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**SENATE FINANCE COMMITTEE**

**JUNE 24, 2008**

Chairman Baucus, Senator Grassley, members of the Committee, I appreciate this opportunity to discuss the Office of the U.S. Trade Representative's role in the formulation and enforcement of U.S. Trade Policy.

At USTR, our mission is leveling the playing field for American workers, farmers, and entrepreneurs. We accomplish this goal by negotiating agreements to open new markets for American goods and services; and by ensuring that our trading partners live up to their trade commitments. At USTR, there is no line of demarcation between negotiation and enforcement. We know that a trade agreement that isn't being enforced is just a piece of paper.

USTR is a lean, efficient, and effective organization. We currently have about 226 full-time equivalents to cover the full range of U.S. trade policy, negotiations and enforcement. Our staff has increased by only 13 percent since FY 2001.

Our role is expanding. Last year, trade accounted for 40 percent of U.S. economic growth. When President Bush took office, the U.S. had free trade agreements in force with three countries; today, the U.S. has agreements in force with 14 countries. After last year's May 10 agreement with the House and Senate leadership, we have further strengthened the labor and environmental chapters of our FTAs.

In the last decade, the amount of WTO enforcement litigation has exploded, and the disputes have gotten more complex. Every single person at USTR knows that his or her job is to hold other governments to their word, and make sure they live up to their commitments.

The USTR Budget

The USTR budget is labor and travel-intensive. Of the \$45.2 million we spent in Fiscal Year 2007, \$33 million (or 73 percent) went to payroll. Travel accounted for \$5.6 million or 12 percent. That left 15 percent to cover everything else, including our office in Geneva, Switzerland, a trade officer in Brussels, and a new office in Beijing, China.

In FY 2008, our payroll will increase to \$35 million, primarily due to a COLA. As you know, the cost of everything is going up, especially the cost of fuel, which will affect airline fares and travel.

## USTR Agenda

Let me briefly describe our agenda and what we have accomplished.

### Enforcement

As General Counsel, a major part of my job is ensuring that trade agreements are enforced. In the last 15 months, we have launched four WTO cases against China. We have challenged China's prohibited export subsidies and import substitution subsidies; its failure to adequately protect intellectual property rights; and its market access barriers to copyrighted American entertainment products – movies, home videos, DVDs and sound recordings. This March, we requested WTO consultations on the use of regulatory authority by Xinhua – the press agency of the Chinese government -- to restrict foreign financial information providers from dealing directly with clients in China.

Last November, we successfully settled the prohibited subsidy case, with China agreeing to eliminate all of its WTO-illegal subsidies effective January 1, 2008. We are optimistic about our China auto parts case, where a WTO panel is scheduled to announce a final decision in July.

Our WTO challenge to Launch Aid and other trade-distorting subsidies that European Union member States and the European Commission provide to Airbus is in its final stages. We also are going after the EU's restrictions on U.S. biotech products and beef. Last year, USTR initiated two arbitrations under the U.S.-Canada Softwood Lumber Agreement.

### Negotiations

Free Trade Agreements with Colombia, Panama and South Korea await Congressional approval and remain Administration priorities. With respect to Colombia, the vast majority of Colombian products already enter the United States duty-free under the Andean Trade Preferences Act. The Colombia FTA would level the playing field by converting one-way free trade into two-way free trade, while strengthening our relationship with a key U.S. ally.

These and other FTAs are important as U.S. exports to the 14 countries have grown nearly 42 percent faster than U.S. exports to the rest of the world.

USTR continues to work toward a successful WTO Doha Round by the end of 2008. The Round offers the potential to boost economic growth around the world and lift millions out of poverty.

More broadly, the United States must be a strong, active leader on global trade in order to safeguard U.S. interests. If we walk away, our workers, farmers, and entrepreneurs will lose out on new opportunities created by an expanding global economy.

## Conclusion

Mr. Chairman, American taxpayers get an exceptional return on their investment in USTR. We are a lean and efficient organization with a capable staff and a strong sense of mission. We are committed to making sure our trading partners live up to their commitments. Thank you. I would be happy to answer any questions you may have.

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