

**“2008 U.S. Trade Agenda”
Luncheon Keynote Address**

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**Rosemont, Illinois
January 31, 2008**

Thank you for the warm welcome – I am very pleased to be here today with the International Trade Association of Greater Chicago along with Illinois Global Partnership, Baker McKenzie, UPS and the Illinois DEC for their sponsorship of today’s lunch.

I’d also like to thank Richard not only for his introduction and his leadership of this DEC, but for his commitment to chair the national DEC. I’ll be relying on him for advice as we continue to build America’s export leadership.

When I was a kid, during the hot summer months I would try to make a little money by selling lemonade at a table set up at the end of our driveway. I did pretty well selling to the neighbors, but we lived on a dead-end street without much car or foot traffic, so the number of customers for my business was limited. I needed more customers, and new markets. One particularly hot summer, I hit on the idea of “exporting” my lemonade out of my own neighborhood by setting up my table and pitchers down near the Little League ballpark and community swimming pool. There were a lot more customers there, and the ballplayers were especially thirsty. For a day or two, I did a booming business.

Now, I should have known there would be trouble when I noticed that the town ballpark was, quite literally, not a level playing field. Toward the right field fence the outfield fell off into a ditch. So I guess it wasn’t surprising that after a couple of very successful days, I ran into a market access barrier. The college kid who managed the concession stand at the ball field came over and very officiously told me I couldn’t sell my lemonade on town property. Of course, I smelled a rat. The inferior official town lemonade sold for at least a dime, and came from a mix blended in some big machine. I had a very low cost structure; Mom gave me the lemons for free and I could sell my fresh-squeezed product for something like a nickel a cup and still do well. Had I been a savvier businessman, I might have called the Commerce Department’s trade compliance hotline for help in attacking this outrageous market access barrier, but in the end I just folded up my table and went home.

This story illustrates an important point – the ability to export beyond one’s home market can bring great gains, but the ability to compete freely is crucial to success. Just like my attempts to compete against a protected lemonade cartel, American exporters are hurt when they face unfair trading practices or obstacles to selling their products in overseas markets. But when American businesses and workers are able to conduct business on a level playing field, they can compete anytime, anywhere.

1. DEC Appreciation

For nearly fifty years the Department of Commerce has relied on DEC’s for advice directly from exporters who want to increase their competitiveness, profits, and presence in international markets.

For all that time we've had a bipartisan consensus in favor of open markets and free trade—from Presidents Eisenhower and Kennedy who established and strengthened the DEC movement to President Bush today.

As we've signed free trade agreements to tear down trade barriers, slash tariffs that work against our competitiveness, and open new markets, your workers and your companies have benefited. Together, we've witnessed that as the marketplace has changed, as competition has increased, and as the world has become smaller, these policies have provided American exporters new and unprecedented opportunities.

2. Stimulating Our Economy Now

This is increasingly important, particularly during a time of slower short-term economic growth. Our economy has faced many recent challenges and yet has continued to flourish.

For immediate economic relief, the President has worked with leaders in Congress on a robust stimulus package to give our economy a boost, with incentives for both consumers and businesses. For our long-term economic stability, we need to maintain focus on policies that enhance our long-term economic growth, like: permanent tax cuts, discipline on earmarks; less regulation; encouraging innovation; enhanced security... and of special interest to all of you, new global markets for American exporters.

3. Role of Exports in a Growing Economy

Global consumers are more accessible to us today than ever before. With 95 percent of the world's consumers living outside our borders, the sweeping improvements we've made in technology and logistics have greatly enhanced our ability to promote the world-class products you produce. I cannot overstate the importance of policies conducive to international trade and American competitiveness.

A great deal has been achieved. Our manufacturers, farmers, and service companies are now reaching billions of people as they've become connected to the global marketplace. For example, U.S. exports to the CAFTA-DR countries were up 12.6 percent from January through November 2007, compared to 2006. Chicagoland exports to CAFTA are up to \$423 million in 2006.

And, not only did we completely reverse our trade deficit to a surplus with this region from 2005 to 2006, but that surplus grew over 200% from 2006 to 2007. Our FTA partners are proactively removing barriers to trade, as well as investment. This good news is also true for our global export profile as well.

As a result, overall U.S. exports are growing at double-digit rates and account for 12 percent of U.S. GDP—more than double the contribution of 50 years ago and more than at any other time in American history.

Through November, America exported \$1.5 trillion worth of goods and services, more than any other *nation* in history. This accounts for approximately one-third of our economic growth, and provides an important counterweight to a downturn in the domestic housing market.

4. Metro Trade Statistics

As you know, the International Trade Administration measures all kinds of trade—by industry, by state, by port of entry. Starting last week—for the first time in nearly a decade—we have export data for metropolitan areas inside the United States.

Here in Chicago, businesses exported nearly \$30 billion in 2006, making you the 6th largest exporting area in the nation. Top destinations for Chicagoland exports were Canada, Mexico, and Japan, with leading industrial sectors of chemicals, computers, machinery, and transportation equipment.

5. Developing a 21st Century Trade Consensus

The result of this explosive trade activity is that when the world's consumers fly in an airplane, drive a tractor, paint a front porch railing, or go to the doctor's office, they are helping to employ Americans right here in Chicago. Millions of Americans have jobs that depend on exports—many of them working for your companies.

Yet despite the overwhelming evidence that trade benefits America, the free trade consensus has weakened in recent years. This is ironic, since the facts show exports account for a larger contribution than ever to our nation's economic growth.

Yet some loud voices today suggest trade policies that signal retreat, failure, and a return to protectionist policies that have failed us in the past. Protectionism does not protect. It prevents America from unleashing its full economic potential.

6. Administration's Approach to Trade in Four Parts

President Bush has worked to open new markets for American business and workers. In the last year of this Administration, we have an aggressive trade agenda. Some might say, what can you achieve?

But you know, historically, the last year of a President's Administration has been a period of achievement in trade.

For example:

- In President Reagan's last year we saw the 1988 Omnibus Trade Act;
- The George H.W. Bush Administration signed NAFTA in its final year;
- And President Clinton approved PNTR with China in his last year.

With this in mind, we have a very big agenda for trade this year including:

- Concluding an ambitious Doha Development Round in the WTO;
- Rewarding strategic partners and establishing enduring commercial partnerships by passing pending FTAs with Colombia, Panama, and Korea;
- Building upon steady bilateral progress in our economic engagement with China.

a. Multilateral Engagement- Doha

The biggest idea in international trade today is multilateral liberalization through the Doha round of world trade talks—it is the single best way to reduce trade barriers across the board.

We have many of the pieces in place and we're gradually reaching a stage in negotiations where you can see the possibility of an ambitious outcome. Draft texts have been proposed in agriculture, manufactured goods, trade rules, and trade facilitation, with more work remaining on services.

We remain confident that an agreement can be reached during President Bush's administration, and our senior-most officials are working tirelessly to accomplish this objective. By doing so we would spur new trade flows, open markets for companies here, and pull hundreds of millions of people out of poverty in the developing world.

b. Bilateral Engagement- FTAs

A key to this Administration's trade strategy has been the negotiation of new free trade agreements. These FTAs are crucial for enabling America to compete freely and fairly in overseas markets. Since 2001, the United States has signed free trade agreements with 11 countries, bringing the total number of FTAs to 14. Our FTA partners make up seven percent of the world's population, but account for 40% of our exports.

Every time the United States has signed a free trade agreement, U.S. exports to that nation have surged. It happened with Canada, Mexico, Jordan, Israel, Chile, Australia, and Central America and the Dominican Republic.

Congress now has an historic opportunity to increase trade and investment flows between the United States and Colombia, Panama, and South Korea. All of these agreements deserve a vote. Here's why:

i. They Already Have Free Trade with us – Let's open markets for the United States

The irony is that we do in fact have free trade with Colombia—but its *one-way* free trade.

Starting in the mid-1990s, Congress has consistently voted to throw open the U.S. market to duty-free Colombian imports. That vote, however, *unilaterally* gave one-way, duty-free access Colombian products coming into the United States.

Colombian cut flowers, carrots and cans of coffee enter the United States completely duty-free. Yet computers, chicken leg quarters, or transportation machinery from here must still pay hefty tariffs today when sold to Colombians.

The Colombia FTA is a trade agreement that even Lou Dobbs could love. Passing pending FTAs would level the playing field because they move our commercial relationship beyond one-way preferences to full two-way partnerships.

ii. Colombia, Panama and Korea are Important, Growing Markets

The second reason to move forward on these trade agreements is that these three countries represent enormous new markets. Combined, they represent more than 100 million consumers and \$1 trillion in GDP.

- Colombia is nearly twice the size of Texas and the most populous Spanish speaking country in South America. Last year American exports to Colombia surged nearly 30 percent. An FTA will sustain strong levels of growth and expand our economic ties further still.
- Panama's economy grew at 8.5 percent last year—faster than any other in Latin America. With the \$5 billion Panama Canal expansion project, there will be tremendous opportunities for American companies to invest in and export to this booming economy.
- The Korea FTA would be our largest FTA since NAFTA. It would eliminate 95 percent of tariffs on U.S. consumer and industrial goods exports to Korea within three years. Korea is our 7th largest export market.

iii. FTAs Enhance Security and Social Justice

The third reason why these FTAs are critical to our prosperity is because they support crucial national security and foreign policy goals.

Colombia is one of our staunchest allies in the region. Not long ago, we were concerned about Colombia becoming a "failed state." Today under a democratically elected President, the people of Colombia have made a tremendous turnaround. I've seen it myself, in places like Medellin, which once had the highest murder rate in the world but now is prospering through exports of everything from flowers to apparel to software. And

Colombia has made all this remarkable progress despite a violent terrorist insurgency and while remaining true to democracy and free market principles.

Since 2002:

- The rate of violent crime in Colombia has dropped nearly in half;
- Tens of thousands of paramilitaries have demobilized; and
- Cocaine production and seizures bound for the U.S. have dropped significantly.

At the same time,

- The economy has grown every year;
- Enrollment in public schools is up to 92 percent; and
- There has been a steep decline in poverty.

There is no single and more courageous action that we could take today to strengthen Colombian's democracy, economy, and stability more than an FTA.

The votes on the pending trade agreements are about more than trade. We must make clear that we stand with our friends that are working to strengthen democracy and prosperity in regions that have seen too little of both.

c. China- Bilateral and Multilateral Engagement

We can't talk about trade without talking about China. Our relationship with China captures the hopes as well as the fears of many Americans.

Indeed, if you look back 30 years or so, we had a much simpler economic relationship with China—and a much smaller one. Today as our ties have grown and so, naturally, have the challenges.

Our basic approach to China is three-pronged:

- Using dialogue and bilateral engagement to tackle market access problems, through mechanisms like the Joint Commission on Commerce and Trade;
- Multilateral dispute resolution through the WTO;
- Vigorous enforcement of our trade remedy laws against dumping and government subsidies.

It is through these various dialogues that we've been able to discuss a full spectrum of concerns, from currency policy, labor rights and working conditions, exclusionary industrial policies, widespread counterfeiting, and problems with product safety.

Import Safety

It is tempting to follow the siren song of economic isolation, and impose sweeping trade bans or raising punitive tariffs on Chinese imports. However, that is a dangerous path. The United States has always been at its best when we are open, leading, and engaged with the world.

6. Conclusion

There is much work left to be done both in this Administration and beyond. The world is not standing still, and it's our responsibility to take advantage of every opportunity to increase our competitiveness.

We now have the opportunity to open markets on a global basis through the Doha Development Agenda of the World Trade Organization. We have three free trade agreements pending before Congress. Each deserves to be passed as quickly as possible to lock in a path to prosperity and security for the United States and its strategic

partners. And we must continue to make the case for economic engagement with China, which has been the bedrock American policy for more than 30 years across seven presidential administrations.

There is much at stake -- a prosperous and integrated world is in our interests, and a prosperous America is in the world's best interests -- we all stand to benefit.

Thank you.