

AMBASSADOR SUSAN C. SCHWAB  
UST WITA DINNER AND AWARD CEREMONY  
TRANSCRIPT  
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Ambassador Schwab: Wow! Thank you.

Rob, thank you for that introduction. Even though I think I've probably been in this job two or three times longer than you were -- [Laughter] -- I have a hard time identifying a single, solitary thing that I've accomplished where you didn't set it in motion, and where you and the terrific group, the terrific team at USTR weren't largely responsible for making both of us look good. I thank you for your leadership, thank you for your vision. And while you're here and perhaps contemplating the vetting process -- [Laughter] -- I thought maybe -- [Laughter and Applause].

Just remember me, if some of you end up where many of us hope to see you next year. Thank you all.

[Applause].

Judge, congratulations to you. It's so well deserved. You were willing to admit how long you've been in this business. I am not. [Laughter]. But I really am honored, incredibly honored, to be here and to thank WITA for this great opportunity, this terrific award. Distinguished Service. Wow. And I really do appreciate the fact that so many of you are here for this trade prom. Prom. Now I didn't bring my tiara, but the next best thing for it, I have my wrist corsage. [Laughter].

Now my wrist corsage, of course, put together from Colombian roses. [Applause].

And Cal, for you in the spirit of bipartisanship, your Colombian boutonniere. [Applause].

Tonight's event could not come at a more appropriate time since we're leaving very shortly for the Doha mini-Ministerial in Geneva. You all know that the Bush administration has only about six months to deliver on its agenda. In fact we have exactly six months and three days and about 17 hours, give or take a few minutes, but who's counting?

And we plan to use every single one of those six months, three days, 17 hours to work with Congress, to seek the approval of our three pending Free Trade Agreements with Colombia, with Panama, with South Korea. And to revamp trade adjustment assistance, and to extend trade preferences, and oh, by the way, if we can to reach a successful conclusion to the Doha Round.

Now granted, an ambitious agenda, but one every element of which I would argue is critical to our economy and, we hope, to the vast majority of developing economies in the world.

We clearly have a lot of work to do. We know that we at USTR cannot do it alone. We need your help. I would echo Rob's point about help from the business community. And we need your leadership. We need leadership in general. We need leadership in the United States Congress. Obviously the business community. Our colleagues in our trade negotiating activities join us and to make all of this happen. In Doha we really, really need the leadership of key trading partners, particularly those in emerging markets to step up to their level of commitment to the round.

Now it's easy to point to as many have and many will, each of our nation's anxieties as we approach Geneva next week for the Doha Round. Our nation's respected anxieties and political imperatives about our competitors, about our future. But none of us should pretend that the way to address these anxieties is somehow to stop or slow-roll trade negotiations or to stop implementing trade deals. That's a recipe for failure. For a self-destructive path to stagnation and worse.

Like others, the United States cannot afford to isolate ourselves from the international marketplace, a marketplace that represents 95 percent of the world's consumers. U.S. participation in international trade is flourishing, and obviously I know I'm preaching to the choir here at WITA, but U.S. export growth has accounted for 40 percent of our nation's total economic growth in the past year, and exports as a share of our GDP are higher than they have ever been in our history.

It would follow then, this is certainly not a time to knock international trade.

From listening to campaign rhetoric, to media pundits, you would not know that the United States actually makes anything anymore, let alone exports anything. Yet the United States is in fact, by far, the largest manufacturer in the world. Japan comes a distant second, producing less than 60 percent of the 1.7 trillion dollars in U.S. manufacturing output. China, by the way, is third in line. With American workers manufacturing around \$900 billion a year more than is manufactured in China.

Now I'll grant you the manufacturing industry today is certainly not the same manufacturing industry that we had during, for example, the Uruguay Round. Improvements in technology, logistics have in many ways transformed manufacturing, making it more efficient and yes, altering job descriptions.

For example, since the Uruguay Round concluded in 1994, U.S. manufacturing output has increased by some 50 percent while output for our work in the manufacturing sector has shot up 69 percent. This increase in productivity has also helped to push U.S. manufacturing exports up more than 125 percent during this time, to a whopping \$981 billion last year.

Despite these impressive numbers, however, if you're an autoworker or a steel worker who has lost his or her job, these stats don't offer a whole lot of comfort. But we need to be honest about the causes of the dislocations if we are going to identify and implement the right solutions. And politicians and pundits who imply that trade is the, for even one of the core causes of these dislocations, do a real disservice to the American people. Rather, expanding trade and addressing how we better share the benefits of trade and alleviate the dislocations can and should be discussed and addressed together. Be addressed and discussed at the same time, like walking and chewing gum.

Our real challenge is to ensure that American workers and enterprises are able to compete on a level playing field in the international marketplace. Therefore, our trade agenda, this administration's trade agenda, is not just an important part of the President's economic agenda. It is an important part of our nation's economic agenda. And a delay or pause or paralysis that sidelines us while our major competitors are out there doing deals is not going to contribute to our economic health and well being.

Our nation's decades-long bipartisan trade policy must shift to the new reality that the rest of the world will continue to compete for the world's customers with or without us.

As we wait for Congress to consider pending Free Trade Agreements, USTR and our sister and brother agencies continue to work diligently to conclude a successful, a balanced, and an ambitious Doha Round. We head to Geneva for the next round of Ministerial level talks. As we do so, our goal is to secure that long-awaited, long-sought breakthrough, and achieving this goal will allow us to conclude the Doha Round and move it into its final stage so as to do so.

I speak from experience. As many of you in the room know, the hardest part in many ways in concluding a deal is knowing when to close it. And here this is one of the challenges that we face with the Doha Round -- a negotiation that has been going on for seven-plus years. In a few days that is what we will be aiming to do, and we know that it will take more than U.S. leadership to do so. It will require a number of key trading partners to step up. To step up and embrace both their own economic well being and self interest, and the broader interests of the developing world for this is, after all, supposed to be a development round.

Just who are those key partners? The answer today is quite different than the answer during the Uruguay Round. This past April the International Monetary Fund projected that the world economy outside of the United States will grow by approximately \$17.5 trillion by the year 2013. Half of that growth will be attributed to Brazil, China, India, South Africa, Argentina, and the ASEANs.

If you think this list sounds familiar, it should. These are in fact the same countries that really hold the key to success in the Doha Round. These new emerging markets are key to moving forward on all three pillars of the Doha Round -- agriculture, manufacturing, and services. And the key, quite frankly, to the mini-Ministerial and the so-called modalities exercise that we will be engaged in next week. Reflecting their role in today's global economy these emerging markets have new clout that they did not have during the Uruguay Round, and that is a good thing. But only if they recognize the responsibility that comes with this new leadership role.

Now let me be abundantly clear. Whether the Doha Round succeeds or not may well be in the hands of these emerging markets. Yes, the United States, the EU, and other developed countries have serious obligations to this round and will be carrying a significant amount, the bulk of, the weight of this round. We have already signaled our willingness to put an enormous amount of market opening and subsidy disciplines on the table in the context of an agreement, in the context of an agreement that meets the real development problems of Doha.

So the question now is whether these emerging markets will reciprocate. Reciprocate to the degree commensurate with their levels of development, but also their levels of growth, benefits, and the benefits they derive from an open world trading system. We shall see, because that is the recipe for a successful Doha Round. The contributions that these advanced developing countries will make really are the contributions that will be of the most significance to the 80-plus developing countries in the WTO that aspire to be emerging markets. That quite frankly generally have access, unfettered access, to the U.S. market through preference programs or to the EU market.

So will these countries step up to the challenge? I like to think so.

So let me offer in that context a brief summary of where we stand on each of our three pillars.

Let's start with agriculture, because one would think that rapidly increasing food prices would be a positive contributor at this stage of the game to the Doha Round. Unfortunately, it would seem that instead of promoting more tariff reductions in agriculture, these price increases risk being used as an excuse by some countries either to add further distortions to the market through export restrictions, or to refuse to undertake meaningful tariff-cutting commitments, claiming the need for so-called policy space. Some, and they will remain nameless, are even advocating a special safeguard mechanism that would permit increases in tariffs above Uruguay Round, above current rates.

Surely bringing even more distortions and barriers into the global food situation is not going to bring relief, and we really do have a unique opportunity in the Doha Round to begin to address certain elements of the supply and demand situation when it comes to food. What we really need to do is to allow worldwide supply to better respond to demand by reducing distortions, whether that is in the form of export subsidies, trade distorting domestic subsidies, or in the form of trade barriers. A successful Doha outcome in agriculture means that we all have to step up and make some very fundamental choices, and that also includes our emerging market colleagues.

In the manufacturing sector we have a unique situation with some emerging markets portraying themselves as needing the same flexibilities that some of the smallest, poorest developing countries do. The fact is, there are only 30 developing countries, the most advanced developing countries, that are subject to the so-called NAMA tariff-cutting formula in the Doha Round. The other 80 developing countries are being asked to do either nothing or virtually nothing as part of the tariff-cutting exercise.

The fact that we hear about so-called developing countries is a misnomer. This is not a north/south round. This is a south/south round. On some issue it's a north/north round. But the fact of the matter is, as one African leader said to me at one point, when these developing countries get together to take a position, oftentimes it's like the elephants are hiding behind the mice.

Specifically, we are having a hard time moving forward because a number of developing countries are concerned about China and imports from China. This has been a particular challenge in the NAMA negotiations. And while China will certainly benefit from these negotiations, again with those benefits come significant responsibilities.

So if the other elephants are resisting market openings, China really needs to step up and take a leadership role. Step forward. Contribute to significant new market access. Not only in manufacturing, by the way, but in agriculture and in services as well.

When it comes to manufacturing, as in the case of agriculture, there is no substitute for tariff cuts that would generate new trade flows. You cannot deliver economic growth and development and poverty alleviation if you are not going to generate new trade flows, and you will not generate new trade flows if you don't cut into applied rates.

Now services. Quite frankly, it boggles the mind that countries aren't running to open their services markets, as in unilaterally opening their services markets. Services may be, the importation of services may be the single most important development tool available in the world today. If you have access to the internet and express package delivery, you can be a global company, no matter your size, no matter your location.

Services account for 69 percent of the world economy, and the World Bank estimates that developing countries could achieve nearly \$900 billion in annual income gains from the unilateral elimination of barriers to trade in services. Services create the infrastructure needed for development, whether we're talking about telecom, express delivery, computer services, energy services, financial services, distribution, supply chain management. Liberalized services are the ultimate development tool.

Now I'm aware that there may be some countries out there that are hesitant to move on services as part of a negotiating tactic to see what they're going to get in ag and NAMA. Welcome to my world.

But it is undeniable that if we are to have a successful Doha outcome, services have to be an integral part of that package. As they are an integral part of manufacturing and an integral part of agriculture today.

Doha's challenges, the challenges before us. With all this in mind it's not surprising that the biggest challenge facing us in the Doha Round really is one of political will. Now some pundits and some of our trading partners like to point to the U.S. election and our electoral cycle as the reason why we want to conclude a Doha Round this year, or others may not want to conclude a Doha Round this year. You would think we are the only ones out there with elected officials.

India has scheduled a no-confidence vote for next week. Canada, India both have elections scheduled for next year. The European Commission turns over next year. The fact of the matter is, there is no good time and there is no bad time to close a trade agreement per se. You close a trade agreement when it is ready to close. When there is enough on the table to make a positive contribution, in this case to the world economy and to your own economy.

So how should we ultimately measure success in the Doha Round? First, will it generate new trade flows and contribute to global economic development and poverty alleviation? Second, will it open foreign markets to competitive U.S. exports of farm products, of manufactured goods, services? And finally, will it contribute to a more open world trading system by acting as a counter-force to protectionist pressures whether here at home or abroad? And by providing an alternative to being locked out of bilateral and regional deals until Congress decides to take up the three pending FTAs and Trade Promotion Authority.

Now regardless of the outcome in Geneva I plan to come back from Geneva at some point -- [Laughter] -- and use the rest

of my time as U.S. Trade Representative working on the Hill, with the Hill, to continue moving our trade agenda forward. And even though all of us in this room tonight may think the facts about trade are well known, I'm afraid they're not. This goes to the commercial, brief commercial that it is, call to arms, echoing Rob Portmans' comments earlier. We really need you. We need you to get the word out. It is getting the word out not just of the benefits of trade to companies, to your communities, but to your employees and to those who are elected to represent you.

Now I promised I wouldn't keep you long. I have to go home and pack. We leave for Geneva tomorrow. And I know I am standing between you and the chocolate extravaganza. [Laughter].

Let me say this. I know that most proms end with a slow dance. [Laughter]. Unfortunately, when you have only six months and three days and now just a little over 16 hours left to accomplish our trade goals, we have no choice. We have no time for a slow dance. We need to rock and roll. [Laughter and Applause].

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