ANNEX

Senate Finance Committee Hearing

Presentation of United States Trade Representative
Ambassador Rob Portman

February 15, 2006

Key Elements of U.S. Agriculture Proposal

- **Stage 1 (5-year implementation):**
  - Substantial reductions in trade-distorting domestic support (60% cut in “amber box”)
  - Substantial reductions in tariffs, with deeper cuts for higher tariffs
    - Developed countries: cuts range from 55% to 90%
    - Developing countries: slightly lesser cuts, focus on emerging markets
    - Least developed countries (49 total): make no tariff cuts at all under Doha
  - Limits the number of “sensitive products” eligible for smaller tariff cut to only 1% of total tariff lines, and ensures meaningful access through large quotas.
  - In Hong Kong the Ministers agreed to eliminate export subsidies by 2013
- **Stage 2 (5 years after stage 1 implemented):**
  - Phase out remaining tariffs and trade-distorting support measures over 5 years

CAFTA-DR Implementation - Update

- **Summary of Status:** Rolling admissions process – those we determine are ready by mid-month – entry into force first of next month
- **Progress to Date -** Working hard to complete implementation with all our CAFTA-DR partners
- **There are Remaining Obstacles**
- **We Must Implement CAFTA-DR Properly**

Recent Trade Trends

World:

- Goods and services deficit rises from 5.3% of GDP in 2004 to 5.8% in 2005

- *<u>Exports up 10.4% in 2005</u> to $1.3 trillion*

- *2003 to 2005, U.S. increases exports by one quarter trillion dollars <u>($250 Billion)</u>*

China:

- *Goods exports to China in 2005 grow over 20% (third straight year 20% or more)*

- *China Goods imports up 24% (on longer basis)*

- *<u>Exports up 118% since WTO accession</u> (2001)*

- *Asia Pacific Rim (including China) = 57% of U.S. trade deficit in 1999, <u>but 43% in 2005</u>*

U.S. Trade Deficit Context

2005 ECONOMIC DATA:

- **GDP up 3.5%**
- **2 million job gain**
- **Unemployment decline from 5.2% to 4.7%**
- *Macro-Economic Factors that Effect Trade Deficit:*
  - Stronger U.S. growth than elsewhere (e.g. EU, Japan)
    Effect: U.S. imports growing faster than exports
  - High foreign saving in excess of investment (e.g. China)
    Effect: Foreign trade surpluses; pressure on U.S. deficit
  - U.S. saving levels far below level of domestic investment
    Effect: Increased domestic side of trade deficit