

Testimony of United States Trade Representative Ron Kirk

Wednesday, March 9, 2010

Senate Finance Committee

Washington, DC

Good morning, Chairman Baucus, Ranking Member Hatch, Members of the Committee. Thank you for the opportunity to discuss the President's Trade Agenda.

In 2010, the Obama Administration followed through on the commitments we made before you last year. We developed a trade policy that reflects our common goal of creating jobs and solving problems for American businesses, workers, farmers, and ranchers.

This Administration promised to enforce our trading rights and hold our trade partners accountable. We have kept our promise – from steps to stop a harmful surge of Chinese tires, to wins at the WTO for our aerospace and agriculture sectors, to the first labor enforcement consultation brought under a U.S. trade agreement.

In our efforts to help ensure American firms can sell their goods to the 95 percent of the world's consumers that live outside our borders, we have also kept our promise to open markets. We reached an agreement with Korea that is better for our auto industry and workers. We made important progress on negotiations in the nine-country Trans-Pacific Partnership. And we worked to dismantle barriers in China on issues ranging from indigenous innovation to intellectual property rights.

We also promised to solve problems, many of which had an impact on your constituents, and have done just that. Just last week, we reached agreement with Mexico to put us on a path to resolve the longstanding trucking dispute. In January we announced that we would move forward with arbitration under the Softwood Lumber Agreement to hold Canada to its obligations. We also successfully fought to reopen the European Union market to American beef, to reopen global markets to American pork after the outbreak of H1N1, and to reopen Russia's market to U.S. poultry.

Our work is producing results. U.S. goods and services exports through 2010 were up \$261 billion over 2009. We are on pace to reach President Obama's National Export Initiative (NEI) goal of doubling exports by the end of 2014. The NEI's success will require a vigorous trade policy that opens markets and creates commercial opportunities for American firms.

The 2011 Trade Policy Agenda builds on the significant progress we made in 2010 with a job-focused, comprehensive trade policy that benefits American businesses, workers, farmers and ranchers. Opening global trade markets and enforcing America's trade rights continue to be key components of our economic recovery effort.

Central to this agenda will be to continue our hard work to address outstanding concerns with the pending free trade agreements and to move those agreements to Congress as they become ready. I am pleased to announce that the U.S.-Korea trade agreement is ready for your consideration.

We have completed the preparatory work on the implementing legislation and associated documents and are prepared to begin technical discussion with this committee as soon as you are ready to do so. KORUS has already won widespread support from business, labor, agriculture, and services groups across the country. It is time to ensure that the promise of KORUS is fully realized – more than \$10 billion in increased exports of goods alone, and more than 70,000 American jobs. President Obama is eager to see this agreement ratified, as are many of you, and requests that Congress vote on this agreement this spring.

Improving access to the Korean beef market is an important issue. The President and I commit that we will continue to work, in close consultation with you, to further open Korea's market consistent with international guidelines. In the meantime, U.S. exports of beef and beef products continue to grow. Last year, they reached \$518 million, an increase of 140 percent in value over the previous year. Once the Korea agreement enters into force, our beef exports will grow even more as American producers enjoy the progressive elimination of Korea's high tariff on beef.

With the same engagement and bipartisan cooperation as on the Korea agreement, we will address outstanding concerns relating to the Panama and Colombia agreements. We will not be left behind as others secure greater market share at the expense of American exporters. To compete, we must access the world's fastest growing markets on a playing field that is both level and reflects our values as Americans.

Over the past months, we have made real progress on the Panama Agreement. Panama has already begun reforming its labor regime to achieve consistency with the pending agreement and has also taken significant steps to achieve greater tax transparency, including the signature of a tax information exchange agreement with the United States in November 2010. One day after my House testimony, I met with the Vice President of Panama to discuss Panama's progress and the remaining steps needed to resolve issues on labor and tax. Senior officials and technical teams met further on February 28 to clarify those issues. We are on track to resolve the issues this year and will send the agreement to Congress once that is complete.

There has also been important activity regarding the Colombia agreement since I testified before the House Ways and Means Committee last month. Soon after that hearing, officials from USTR led a mission to Bogota with officials from the Departments of State and Labor and the White House. Over the last few weeks, we have met with this committee's staff as well as stakeholders to consult and seek advice on the issues raised. Together, we are working without delay to assess what we can do on issues regarding laws and practices affecting the protection of internationally-recognized labor rights, as well as issues concerning violence against labor leaders and the prosecution of the perpetrators. The Obama Administration and the Santos Administration have a shared commitment to protect labor rights and workers from violence. I am committed to working with you to address the concerns identified this year and to prepare the agreement for Congressional consideration immediately thereafter.

As we look to the future, the President has made one thing abundantly clear: we will not sign agreements for agreements' sake. They must be enforceable and of the highest standard, in the interests of our workers, farmers, ranchers and businesses. They must not simply replicate the templates of the past, but build frameworks for the future.

This is our guiding philosophy for another critical objective: the successful conclusion of the Trans-Pacific Partnership trade agreement, or TPP. With your help and support, in just over a year, the United States has joined the TPP, welcomed Malaysia and Vietnam as new TPP members, and put this nine-country trade agreement on an ambitious negotiating schedule. We are proposing new and challenging 21st century issues to our negotiating partners even as other Asia-Pacific countries are clamoring to join TPP talks. In just over a year, TPP has become the single most important regional trade negotiation and the platform for economic integration in the world's most dynamic region.

In addition to TPP, we want to do even more in the Asia Pacific as we seize the once in nearly two-decade opportunity to host the Asia-Pacific Economic Cooperation (APEC) Forum this year. Part of our focus in our APEC host year will be practical and concrete steps to make it cheaper, faster, and easier for U.S. small businesses to sell American goods and services throughout a region comprising more than half of global GDP and over 40 percent of the world's trade.

In the World Trade Organization, we are working toward ambitious and balanced outcomes in the Doha Development Round of trade negotiations. To move an agreement forward, we need market access commitments from all countries – including the advanced emerging nations – commensurate with their role in the global economy. We will continue our efforts to bring Russia into the WTO – including work with Congress this year to grant Russia Permanent Normal Trade Relations, so that American firms can fully benefit when Russia has the responsibilities as well as the rights of a true trade partner.

We are also continuing to deepen our trade relationships with our North American and European partners, including enhanced regulatory cooperation through the North American Free Trade Agreement (NAFTA) and forums such as the Transatlantic Economic Council. Last month, we also held the first ministerial meeting of the Central American Free Trade Agreement-Dominican Republic (CAFTA-DR) and advanced several initiatives to broaden and deepen regional trade and investment in Central America. These efforts will better protect and inform our citizens while enhancing the competitiveness of our economies.

We also have a unique opportunity to continue – through the African Growth and Opportunity Act (AGOA) and related trade capacity building – to assist women and men throughout sub-Saharan Africa create life-changing opportunities through trade. As we face the expiration of AGOA's third country fabric provisions next year and of the broader AGOA in 2015, we will seek to work with Congress to determine which initiatives, current and future, can best boost U.S.-sub-Saharan Africa trade and use trade and investment policy as an engine to catalyze development.

We also play a critical role in the Administration's effort to strengthen intellectual property protection and enforcement of intellectual property rights both here and overseas, through our coordination of IP trade policy and our active participation in the Administration's broader Intellectual Property Enforcement Advisory Committee. We finalized the text of the Anti-Counterfeiting Trade Agreement – a landmark new tool that strengthens international cooperation and enforcement practices to fight counterfeiting and piracy.

Engagement with China – including through the Joint Commission on Commerce and Trade – has been very productive, showing real results in addressing “indigenous innovation” policies,

improving intellectual property right protections – including through greater use of legal software – securing technology neutrality in the telecommunication and smart grid sectors, and providing new opportunities for U.S. firms in the wind power market. Importantly, China agreed to delink its innovation policy from the provision of government procurement preferences and to cover sub-central entities in its next offer to join the World Trade Organization (WTO) Government Procurement Agreement.

We also have much to show for our trade enforcement agenda, and every intention to expand this important facet of a comprehensive trade policy. This Administration promised to enforce our trading rights and hold our trade partners accountable. That is a promise kept. Enforcing our agriculture rights has meant American ranchers are selling more beef to Europe than they have in decades. We have successfully reopened to U.S. pork the Russia, Indonesia and China markets that were closed following the outbreak of H1N1. And we initiated the first ever labor enforcement consultation under a U.S. trade agreement.

At the same time, we've continued to defend our rights in the WTO. In December, the WTO upheld our right to take action to stop a harmful surge of Chinese tire imports into the United States – a decision made by President Obama in September 2009 that has helped to restore U.S. tire industry jobs. That decision came just two months after we won another decision in the WTO, affirming our right to apply anti-dumping and anti-subsidy remedies to China and other nonmarket economy countries.

We also won a WTO case against EU Subsidies to Airbus. In the largest case ever heard by a WTO panel, the United States proved that more than \$18 billion in subsidies conferred on Airbus by the EU and member countries were illegal. And we are pursuing cases against discriminatory barriers in China's electronic payments market to ensure our financial services companies can compete fully in this important sector, China's misuse of trade remedies in the steel sector and China's use of illegal subsidies to promote green technologies. This Administration's commitment to ensuring – through dialogue whenever possible and litigation when necessary – that our trading partners adhere to WTO rules is unwavering.

We also must renew expired trade preference programs – the Generalized System of Preferences and the Andean Trade Preferences Act. These programs help foster economic growth for the world's poor and create well-paying American jobs here at home – they should be renewed.

Finally, but very importantly, we must work together to support a comprehensive trade agenda that keeps the faith with America's workers and provides a long-term extension of Trade Adjustment Assistance programs, which have helped so many Americans get back on their feet. These extensions should be paid for in a way that maintains investments critical for our nation's competitiveness.

I look forward to our dialogue today and to future discussions. By working together, we can use common sense and find common ground on trade in order to create jobs and new opportunities for American workers, businesses, farmers, and ranchers. Thank you.