



2006 Trade Agenda

**Senate Finance Committee Hearing
Presentation of United States Trade Representative
Ambassador Rob Portman**

February 16, 2006

Recent Milestones

- ***Moved WTO Doha Round Forward with Bold U.S. Proposals***
- ***Reached agreements at WTO Hong Kong Ministerial to Double Aid-for-Trade and End Export Subsidies by 2013***
- ***Closed free trade negotiations with Oman and Peru, notified agreements to Congress***
- ***Passed CAFTA-DR***
- ***Passed Bahrain Free Trade Agreement***
- ***Launched U.S. India Trade Policy Forum***
- ***Completed Comprehensive Textile Agreement with China***
- ***Completed Saudi Arabia accession negotiations allowing WTO Membership***
- ***Completed implementation of Morocco Free Trade Agreement***
- ***Negotiated EU Enlargement Compensation Agreement***
- ***Completed Multi-Chip Packages (MCP) Agreement***
- ***Completed Wine Agreement with EU***
- ***Reopened to U.S. Beef Markets in Korea, Hong Kong, Thailand, Taiwan and the Philippines***
- ***Completed meat trade agreement with Russia***
- ***Conducted China Top to Bottom Review***
- ***Trade Promotion Authority extended to July 1, 2007***

Recent WTO Dispute Resolution Highlights

China Cases

- ***Persuaded China to remove its discriminatory tax on semiconductors, after the United States filed a formal WTO case against the tax – first and only WTO case filed by any WTO Member against China***
- ***China revoked antidumping duties on U.S. kraft linerboard after U.S. stated intent to file a WTO case***
- ***Raised with China its discriminatory charges on auto parts and exploring potential WTO case***
- ***Working with industry to prepare potential TRIPS case with China***
- ***Filed WTO Article 63 China IPR Information request***

Agriculture Cases

- ***Won Biotech case against EU at interim stage***
- ***Filed WTO case regarding Turkey's restrictions on rice imports***
- ***Won a WTO case against Mexico's antidumping duties on U.S. rice and several provisions of Mexico's antidumping and countervailing duty laws***

- ***Won WTO case against Japan's restrictions on imports of U.S. apples and secured removal of these restrictions***
- ***Canada removed several restrictions on exports of U.S. wheat. after U.S. successfully challenged them in WTO case***
- ***Won a WTO challenge to Mexico's discriminatory tax on soft drinks and HFCS at panel stage***

Other Cases

- ***Brought WTO case regarding EU subsidies to Airbus***
- ***Won a WTO challenge to the EU's discriminatory regime on geographical indications***
- ***Won several claims in a WTO case against the EU on the non-uniform and inconsistent manner in which its customs regime operates***
- ***Egypt removed discriminatory textile tariffs after the United States filed a formal WTO challenge***
- ***In response to a successful U.S. WTO challenge, Mexico removed anti-competitive rules which drove up the cost of international calls***

A Proactive Trade Policy Grows the U.S. Economy

- **The U.S. is already the most open major economy in the world but we must knock down barriers to our goods and services abroad**
- Reducing trade barriers will give our farmers, workers and service providers better access to the 95% of the world's customers living outside our borders
- **Trade liberalization raises productivity and real wages while expanding consumer choice and purchasing power**
- In 2005, the U.S. goods and services accounted for 10.4% of its GDP. Goods and services exports also accounted for 20% of overall growth in the U.S. economy in 2005

Benefits by Sector:

- **Manufacturing** – Manufactured exports have increased 82% since the end of the last multilateral round a decade ago.
 - Manufacturing exports support an estimated 7.4 million jobs in the U.S. (estimate for 2001), including 1 in 5 manufacturing jobs
 - U.S. jobs supported by goods exports pay an estimated 13% to 18% more than the U.S. national average.
- **Agriculture** – Exports account for 27% of farm income
- **Services** – U.S. had a \$56 billion surplus in 2005 on exports totaling \$379 billion, and these exports have nearly doubled in past 11 years
 - Services account for 8 out of every 10 jobs in the United States

2006 TRADE AGENDA

1) Global Trade Talks

- Doha Development Agenda
- WTO Accessions

2) Bilateral and Regional Agreements

3) Enforcing Trade Laws & Strengthening Trade Agreements

GLOBAL TRADE TALKS: WTO Doha Development Round Update

- **Progress in Hong Kong**
- **Timing:** Final Agreement End of 2006 - TPA expires July 1, 2007

Three Core Negotiating Areas:

- Manufactured Goods (NAMA)
- Services
- Agriculture

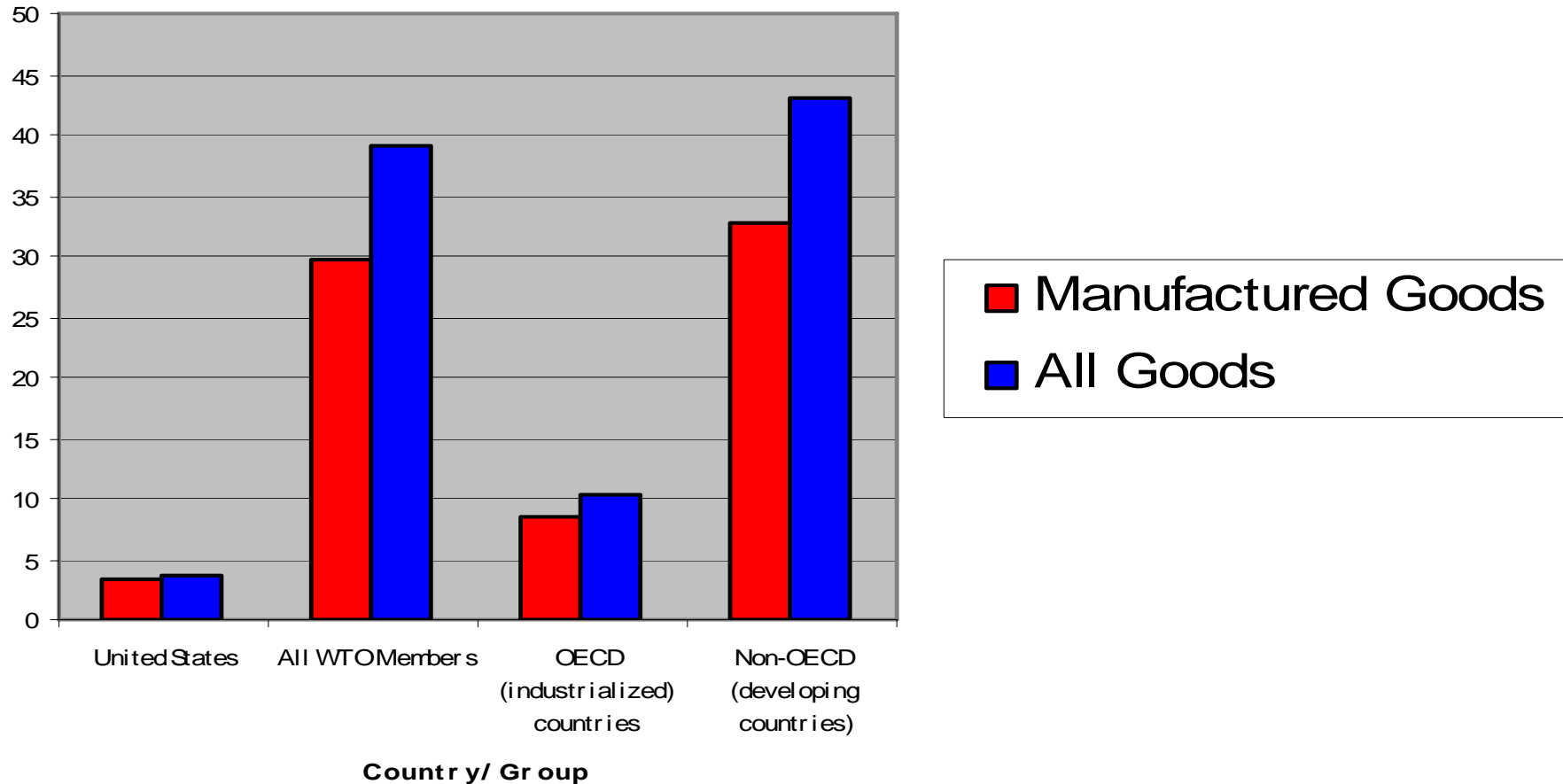
Doha: Manufactured Goods (NAMA)

- Manufactured goods represent 62% of total US goods and services exports; an increase of 82% since the year the Uruguay Round went into effect (1995)
- The United States remains the world's leading country in the export of manufactured goods estimated at \$782 billion (2005)
- Timing: April 30 – Modalities deadline
- Formula: The Hong Kong Declaration recognizes a Swiss formula with coefficients is the best way to proceed - Cuts high tariffs more than low tariffs
- Seeking real cuts in the tariffs that are **applied** in both developed and advanced developing markets
- Focus on Key Sectors and Non-Tariff Barriers (NTBs)

What Is At Stake: Manufactured Goods

Tariffs: US average 3%; WTO average 30%

2004 Average Bound Tariffs (as compiled by WTO Secretariat)



Doha: Services Update

- **U.S. \$56 billion surplus in 2005 on exports of \$379 billion**
- **U.S. exports of services have nearly doubled over the past 11 years and are up 89%**

HONG KONG MINISTERIAL:

- **We achieved agreement on a framework for services that provides the basis to secure a commercially meaningful market access package by the end of the Doha Round**

RECENT DEVELOPMENTS:

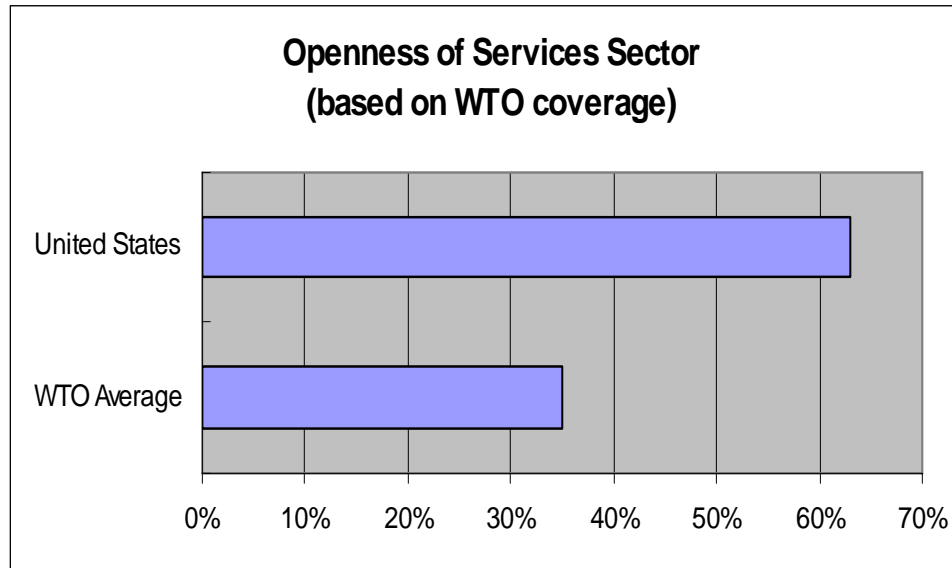
- **WTO members agreed to give a jump start to services market access negotiations early this year by working together in sectors of common interest to develop plurilateral requests**

BOTTOM LINE:

- ***Other WTO Members, especially emerging developing countries, must improve their offers and open their markets to services***

Services Benefits to U.S. Incomes

- U.S. has one of the most open services regimes

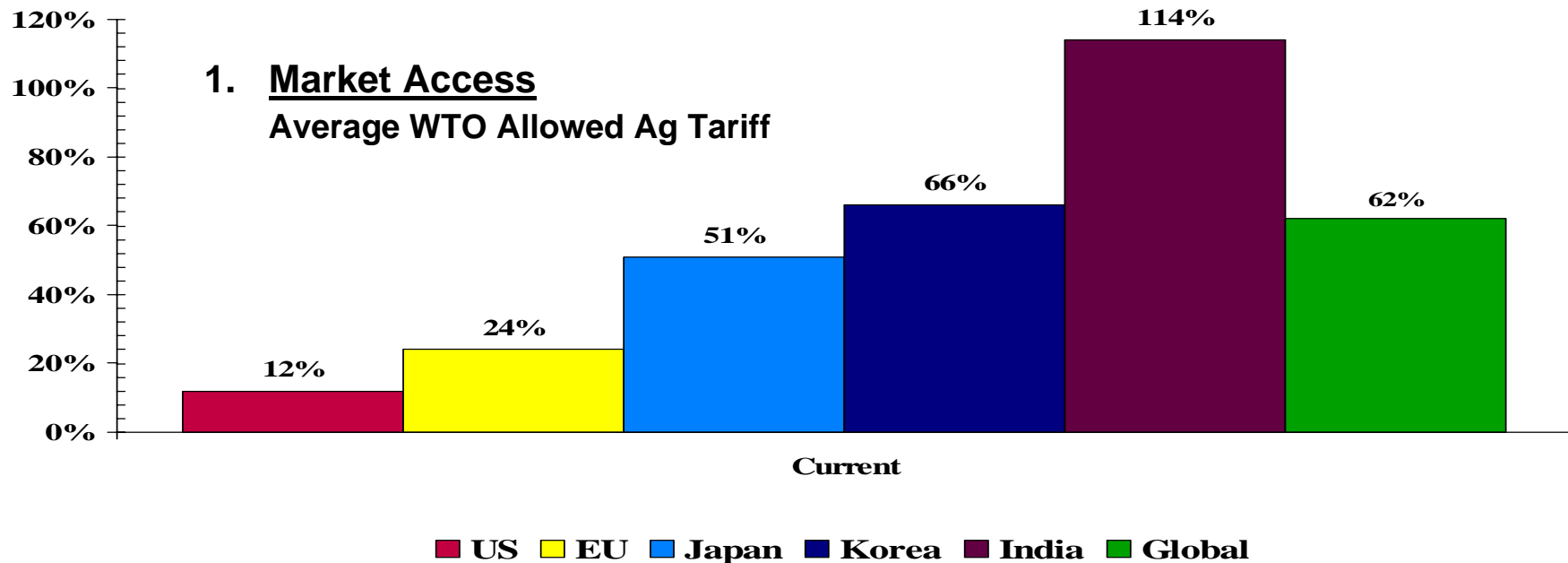


- Services liberalization could account for fully 72% of the economic gain from the Doha Round

Doha Agriculture Agenda

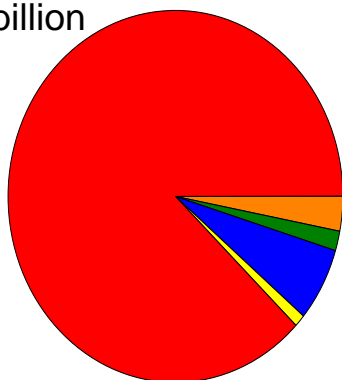
- **Building on July 2004 Framework – 3 Pillars:**
 - 1) Expand market access through tariff reductions**
 - 2) Eliminate all export subsidies**
 - 3) Substantially reduce trade-distorting agricultural support**
- **In Hong Kong, we made headway on some specific issues, such as export subsidies, and set the path for the final stage of negotiations**

All Three Pillars are Important to U.S.



2. Direct Export Subsidies

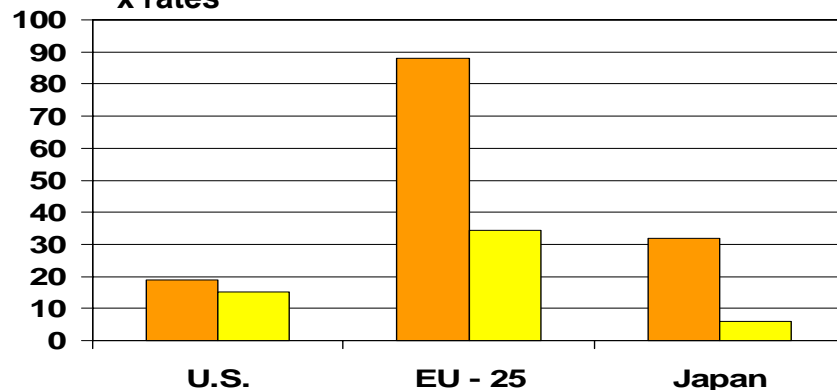
EU
(over \$3 billion
a year)



Other
United States
Switzerland
Norway

3. Domestic Support – Amber Box:

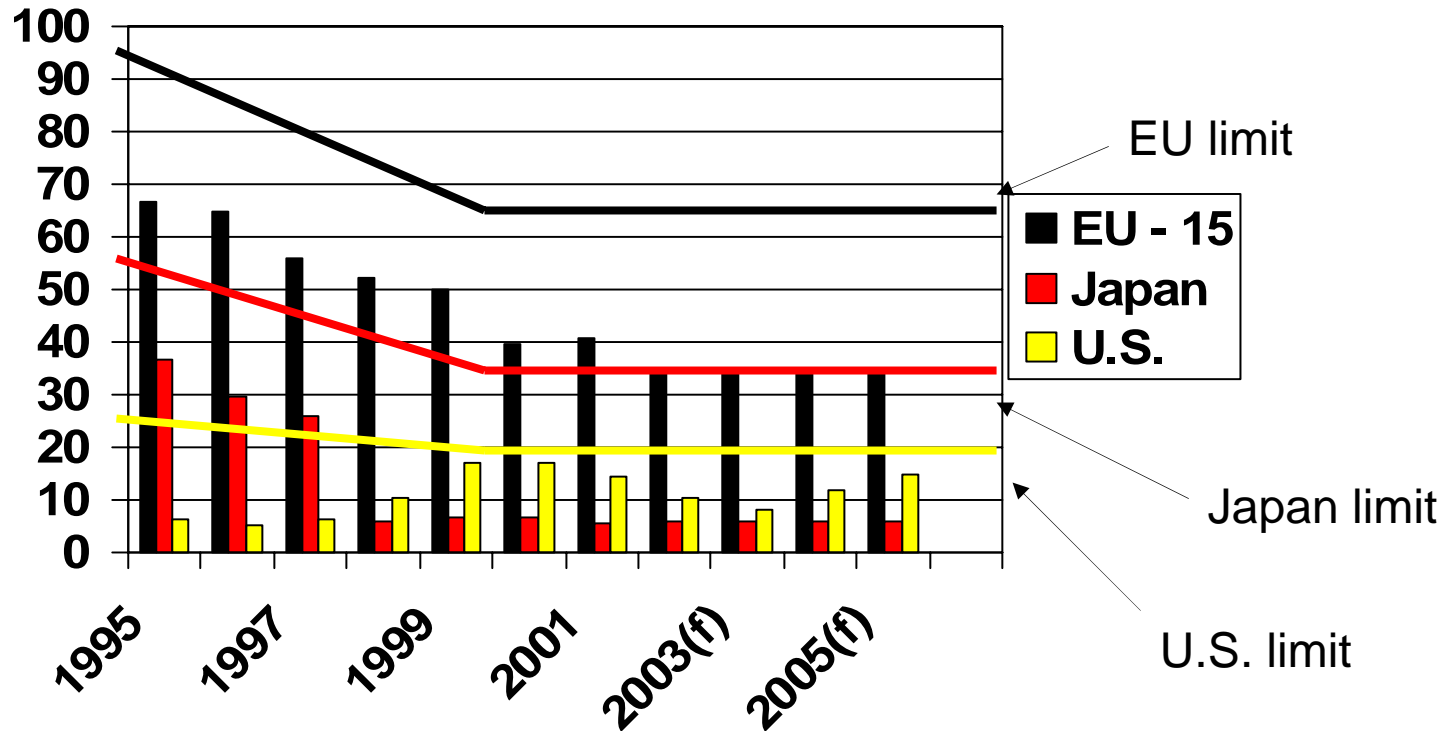
WTO allowed (gold) and Projected (yellow) 2005 Aggregate Measurement of Support (AMS) Levels. Billion \$ at current x rates



Amber Box Support

(Most Trade-Distorting Subsidies)

U.S., EU, and Japan Amber Box Support: WTO Limits and Actual



Billions U.S. Dollars – 2001 Exchange Rate

WTO ACCESSIONS

30 Applicants Seeking Membership in the WTO

All Packages Require:

- Bilateral Agreements on market access, agriculture, manufactured goods and services
- Multilateral Negotiations in WTO Working Party on WTO Rules

Upcoming Accessions:

- Expect major progress/possible completion in 2006 for a number of major accessions: Vietnam, Ukraine, Russia, Kazakhstan
 - U.S. nearing completion of bilateral agreements with all four Applicants
- Administration continues to actively consult Congress: All four still need a PNTR vote in Congress to be removed from Jackson-Vanik

Generalized System of Preferences (GSP)

- Expires December 31, 2006
- President has requested a five-year reauthorization in FY 2007 budget
- Program expands choices of American industry and consumers, while creating economic opportunities in developing countries
- \$26.7 billion in imports received GSP duty-free treatment in 2005

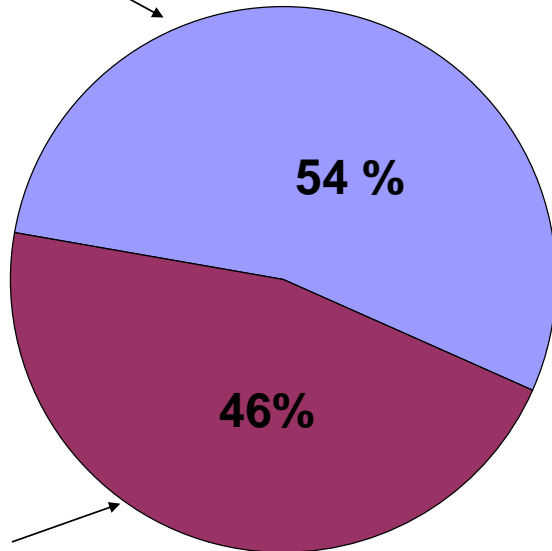
FTA Partners Account for 15% of World GDP (excluding the U.S.), but 54% of U.S. Exports

U.S. Goods Exports to the World

World GDP Excluding U.S.

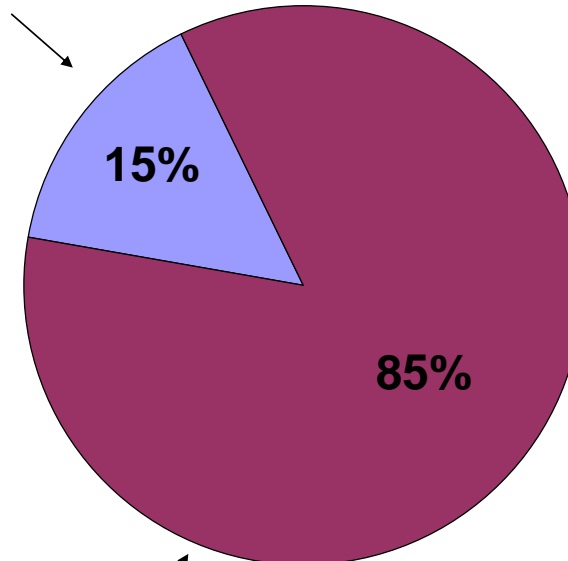
FTA Partners (31 Countries) = 54% (\$485 billion)

(Implemented, Negotiated, In Negotiation, Potential)



Non-FTAs = 46%
(\$419 billion)

FTA Partners = 15% (\$7.3 trillion)



Non-FTAs = 85% (\$39.7 trillion)

Note: 4 largest economies account for nearly 60% of Global GDP excluding U.S.

EU25: 26%

China: 17%

Japan: 8%

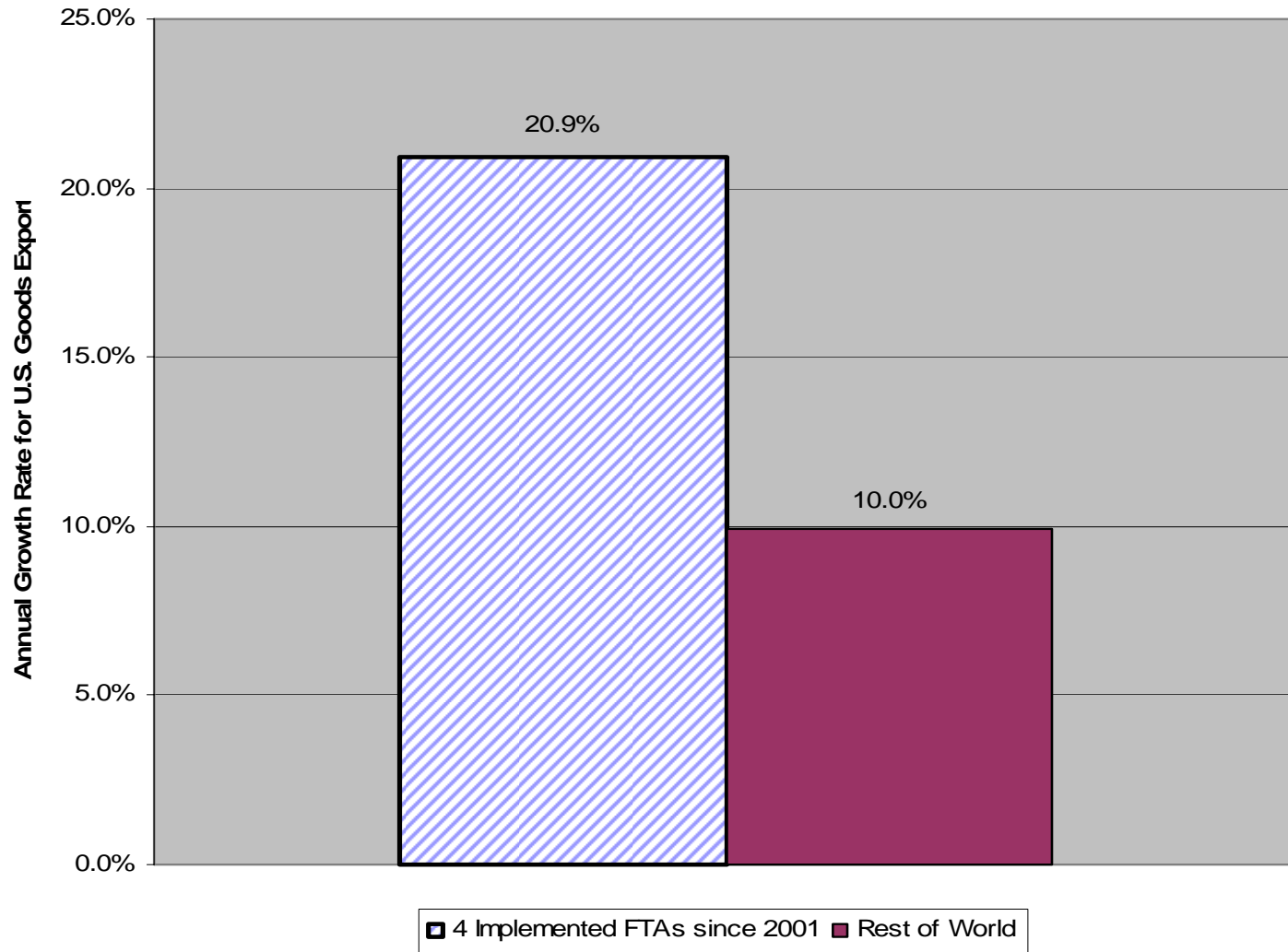
India: 8%

2005 Total U.S. Goods Export Market: \$904 Billion

2005 World GDP excluding the U.S.: \$47 Trillion

U.S. FTAS = EXPANDED EXPORTS

Exports to FTA Partners Grow Faster



FTA Negotiations

Completed

Oman (*signed*)

Peru (*Notified*

Congress of Intent to sign)

New

Korea (*Launched Feb. 2*)

2006 Completion

Panama

Thailand

Colombia

UAE

Continuing

SACU

FTAA

Ecuador

Korea

- **Announced intent to enter into talks on February 2 on the Hill with bipartisan support**

FTA would Bring Big Benefits to U.S. and Korea:

- **7th Largest U.S. Trade Partner in 2005**
(\$71.4 billion in two-way trade)
- **U.S. Goods Exports: \$28 billion in 2005**
- **6th Largest Market for U.S. Ag. Exports in 2005 (\$2.2 billion)**
- **Korea is 10th largest economy in the world** (*\$983 billion in 2005 – based on Purchasing Power Parity Exchange Rate*)
- **The launch of this FTA would provide great benefit to U.S. agriculture, services and industrial Goods**

Enforcing Trade Laws & Strengthening Trade Agreements

➤ Bilateral Consultations

➤ WTO

- Doha Round
- Accessions
- Enforcing Existing Agreements

➤ FTA Negotiations

➤ Antidumping and Countervailing Duties

➤ WTO Dispute Cases

Enforcement – Dispute Cases

PROTECTING OUR RIGHTS – Major WTO Cases Brought by U.S.

- Airbus – Largest WTO Case Ever Filed
- EC Biotech

RECENT SUCCESSES

- Kraft Linerboard
- Mexico Telecommunications
- Japan Apples
- Mexico High Fructose Corn Syrup Tax
- EU Geographical Indications
- Korea Semiconductors

Priority Enforcement Initiatives Outside Traditional Dispute Settlement

CHINA

- ***China Textile Safeguards***
- ***China Transparency Initiative***
- ***China JCCT***

Intellectual Property

- ***Strategy Targeting Organized Piracy (STOP!) Initiative***
- ***Special 301***
 - **Ukraine 301 Status Improves to: Priority Watch List**
 - **Pakistan Shut Down Illegal CD Plants**

FTA Implementation

2006: Opportunities and Challenges Ahead

- **Conclude global trade talks and realize once-in-a-generation opportunity**
- **Pursue high-standard bilateral and regional agreements to provide new market access for U.S. goods and services**
- **Vigorous enforcement of trade laws and agreements to ensure a level playing field**