

**STATEMENT**  
**on the**  
**U.S. – JORDAN FREE TRADE AGREEMENT**  
**before the**  
**SENATE COMMITTEE ON FINANCE**  
**by**  
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**March 20, 2001**

Mr. Chairman, thank you for inviting me to appear before this panel today. I am Thomas J. Donohue, President and Chief Executive Officer of the U.S. Chamber of Commerce. I appreciate this opportunity to testify on behalf of the Chamber on implementation of the U.S. – Jordan Free Trade Agreement (JFTA) and its importance to America's commercial interests.

Signed on October 24, 2000, the JFTA will eliminate duties and commercial barriers to bilateral trade in goods and services originating in the United States and Jordan. The JFTA also includes, for the first time ever in the text of a trade agreement, separate sets of substantive provisions addressing trade and the environment, trade and labor, and electronic commerce. Other provisions address intellectual property rights protection, balance of payments, rules of origin, safeguards and procedural matters such as consultations and dispute settlement.

As noted by the last administration, two-way trade between Jordan and the United States totaled \$287 million in 1999, \$276 million in U.S. exports to Jordan and \$11 million in U.S. imports from Jordan. An analysis by the U.S. International Trade Commission suggests the potential for growth under the new agreement, showing that if (a JFTA) had been in effect in 1998, U.S. exports of cereals (other than wheat) could have increased by 14 percent, electric machinery exports doubled, and exports of machinery and transport equipment grown by approximately 39 percent.

The last administration also made known its intention that the JFTA serve as a "template" by which subsequent trade agreements with other countries should be crafted. We respectfully but strongly disagree. That "template" was especially important, according to the last administration, because it incorporated, for the first time ever in the text of a trade agreement, separate sets of substantive provisions addressing trade and the environment, trade and labor, and electronic commerce. Jordan has made admirable progress against the backdrop of continuing Middle East crises as it pursues economic modernization and liberalization. However, modeling our global trade negotiating strategy on our relationship with an economy as small and relatively uncomplicated as Jordan's would necessarily result in the neglect of a plethora of vital and much more complex U.S. national interests.

In addition, we regard adoption of the JFTA's labor and environmental provisions – and the attendant possibility of trade sanctions deriving from labor or environmental policy disputes – as a dangerous precedent that, if approved, could seriously threaten our negotiating posture vis-a-vis many far more important trading partners. We must find a basis for addressing substantive labor and environmental concerns without holding U.S. competitiveness hostage to special interest

efforts to achieve extraterritorial application of policy objectives that are not relevant to international commerce.

Of paramount relevance to our global trade negotiating agenda is the provision of unfettered trade promotion authority to the President. Simply put, under trade promotion authority, Congress agrees to grant the President the privilege of an up-or-down vote, within a specified period of time, on agreements negotiated between the U.S. and its trading partners. Every President from Gerald Ford through Bill Clinton has enjoyed this authority. Access to trade promotion authority is a critical element to the success of any negotiating strategy. U.S. trade negotiators' credibility depends heavily on their ability to obtain Congressional approval of legislation to implement trade agreements as they were negotiated. As anyone in business knows, you do not waste your time making deals with negotiators who are not in a position to commit their principals – whether they are companies or countries – to an agreement.

In return for that privilege, Presidents have agreed to extensive consultation with the Congress so that, when the agreement is finally concluded, Congress will have enough confidence in the agreement's benefits to the United States that it will be willing to approve the changes in U.S. laws that are needed to implement the agreement.

By the same token, if the President fails to consult adequately or in good faith, Congress has the power to refuse to pass the implementing legislation. Or if it chooses, Congress can take an intermediate step – rescind the trade promotion authority process, and send negotiators back to the table to seek revisions in the agreement.

Obviously, the Chamber strongly believes that the first scenario should prevail. Domestic disagreements between the executive and legislative branches should stop at the water's edge. It does us no good for our President's negotiators to reach arrangements with other countries, only to have them amended in numerous ways for whatever reason, after the fact. History shows that if the President and the Congress work closely together to craft a national trade agenda, real progress can be achieved. Without it, our trading partners will neither sit at the table with us, nor make vital market-opening concessions to America's most competitive products. Only the largest U.S. companies will be able to overcome the hurdles that remain or increase in the absence of pro-U.S. trade agreements generated with trade promotion authority.

In general, Congress should grant trade promotion authority to Presidents that permit our negotiators to obtain:

- More open, equitable and reciprocal market access;
- The reduction or elimination of barriers and other trade-distorting policies and practices;

- Strengthened international trading rules and procedures; and
- Increased economic growth and full employment in the U.S. and global economies.

More specifically, trade promotion authority negotiating objectives should include verifiable provisions providing for:

- Expanded competitive opportunities for the export of U.S. goods;
- More open and equitable conditions of trade for U.S. services, including financial services;
- Reduction and elimination of artificial or trade-distorting barriers to international direct investment;
- Maximum protection for intellectual property rights; and
- Transparent, effective and timely enforcement of agreements' rules and implementation of dispute settlement procedures.

The Chamber also believes that trade promotion authority should be unencumbered by requirements to advance unrelated labor, environment and other social agenda objectives as part of trade negotiations. These issues also would require a considerably expanded level of technical expertise at the negotiating table and there would be a very real risk that a wide array of domestic labor and environmental laws could end up re-written on trade promotion authority timetables, with potentially serious consequences. Finally, numerous potential negotiating partners have stated repeatedly that they want these issues dealt with separately. Trade issues are contentious enough, with the well-being of tens of thousands of American companies and millions of American workers dependent on continued new access to foreign markets. What is already difficult to achieve could well become impossible if trade negotiations become loaded down with non-trade issues.

If the United States does not jump start negotiations with its major trading partners soon, U.S. businesses will find their current markets eroding. U.S. competitors won't be able to institutionalize favorable customer relationships because the U.S. can't negotiate the elimination of tariff and non-tariff barriers that other competitors don't have to face. The Chamber believes trade promotion authority is essential if the United States is to pursue a variety of legitimate and critical national objectives worldwide. These objectives include:

**Completing the Unfinished Business of Seattle.** Negotiating agendas for "post-Seattle" multilateral and other trade negotiations should include:

- Primary focus for services trade negotiations, with bilateral and regional cooperation playing a supporting role.

- An agricultural trading system free of restrictions and distortions on trade in processed and unprocessed foodstuffs.
- Prompt and full implementation of existing commitments undertaken by WTO members with respect to intellectual property rights (TRIPs), trade-related investment measures (TRIMs), services, telecommunications, tariff liberalization, government procurement, market access, subsidies and antidumping – coupled with expedited procedures where feasible to make the implementation process commercially meaningful.
- Continuing support for WTO “built-in agenda” negotiations that include, among other things, further tariff cuts for manufactured goods and greater liberalization in insurance, banking, telecommunications, legal and other financially related sectors.
- New rules to address foreign direct investment in non-service sectors to ensure fair and open investment opportunities. Within an economy there should be no discrimination between domestic and foreign-owned companies in the application of national law, regulations, or taxes.
- New multilateral rules that establish the highest standards for the liberalized treatment and full protection of investment. The WTO TRIMs agreement represents a useful step forward in multilateral cooperation but does not address numerous other important investment issues.
- Clarification of how multilateral environmental agreements (MEAs) relate to the WTO system. To avoid creation of potentially significant new trade barriers, strict guidelines for the application of trade measures under MEAs must be established, and trade sanctions as a toll for advancement of labor and environmental objectives must be opposed.
- More transparent and expeditious dispute settlement procedures.

**Free Trade Area of the Americas.** In December 1994, thirty-four western hemisphere heads of state committed to establishment of a FTAA -- a market of over 750 million consumers – by 2005. Such an agreement would create the world’s largest free trade area, encompassing 755 million people with a collective GDP over \$10 trillion. A Chile-U.S. FTA was envisioned as the first of many steps leading toward that goal. A successfully negotiated FTAA would:

- Eliminate existing tariff and non-tariff barriers and the avoidance of new ones
- Remove other restrictions on trade in goods and services, and investment unless specifically exempted;
- Harmonize technical and government rule-making standards;
- Exceed World Trade Organization disciplines, where possible;
- Provide national treatment and investor safeguards against expropriation

- Establish a viable dispute settlement mechanism
- Improve intellectual property rights protection

Since that time, various summits and ministerial meetings organized toward that end have taken place and real progress has been achieved. However, conclusion of a final agreement will require provision of trade promotion authority in order for us to participate credibly in setting the rules for trade in this region. The European Union and others clearly find these kinds of initiatives worthwhile. And while we stall, they are proceeding along, to our disadvantage.

**Chile.** On its own and as part of broader efforts to negotiate a hemisphere-wide FTAA, the U.S. should seek a FTA that achieves the following objectives, and will require trade promotion authority to succeed:

- Eventual zero tariffs such as are already in force between Chile, and Canada, Mexico and Central America. Moreover, Chile is an associate member of the Mercosur customs union, which embraces Argentina, Brazil, Paraguay and Uruguay. In addition, we recommend that the FTA also include an understanding that Chile will join in any sectoral agreement to eliminate tariffs that is undertaken in the WTO.
- Government procurement liberalization modeled after the WTO Government Procurement Agreement (GPA). Unlike the current GPA, the bilateral agreement should cover procurement of services as well as goods.
- Strengthened intellectual property rights protection, including a stronger patent law and legislation to implement Chile's WTO TRIPs obligations.
- National treatment for U.S. service providers.

While useful in its own right, a Chile-U.S. FTA also represents an opportunity to set standards that would "raise the bar" for the FTAA itself. By Latin American standards, Chile's economy is relatively advanced and open, and thus presents itself as a model for our other partners in the region to emulate

**Singapore.** On November 16, President Bill Clinton and Singapore Prime Minister Goh Chok Tong announced the intention of their governments to negotiate a bilateral FTA. The U.S. Chamber of Commerce strongly supports this step toward a closer economic relationship with one of America's most important allies in Asia. In 1999, the United States and Singapore had two-way trade of \$34.4 billion, making Singapore America's tenth largest trading partner. The Singapore FTA will set an important precedent. It will be the first signed with an East Asian country and, for this reason, will be closely studied by other major trading partners in the region. Generally speaking, Singapore is already

open to U.S. goods, services, farm products and investment. However, a variety of barriers and distortions disadvantage U.S. firms in that market. A properly negotiated FTA should address such issues as steep tariffs on selected products, improved intellectual property rights enforcement, service sector restrictions, discriminatory excise taxes, mutual recognition of standards, direct selling restrictions, and others.

**Egypt.** In 1997, Vice President Al Gore and Egyptian President Hosny Mubarak agreed to explore the possibility of establishing a U.S.-Egypt FTA. Since that time, U.S. and Egyptian officials have consulted on this matter and, in July 1999, the two nations concluded a Trade and Investment Framework Agreement (TIFA). The TIFA provides a mechanism for facilitating the concrete measures needed to continue moving the two countries to freer trade. Earlier this month, Egypt reportedly invited Jordan to set up a four-way free trade zone that would also involve Tunisia and Morocco. The initiative is proposed in the belief that such an alliance would bolster each country's economic position and increase investments between them as well as strengthen their ties with the European Union. Egypt, Jordan, Tunisia and Morocco are each bound by a "partnership" agreement with Europe. It is in the U.S. interest to be prepared to conclude an agreement that will advance our economic interests in the region. A properly negotiated agreement will reduce such impediments to U.S. business as may be caused by: discriminatory import restrictions; protectionist standards, testing, labeling and certification requirements; inadequate intellectual property protection; various banking, securities, insurance, telecommunications, transportation and other services barriers; and anti-competitive practices.

**Creation of an Asia-Pacific Free Trade Area.** While 2020 may seem a long way off for some, in 1994 Asia-Pacific area heads of state similarly agreed that our combined long-term interests require the progressive elimination of trade and investment restrictions by that time (19 years from now) in a region with over half the world's population. Already, ASEAN nations have agreed to reduce tariffs to 5 percent or less on a preferential basis -- meaning for them but not us -- by 2003. But we weren't there. And we won't be there for the rest of the negotiations without trade promotion authority.

As both this administration, its recent predecessors, and outward-looking businesses all over the United States believe, U.S. success in 21<sup>st</sup> century competition requires that we continue working to open global markets to U.S. businesses. And with smaller businesses rapidly getting more involved in trade in the wake of NAFTA and the Uruguay Round -- and at the same time continuing to grow most of the new jobs in this country -- America must stay engaged at both business and governmental levels. American business is quite capable of competing and winning against anyone in the world when doors are open and the field is level. But when other governments block the doors and tilt the fields

against us, it is time for our government – with the combined support of the legislative and executive branches – to make sure that business has the freedom to do what it does best.

This concludes my testimony. I will be happy to try to answer your questions.

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