regard to Peru, Colombia, and Panama, as well as other pending and future agreements, the Administration is committed to working with the Congressional leadership on both sides of the aisle to address labor and environmental issues in a manner that will ensure strong bipartisan support.

The Administration will continue working toward the goal of concluding FTAs with other countries across the globe.

Enforcement

The United States has always made it clear that the rules of global trade must be fair and, once agreed to, must be fully implemented. The success of the rules-based global trading system depends on the trust and confidence of public officials, private sector stakeholders and the public at large.

The Administration has and will continue to use the variety of tools available to address trade barriers, including pursuing formal dispute settlement when dialogue and negotiation fail. The United States has brought over 70 dispute settlement cases at the WTO – from high fructose corn syrup to apples to auto parts to steel to biotechnology – and brought the first cases against China in the WTO.

In the area of intellectual property, the President's trade policy will continue to recognize the fundamental role of American creativity and innovation in sustaining the nation's economic strength. Faced with the burgeoning global problem of counterfeiting and piracy, the Administration will work with other countries to strengthen IPR protection and enforcement. In addition to our ongoing efforts with China, USTR will also devote considerable energy to ensuring that Russia improves its IPR regime, building on the commitments negotiated bilaterally with Russia as that country moves into the multilateral phase of negotiations for its accession to the WTO.

The "Special 301" process is an essential element in the ability of the United States to engage these and other trading partners, and the Administration will be intensifying its efforts in constructive engagement with the trading partners listed in the annual Special 301 report with the goal of helping these trading partners to achieve stronger IPR regimes.

In February of this year, the United States sought WTO consultations with China with regard to that country's continued use of prohibited export and import substitution subsidies.

Working with Congress

Bipartisanship and cooperation between the executive and legislative branches of government have been the hallmark of U.S. trade policy. Going back to the Franklin D. Roosevelt Administration, lawmakers and Presidents have worked together to reverse the economic isolationism that helped precipitate the calamity of global war and economic depression in the 1930s and 1940s.

The last two decades alone provide many examples of both parties and the legislative and executive branches working together to advance trade policy. The 1988 Omnibus Trade and Competitiveness Act was approved with a Republican President and a Democratic Congress. Permanent Normal Trade Relations for China was approved by a Democratic president working with a Republican Congress. Other examples of how the political parties can work together on trade include enactment of the African Growth and Opportunity Act (AGOA), other trade preference programs for developing countries, and the FTAs approved over the last five years.

The Bush Administration will continue to listen to and consult with Members of Congress on a market-opening and enforcement agenda that benefits all Americans, helps people in developing countries, and projects the unity and leadership of the United States in the global marketplace. Congressional leaders from both parties should find common ground in keeping the United States engaged and leading in the global economy.

The Congressional leadership of both parties understands that isolationism and protectionism invite peril for American citizens and the global economy. The Bush Administration will work closely with lawmakers to prevent the United States from retreating from its obligations in the global economy and to guarantee that the United States will continue to benefit from participation in the global trading system well into the future.

Conclusion

This year presents an opportunity to make historic strides in trade policy. From the Doha Development Round, to entering into FTAs that provide commercially significant market opportunities for U.S. exports, to updating trade preference programs, to creating new models for trade with countries at various stages of economic development, the United States must continue to lead.

The pace and impact of change in today's interconnected global marketplace present the United States and other nations with many new opportunities and challenges. Increased trade liberalization and a strong rules-based trading system offer the best vehicles to increase global economic prosperity, combat poverty, and encourage transparency and the rule of law amongst trading partners. The benefits outpace the perceived challenges. The necessity of opening the world to free and fair trade is imperative to the development and growth of all countries and peoples. For generations, America has opened its markets and increased its exports of goods and services to the world. America's embrace of competition, the rule of law, and innovation have spurred its tremendous economic growth and prosperity. In the face of growing competition and increased globalization, the United States must embrace and advance the free and fair trade principals that have led to so much economic success. This remains a guiding imperative in U.S. trade policy as we pursue an exciting agenda for 2007 and beyond.

Susan C. Schwab
United States Trade Representative
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