

**TESTIMONY TO THE SENATE FINANCE COMMITTEE
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by Clayton Yeutter¹

TRADE PROMOTION AUTHORITY

Mr. Chairman, it is a pleasure to appear before this distinguished Committee, for the first time in several years. I am delighted to do so on the subject of Trade Promotion Authority (TPA), for this issue certainly deserves to be in the upper echelon of your legislative agenda.

This authority should have been renewed ages ago, at the time the Uruguay Round Agreement was approved by the Congress. The attempt was made, but it foundered on language relating to worker rights and environmental issues. Since then nothing much has changed; we've spun our wheels on Trade Promotion Authority for the past several years. That is a most regrettable situation, for we've hurt no one but ourselves. No other nation in the world has tied the hands of its trade negotiators in this manner as we've moved into the 21st century.

Trade Promotion Authority really should be permanent. In today's world, we are bound to be negotiating somewhere, somehow, all of the time. Bilateral disputes never go away; they are a constant with all our major trading partners. Of course, many of those — the simplest and most straightforward — can be resolved without TPA. But complex bilateral agreements (such as the U.S.-Canada FTA, negotiated during my tenure as USTR) require TPA, as do regional/plurilateral agreements (such as the Free Trade Agreement of the Americas, now being negotiated) and World Trade Organization (WTO) negotiations. It is the latter that should be of particular interest to the Committee at this point in time.

As everyone will remember, the U.S. hosted a WTO ministerial meeting in Seattle some months ago, at which time an effort was made to launch a new round of negotiations. The objectives were laudable, but the preparation (not just by the U.S., but by all major participants) was seriously flawed. That meeting was doomed to fail, and it did. Were the U.S. to have gone into that meeting with Trade Promotion Authority in hand, it still would have failed. But we'd have had more leverage, and in that setting every bit of leverage helps. All of us want our negotiators to debate from a position of maximum strength, but they cannot do that when TPA is absent.

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Our next opportunity to launch a new WTO trade round (the first in 16 years) will occur in November when trade ministers meet in Qatar. We cannot afford another Seattle! November is only a few months away, and there is still a tremendous amount of preparatory work to be done before a new round can be launched. Not only does Ambassador Zoellick need Trade Promotion Authority, but he and his colleagues must move mountains if an agreed agenda is to emerge from the Qatar discussions. There were huge differences among the major trading nations as agenda priorities were discussed prior to the Seattle meeting, making it impossible for the ministers to bridge those gaps at the meeting itself. That too is an experience that cannot be repeated at Qatar.

WTO member nations could, of course, launch a new round whether or not the U.S. has TPA at the time. That would not be unprecedented — but it would be a mistake. After flailing around on this issue for several years, we no longer have much credibility if and when we assure our fellow WTO members that TPA will be coming soon. If I were they, I wouldn't commit much in the way of human or financial resources to a new round until the U.S. gets its negotiating authority act together. I do not believe they will do so, which means we'd not only continue to spin our wheels at the FTAA, but in WTO negotiations as well. That's a mighty poor way to stimulate international commerce and create jobs, here and abroad.

The world is awaiting U.S. leadership, on this and all other trade issues. And there is no better time for us to display it. Not only has the U.S. economy weakened appreciably over the past year or thereabouts, but much of the world economy is shaky as well. Many countries, including the U.S., have taken fiscal and monetary measures to counter these troublesome trends, but there are limits on how much more these tools can be used. It is time to take the trade policy wrench out of the tool box, and put it to use. The world has gained significant benefits in recent years from the trade facilitating benefits of the Uruguay Round, and those will be ongoing. But we all need the additional boost that another WTO round can provide. That will not happen instantaneously, for it will take three or more years to negotiate the round, and the benefits of new reforms will be phased in over time. But it is better to start sooner than later, and now is the time.

The Stumbling Blocks

Domestically the major stumbling blocks are obvious, worker rights and the environment. There are no easy answers to the handling of these contentious issues, but neither do I believe they are impossible.

In an ideal world, global standards for worker rights and environmental protection would be harmonized. Were that to occur, the present debate would be moot. So, since this is not yet an ideal world, we ought to encourage greater harmonization of both worker rights and environmental standards. The question

then becomes how best to do that and, more specifically, whether the WTO is the proper international forum for doing so.

These are important issues, deserving of the concerted attention of international policymakers. But my own view is that they ought to be confronted in whatever global forum has the greatest expertise for dealing with them. The WTO is not now that forum, and I wonder if it ever will be, or should be.

The logical forum for handling worker rights issues clearly is the International Labor Organization (ILO). As you know, it has been in existence for many years, and seemingly has done a good job in identifying the world's most egregious violations of worker rights. Many will argue that the ILO has done little more than that, and will contend that it has failed in its presumed mission of persuading nations to honor and respect its standards by vigorously implementing them. Why not re-invigorate the ILO, where the expertise lies, rather than transfer its mission and responsibilities to the WTO, which has limited experience at best in handling worker rights issues.

Environmental protection/preservation spans a spectrum of issues that are incredibly complex and far beyond the scope of anything ever attempted at the WTO. There is today no international organization assigned the responsibility of establishing fundamental environmental policies, or even for attempting the harmonization of those policies which presently exist. (There are some peripheral examples of this, but none that span the realm of global environmental concerns.) The world may well need such a forum, but wouldn't it be better to create it rather than attempt a transformation of the WTO to encompass this immense challenge? Until recently the WTO has had almost no exposure to environmental issues, and the global expertise on these matters assuredly does not lie within the trade negotiating community. That expertise can, of course, be tapped by trade negotiators if they are to be given this assignment. But that seems to me to be an indirect and terribly inefficient way to proceed. Environmental advocacy groups should, and undoubtedly do, aspire to something better than that.

The WTO already has the flexibility, in certain circumstances, to examine environmental policies which directly impede commerce. That is as it should be. But the WTO has no right to challenge environmental policies, food safety policies, and others of that ilk, so long as they are based on sound science. That is as it should be. Nor can the WTO force any nation to alter its environmental policies, for that is an issue of national sovereignty. That too is as it should be.

In my view, the U.S. should take the lead within the ILO in pressing for harmonized worker rights standards and effective implementation thereof, particularly where egregious violations of fundamental worker rights are concerned. And the U.S. should also lead in the development and harmonization of global

environmental standards. With both subjects, we should identify the most appropriate international forum for moving an action program forward, and we should seek to influence global public opinion as to the merits of our position. But the WTO clearly is not now ready to serve as that forum, and we should not place on its negotiating agenda issues that it is not prepared to handle skillfully and rationally.

Furthermore, we must recognize that the U.S. cannot impose its will on other WTO member nations, on these issues or any others. The WTO still operates by consensus on almost all matters, and many WTO members (especially the developing countries) are vigorously opposed to adding either worker rights or environmental issues to the traditional negotiating agenda. That agenda is already complex, straining the resources of the less affluent nations of the world. One can readily understand why they would resist the inclusion of new, highly controversial issues that they are just not prepared to address. Those nations might some day become less hesitant about having their trade negotiators confront such issues, but that is unlikely to happen in November in Qatar. Though protectionists in the U.S. might prefer a failure in Qatar, that would be shortsighted indeed.

This Committee now has the unenviable task of determining what, if anything, to say about worker rights and the environment in TPA legislation. My counsel is to be cautious about what you ask U.S. negotiators to achieve in these areas, on the new round agenda and in the round's ultimate work product. Let's focus first on what we can accomplish outside the context of a new WTO round, so that we can get that exercise underway. If during the round it becomes apparent that a broadening of the agenda is imperative, we ought to be able to persuade our negotiating partners to broaden — on these topics or on others that become critical to a successful outcome. If we try to accomplish too much now, as the negotiating agenda is being prepared, we run the risk of accomplishing nothing. We've already had that experience, in Seattle.

One should add that environmental and worker rights advocacy groups have a lot at stake in the launch of a new round, no matter what the agenda does or does not say about these subjects. A successful round will generate a higher level of economic growth in most, if not all, WTO member nations. It is economic performance that provides the financial wherewithal to improve the environment, and it is economic performance that creates jobs, thereby helping facilitate the abandonment of indefensible worker rights policies. The U.S. is the classic example of this, for we've benefited more from GATT/WTO negotiations since World War II than has any other nation. That success story is demonstrated in our own environmental and worker rights policies, imperfect though they may be. We're proud of what we've achieved in these areas, and a successful trade round will clearly provide a boost to emulation of those policies elsewhere in the world.

The Traditional Negotiating Agenda

A few words on the more traditional negotiating agenda might also be in order. In Seattle, the U.S. favored a limited negotiating agenda, with final agreement hopefully achieved in three years (in contrast to about eight years for the Uruguay Round). It would be useful, for many reasons, to conclude a new round in three or four years rather than the much longer time period consumed by both the Uruguay Round and its predecessor, the Tokyo Round. But let's be careful about having too narrow an agenda. The fewer issues on the table the more difficult it is to achieve closure, and to accomplish anything significant in the process! If we're going to have a negotiation involving 150 countries or thereabouts, let's make it a worthwhile endeavor. The lesser developed countries are already skeptical about whether a new round is in their interest; and, if it accomplishes little, they may also become skeptical about whether WTO membership is in their interest.

In addition, a narrow agenda makes it particularly difficult to reach agreement on contentious issues such as agriculture. It may not be necessary to have an agenda with the breadth of the Uruguay Round; that was unprecedented. But it needs to be sufficiently broad to give negotiators maneuverability. Otherwise, there is a risk of the negotiations dragging on for years, or of their being concluded with little to show for the effort. I know this Committee does not seek those outcomes.

At Seattle, the U.S. asserted its unwillingness to negotiate on antidumping, a subject of intense interest in much of the rest of the world. Not surprisingly, that generated a lot of enmity toward our country, and we ought to correct that impression as we go forward. We cannot expect other nations to negotiate on issues that are politically sensitive for them if we refuse to negotiate on issues that are politically sensitive to us. In my judgment, we should not be fearful of negotiating on any of the Uruguay Round issues, if they are of priority interest to most of the WTO member nations. We should defend our laws, on antidumping or in any of the other traditional negotiating areas. If we cannot defend them, we should be willing to change them.

Other Major Negotiations

We already have a lot of time, energy, and intellectual capital invested in the Free Trade Agreement of the Americas (FTAA), and we need to bring that exercise to a satisfactory conclusion as soon as we can. Otherwise, our trade relations with Latin America will splinter into a myriad of ad hoc arrangements, which will do little to advance the cause of open trade. Some of those arrangements are likely not to be in our best interest. U.S. negotiators need Trade Promotion Authority to complete this task.

We're also trying to improve our economic relations in the Asia Pacific region through APEC, and TPA will be essential if we wish to move that supposed market opening program to fruition. And, finally, the possibility of other, major bilateral or plurilateral FTAs is on the back burner, and some of those could move up the priority list over the next two or three years. TPA may be necessary to help make that happen.

Conclusion

Mr. Chairman, there is essentially no downside risk to renewing Trade Promotion Authority. As you know, I served as U.S. Trade Representative during the second Reagan administration, at a time when our trade deficit had become a huge concern here in America. In response, we helped launch the Uruguay Round, and we negotiated the U.S.-Canada FTA along with a host of bilateral agreements. You granted us what was then called "fast track" authority, and we considered that to be a special privilege in the relationship between the Congress and the Executive Branch. We sought never to abuse that privilege, and I do not believe we did so. We spent a lot of time with you, Mr. Chairman, and other Members of this Committee as the negotiations unfolded. No trade agreement is perfect, and we might today make changes in some or all of them. But, in general, those accords have served the nation well.

I believe you can expect that same kind of working relationship with Ambassador Zoellick and his team. Therefore, I hope you'll grant him Trade Promotion Authority, with a minimum of legislative constraints or demands. In this fast changing world, he needs flexibility to get this job done. The U.S. team should be able to alter either its strategy or its tactics if that be necessary in achieving the overall negotiating objective. This Committee should not hesitate to exercise its oversight responsibilities, but I encourage you to do that on an ongoing basis, rather than impose it prematurely through TPA legislation.

Thank you for granting me the privilege of testifying on this key topic. I would be pleased to answer any questions you may have.

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