

Statement of
Robert J. Portman
U.S. Trade Representative-designate
before the
Committee on Finance
United States Senate
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Chairman Grassley, Ranking Member Baucus, and other members of the Finance Committee, I am honored to be before you as President Bush's nominee to be our nation's next United States Trade Representative. I have had the benefit of individual meetings with a number of Senators, including a majority of the Members of this Committee. We've had constructive discussions of trade policy issues and I am grateful for your input and time.

As a member of the Ways and Means Committee, I have had the opportunity, as you have, to work closely with the office of the U.S. Trade Representative. Like you, I have raised issues with USTR from time to time. If confirmed, I will now experience that from the other side. In fact, I may even experience some of that today as a nominee. But I will tell you,

whether it was Ambassador Mickey Kantor or Charlene Barshefsky in the Clinton Administration or Ambassador Bob Zoellick in the past four years, I have always been impressed with the professionalism, skill, and responsiveness of the USTR and the staff.

I seek to follow in the footsteps of a bright and very capable negotiator, and a friend to many of us. I believe Bob Zoellick deserves great credit for the substantial progress the Administration has made, with your help, over the past four years. I hope to be able to work with you to build on that progress.

This morning, I would like to focus on a few key principles that would guide my work if confirmed. I would pursue an

aggressive agenda with a focus on opening new markets, enforcing our trade agreements and trade laws, spreading economic freedom, and working in close partnership with Congress.

Opening Markets

I believe the first job of the Trade Representative must be to open markets for American workers and farmers, thereby creating more and better paying jobs here at home. Already, more than 12 million American jobs are supported by exports and those jobs pay 13 - 18% more than the average wage. One in every three acres of American farmland is planted for export and we enjoy a \$9 billion trade surplus in agriculture. One in every five U.S. manufacturing jobs also depends on exports, and the

U.S. is the world's largest producer and exporter of manufactured goods.

Trade clearly benefits our economy as a whole. A recent report by the Institute for International Economics estimates that international trade adds \$1 trillion to our economy annually, or \$9,000 a year for the average American household. Trade, both imports and exports, contribute to a higher standard of living for American families.

I represent seven counties in Southern Ohio that range from the inner city to suburbs, to rural farm communities. It's a district with a strong manufacturing tradition, many small businesses, corn and soybean growers, financial services and global companies. Throughout my district, exports and an

expanded market share for U.S. products and services are essential to maintaining good jobs and a healthy, diversified economy.

Particularly in a time of large trade deficits, we need to redouble our efforts to open new opportunities for U.S. workers, farmers and businesses by accelerating the reduction of trade barriers around the world. Many of our trading partners still block our manufactured goods and farm products, prevent our companies from offering services, or fail to prevent the theft of our technology and ideas.

Our recent gains in productivity affirm that Americans can compete with anyone in the world, when we have a fair chance in the market. That's why I would look forward to the

opportunity to join you in what has been a bipartisan consensus that we should knock down barriers to trade.

One way to open markets, of course, is through free trade agreements, like the recent free trade agreements with Australia, Singapore, Chile, Morocco and Jordan that passed the Congress with strong bipartisan majorities. The most recent agreement is the one negotiated with five Central American countries and the Dominican Republic. I know you had a lively hearing on that topic last week, and I won't get into a lengthy discussion of what I see as the benefits of the agreement. But I must make the point that the Central American-DR FTA will open new markets for our workers and farmers to begin to level the playing field with a region that already enjoys mostly duty-free access to the United States.

If confirmed, I look forward to working with you to advance free trade negotiations that are already underway with eleven more countries, and continue the effort to create a Free Trade Area of the Americas, working closely with our co-chair and partner Brazil. I will also be eager to consult with you and your colleagues about other possible bilateral or regional trade negotiations.

One of the reasons free trade agreements are helpful is that they set high standards and help build momentum for what I believe is the most important trade negotiation of all, the Doha Development Agenda of the World Trade Organization. This global round, launched with the strong leadership of the United States three and half years ago, has the potential to substantially reduce tariff and non-tariff barriers, begin to level the playing

field for our agriculture producers, open new markets for services, and facilitate the more efficient movement of goods across borders.

Research done by the University of Michigan demonstrates that lowering remaining global trade barriers by just one third would boost average annual U.S. family purchasing power by an additional \$2,500. If all barriers were removed, the amount would equal \$7,500. Worldwide, it could help lift hundreds of millions of people out of poverty. There may not be any other single action we could take together over the next couple of years that would have such far-reaching and long-lasting benefits as bringing the Doha round to a successful conclusion.

Enforcing Trade Agreements and Laws

The second guiding principle is that trade needs to be a two-way street. As I stated, I have seen the benefits of enhanced trade firsthand in Southern Ohio. I have also seen the pain of dislocation and job anxiety due to trade. We must ensure that the benefits of trade don't become elusive when other nations don't play by the rules.

As President Bush has made clear, as we pursue free trade, we must also insist on fair trade. We must level the playing field, to ensure that our workers, farmers, and firms get a fair shake. If I am confirmed, I will consider with a fresh perspective the entire range of enforcement tools available. In enforcing our trade laws and trade agreements, I will be guided by the facts. I

will objectively evaluate all the information available, including the input I will seek from you, as representatives of the people we serve.

And I will focus on making sure our strategy produces results that will actually help American workers and farmers. I do not believe we should bring enforcement actions that are counterproductive, or in violation of our international obligations. But we should use all the tools available to us, from consultation to litigation. Negotiation can often lead to a better and quicker result. But when negotiation fails or stalls, I will not hesitate to take legal action to enforce our rights and defend American interests.

As the Committee is well aware, we have ongoing trade disputes with the European Union, with our neighbors to the south and north, and a number of other countries. But here, China deserves special mention. I believe China's entry into the World Trade Organization was – and remains – strongly in the interests of the United States. By integrating this fast-growing economy into the global trading system, we have created new opportunities for U.S. goods and services and seen a significant expansion of U.S. exports. In fact, since China's WTO accession in 1999, our exports have increased 81%.

By becoming part of the WTO, China has also been brought into a rules-based system of international trade, which gives us critical legal rights we did not have before.

But we also have major challenges with China. Our trade deficit with China last year alone was \$162 billion. And part of that deficit is because the Chinese do not always play by the rules. If confirmed, I will work closely with Congress and my Administration colleagues to see that our workers, farmers and service providers are treated fairly.

Specifically, I will focus on stopping Chinese pirating of U.S. intellectual property, rolling back China's industrial policies that exclude our products, expanding market access for our goods and services, and realizing China's full implementation of its commitments on transparency and distribution rights for American products. As the Committee is aware, the Treasury Department has the lead in the critical effort to move China to a flexible, market-based currency regime. I

will strongly support the efforts of Secretary Snow in this regard. And, when the facts support it, I will work with other Cabinet colleagues to use the China-specific enforcement tools, such as the China textiles safeguards, to protect our markets from disruption.

Expanding Freedom, Reducing Poverty

A third key principle to guide me is that trade is central to our freedom agenda. Freer trade leads to more open, transparent markets and undercuts corruption and cronyism. Trade is an underpinning of freedom and democracy, and it is one of our most potent weapons against the scourge of global poverty. The countries most closed to and isolated from the world economy have also been among the poorest – and most repressive – on

earth. But consider, by contrast, examples like Mexico, Chile, South Korea and the nations of Central Europe, where trade and economic reform has bolstered political reform. In Central America, where twenty years ago the headlines were about chaos and civil war, new democracies want to trade goods, not guns, across borders.

The initiative to create a Middle East Free Trade Area offers great promise. It is in America's interest to strengthen reformers in the region who are expanding political freedom and want to open their economies. If confirmed, I will want to start by working with Congress to approve our agreement with Bahrain, to conclude negotiations with Oman and the UAE, and to deepen our economic relationship with others in the region.

Working with Congress

The final guiding principle relates to the Legislative Branch. The U.S. Trade Representative is charged with managing many important relationships here and abroad. But if confirmed, I would have no more important relationship than the one with the Congress. As a current Member of Congress, I have a personal appreciation of the importance of meaningful consultation with Congress on the trade agenda.

Since the 1930s, the legislative and executive branches have worked in close partnership, with the President negotiating trade agreements that meet the objectives set by Congress. I will look forward to working with you on the extension of Trade Promotion Authority, the trade preference programs, the review

of America's membership in the World Trade Organization, the identification of new free-trade partners and initiatives, and many other issues. I will be open to your views and actively seek your input and assistance.

Conclusion

As the Representative of the people of Ohio's Second District, I know that economic change and foreign competition can be disruptive. Like you, I have held town hall meetings and looked into the eyes of workers who have lost a job. I understand that many are anxious about the future. We cannot ignore these concerns.

But, I am firmly convinced that curtailing trade and closing markets is not the right answer to those concerns. The evidence is overwhelming that free and fair trade makes our economy stronger and the vast majority of Americans much better off. When a country chooses to close its markets and isolate itself economically, the people bear the cost. Prices rise, jobs evaporate, poverty spreads, and other nations close their markets in retaliation.

The answer instead lies in opening new markets to create new jobs, aggressively enforcing our trade laws and trade agreements, treating sensitive products with care and providing effective trade adjustment assistance and retraining opportunities. Of course, the answer also goes well beyond trade policy: a better trained workforce, encouraging innovation

and entrepreneurship, making our economy more competitive through regulatory, tax, health care and legal reforms, and encouraging savings. Trade is just one part of the President's larger economic plan.

We face challenges, but we also face a world of opportunities, and a choice on how to proceed. I believe the right choice is smart economic engagement: using trade as a powerful weapon to strengthen our economy and spread freedom. With your support, I will do just that.

Thank you, Mr. Chairman.