

A VALUES-DRIVEN TRADE POLICY
U.S. TRADE REPRESENTATIVE MICHAEL FROMAN
FEBRUARY 18, 2014

Thank you, Neera, for that introduction. Thank you for all of your work, in government and here at CAP, that has contributed so much to progressive economic policies that have improved the well-being of millions of Americans. And thank you for hosting me here today.

Five years ago, the United States was experiencing the worst economic crisis in 80 years. Global trade was dropping at a fastest rate since the Great Depression and we were losing nearly half a million jobs a month.

In the intervening five years, we have worked hard to get our economic house in order through a variety of measures, from the Recovery Act to the financial stability plan. The turnaround story of the last five years has been extraordinary. As the President noted in the State of the Union:

- Eight and half million new jobs;
- At 6.6 percent, the lowest unemployment rate in over five years;
- A rebounding housing market;
- A manufacturing sector that's adding jobs – more than 600,000 of them -- for the first time since the 1990s;
- More oil produced at home than we buy from the rest of the world for the first time in twenty years;
- Deficits cut by more than half; and
- For the first time in over a decade, business leaders around the world declaring that China is no longer the world's number one place to invest. America is.

Yet for all the progress of the last five years, the middle class is still hurting from a long trend of stagnating wages and growing inequality. Since 1979, productivity has increased over 90 percent, but real wage growth has increased only 3 percent. There are still too many people who want to work and cannot find a job.

We are seeking to address these challenges in every aspect of our policy, from investing in infrastructure and manufacturing to improving our educational system and raising the minimum wage to redoubling our efforts to promote new investment in the United States.

It is also the reason that the President is pursuing an aggressive trade strategy.

I'm here today to talk about our efforts on the trade front, how they relate to the President's overall economic strategy, and how we're committed to doing trade in a way that is consistent not just with our economic interests, but also with our values.

EXPORTS DRIVE JOBS AND GROWTH

Trade has been an important part of America's economic recovery.

Under President Obama, U.S. exports have increased by 50 percent, growing four times faster than the economy as a whole, adding \$700 billion dollars to our economic output and contributing a third of our total economic growth. 300,000 American companies now export, 96 percent of which are small and medium size businesses.

This surge of exports means jobs. Each billion dollars of increased exports supports between 4,000 and 5,300 jobs, on average.

Over the last four years, exports have supported 1.3 million additional private sector jobs – jobs that pay 13-18 percent more on average than non-export related jobs.

Behind all these statistics are real, flesh-and-blood success stories for working families: the auto parts firm that would have closed its line and gone dark had it not been for overseas markets; the family farm now finding customers around the world via the internet; the medical device company that secured that new contract abroad.

Take Flanders Electric, a medium size business in Evansville, Indiana. Flanders manufactures and works on electric motors. In 2007, they decided to expand their business to international customers. Our trade agreement with Chile played a major role in their decision to start exporting there.

Without tariffs and non-tariff barriers, they could compete on the merits of their hard work and the quality of their products.

They also began trading with Australia, another of our trade agreement partners. As their exports and business grew, so did Flanders. It now employs 700 Americans.

There are thousands more stories like it.

Yet despite the proven benefits of trade, there continues to be uneasiness around pursuing new trade opportunities. That is understandable. Advances in technology and automation, combined with the continued pace of globalization, have increased pressure on wages and the sense that there are fewer opportunities for working Americans.

Now, no one says we should stop the development of new technology, even though most economists would argue that technological advances have had the greatest impact on manufacturing employment.

No one suggests we should try to stop the emergence of a global middle class which is driving globalization.

But some focus on trade agreements, asserting that they are responsible for our economic challenges. When you get beyond the rhetoric and look at the facts, however, that assertion just doesn't hold up.

Here are the facts.

America already has one of the most open economies in the world.

Our average applied tariffs are 1.3 percent and we don't use regulation to discriminate against foreign goods.

Whether we pursue trade agreements or not, the U.S. will continue to see foreign imports because our consumers demand them and we have virtually no barriers to imports.

The same is not true for the rest of the world.

And that's what the trade agreements we are negotiating are all about: lowering tariffs on Made in America products, breaking down barriers to our goods and services, and setting standards higher to level the playing field for American workers and firms, American farmers and ranchers, American entrepreneurs and investors.

From the start of this Administration, we have been clear about the importance of building on the past and learning the lessons from it.

Our trade policy has evolved substantially from what it was twenty years ago, but many of the criticisms have not.

Some of the criticisms I hear of our agenda describe the state of the trade policy in 1994, not 2014.

They are criticisms of a trade policy this President has explicitly rejected.

The reality is this: Trade, done right, is part of the solution, not part of the problem.

Through negotiations we are able to create new opportunities. Through enforcement actions we are able to stand up for our rights and fight for our people.

Today, the post-crisis surge in exports we experienced over the past few years is starting to recede.

That's why we are working to open markets in the Asia-Pacific and in Europe, to eliminate tariffs on information technology products and on environmental goods and to open new markets for U.S. services where we are a global leader.

These agreements will support good, high-paying jobs in the United States by increasing our market access.

But more than that, they will level the playing field by raising labor and environmental standards, putting disciplines on state-owned enterprises and dealing ourselves into global supply chains, rather than being left on the sidelines by others.

The pace of that globalization and technological change is not slowing down and our trade agreements need to take on that challenge.

Consider this: In the last five years, the capacity of the world's container fleets has grown by 50 percent.

The number of Internet users has doubled – from 1.5 to 3 billion people – and the amount of Internet traffic has tripled.

The world's urban population, the pool of workers entering the global economy, has grown by 380 million people.

This trend is not going away.

The question we face is not whether we can roll back the tide of globalization.

It is whether we are going to shape it or be shaped by it, whether we are going to do everything we can to ensure that it reflects our values or let the values of others define it.

Let me say a word about income inequality. This is a real issue and one that we must address with every tool at our disposal.

Trade policy, done right, can be an important tool in our efforts to address income inequality.

We know that increasing exports creates more and better paying jobs.

We know that our economy is already open and that trade agreements tend to reduce other countries' barriers disproportionately.

We know that half our imports are intermediate goods – goods that go into competitive Made-in-America products that are sold in the U.S. and around the world.

We know that increased trade has added \$9,000 on average to each American family's real income, allowing them to enjoy higher standards of living.

We know one more thing: Right now, executives from hundreds of firms are considering whether or not to invest in the United States.

They are reassessing the risks and benefits of producing here vs. somewhere else.

They see all the things that have traditionally made America attractive: our skilled workforce, our rule of law and the size of our market.

And now they see here abundant sources of affordable energy – sometimes at a quarter of the price of energy in their own countries – and they see on the horizon these trade negotiations – TPP and T-TIP with the Asia Pacific and Europe.

Once these agreements are in place, firms in the U.S. will enjoy unfettered access to markets representing two-thirds of the global economy.

That has the potential to make the U.S. the production platform of choice, the place where firms want to make things, not just for this market, but to send all over the world.

In this sense, our trade policy is a major lever for encouraging investment here at home –in manufacturing, agriculture and services – creating more high-paying jobs and combatting wage stagnation and income inequality.

Trade policy can and should help make American the global production platform of choice. Chairman Wyden has called for “expanding the winner’s circle,” pursuing policies that result in more widely shared gains and greater fairness.

This Administration believes that we can achieve that by ensuring that our trade policy reflects not just our interests, but also our values. Indeed, they are one in the same.

In that regard, there is much more to be said about the powerful role trade can play in alleviating poverty and raising living standards in the poorest countries in the world, which is why we are working to renew programs such as AGOA and GSP.

But I will save that for another day.

Today, I’d like to focus on trade policy’s role in furthering three of our core values: Standing up for workers, protecting the environment and promoting widely shared innovation.

STANDING UP FOR WORKERS

First and foremost, just as the heart of America’s economy is the American worker, the heart of the global economy should be working people who stand to share in the benefits of global growth.

This is not a new idea, but a longstanding aspiration of American trade policy, as CAP’s “Virtuous Circle” essays on international economics suggested some years ago.

It is noteworthy that Franklin Roosevelt brought the United States into the International Labor Organization in 1934, the same year that a Democratic Congress created the first ever version of trade negotiating authority.

But the full inclusion of labor standards in trade agreements is a quite new development, and an innovation that Democrats should be particularly proud of.

Twenty years ago, the idea that labor standards should be part of trade agreements was at best an afterthought.

That was certainly the case in NAFTA. But it is not the case anymore. As a candidate for President, then-Senator Obama said he would renegotiate NAFTA, put labor and environmental standards at the core of trade agreements and make those standards enforceable like any commercial commitment.

That's exactly what we're doing in TPP, upgrading our trade relationships, not only with Mexico and Canada, but with nine other countries as well.

As in the case of the three trade agreements signed into law by President Obama, in TPP we are seeking to include disciplines requiring adherence to fundamental labor rights, including the right to organize and collectively bargain, and protections from child and forced labor and employment discrimination.

We are pressing for regular consultative mechanisms, and a means for the public to raise labor concerns and demand action.

And we are working to include new commitments to address trade in goods produced by forced labor and regarding acceptable conditions of work.

We are working with Vietnam and the other TPP parties to make sure they live up to the high-standard, enforceable commitments of a final agreement.

Countries such as Vietnam face serious challenges in this regard, and we see TPP as the mechanism most likely to incentivize these countries to make progress in reforming their labor system and upholding worker rights.

We expect that T-TIP will lay the foundation for cooperation with Europe in promoting high-standard labor practices around the world.

But the negotiation of disciplines is only the first step.

We need to remain vigilant as to the implementation of commitments.

Under this President, a joint submission from U.S. and Guatemalan labor unions prompted the first trade-related labor rights enforcement case in history.

Similar cooperation with labor unions prompted labor enforcement-related actions and engagement with Bahrain and the Dominican Republic.

We have acted to improve labor conditions by suspending preferential trade treatment for Bangladesh after the Rana Plaza collapse in Dhaka, and are working to ensure that exporters in Haiti respect fundamental labor rights.

We have also used trade policy to address broader systemic concerns under the Colombia Labor Action Plan.

With our assistance, Colombia has enacted critical legal reforms and begun to build institutions to address structural deficiencies in their labor system.

We are now working with them to ensure that these reforms translate into day-to-day concrete progress on the ground.

In each of these cases, we are making progress, but more work remains to be done. We're committed to do that work.

PROTECTING THE ENVIRONMENT

Our values also tell us that the future global economy should be more sustainable than it is today.

Here, too, trade has an important role to play and, through TPP and T-TIP, as well as the WTO, the United States has taken the lead in advancing this agenda.

We are working to set the world's highest standards in the environment chapters of our trade agreements.

As we do with labor provisions, we have insisted that environmental commitments be on equal footing with commercial obligations.

Commitments to protect endangered species, for example, must be taken just as seriously as commitments to lower tariffs and protect intellectual property, including being subject to enforceable dispute settlement.

We are asking our trading partners to commit to effectively enforce environmental laws, including those laws implementing multilateral environmental agreements – and we are committed to making sure our partners follow through.

It encourages them to take a more sustainable approach to development and it levels the playing field for those companies, including American companies, who maintain high standards for their workers and the communities where they operate.

Just last year, we worked with Peru under our trade agreement to identify targeted actions to address challenges in its forestry sector, from technical assistance for environmental prosecutors to improving the chain of custody of timber exports.

TPP is a chance to reach a new, higher plane.

Through our negotiations, we are seeking to address conservation challenges that are particularly prevalent in the Asia-Pacific region.

Our TPP partners include many “biodiversity hotspots” some of which have served as conduits for illegal trade and smuggling in threatened animal, timber, plant and marine species.

This makes TPP a unique opportunity to improve regional cooperation and enforcement of the rules of the Convention on International Trade in Endangered Species (CITES), from the islands of Southeast Asia to the interior of Vietnam, from the forests of Chile and Peru to the plains of Australia.

Whether protecting big-leaf mahogany or tigers, sharks and chinchillas, stronger legal frameworks, more cooperation, and better enforcement will improve the chances that these species survive.

And when it comes to oceans, for decades the WTO has tried – unsuccessfully – to reach agreement to constrain subsidies that encourage overfishing and ruin our marine life.

TPP and T-TIP are not-to-be-missed opportunities for a breakthrough on fishing subsidies which would be important in its own right and as a step toward breaking international deadlock on this issue.

And in APEC and at the WTO, we are working to reduce barriers on the trade of green goods and services which will create jobs here at home while expanding the availability of new, clean technologies that will help make progress on climate change.

PROTECTING INNOVATION AND ENABLING COLLABORATION

Just as our interests and our values intersect on labor and environmental issues, our position as the world’s oldest democracy and most innovative economy, calls for us to cultivate global norms rooted in promoting commerce, scientific progress and the freedom of expression – norms reflected in our Constitution that encourage innovation and creation.

Intellectual property-intensive industries account for nearly 30 million American jobs and drive growth in manufacturing, services and agriculture.

The American view, as enshrined in the Constitution and reflected in over two hundred years of practice, is that inventors should be able to patent their inventions and creators should be able to copyright their works. That view is also informed by a sense of balance, of the importance of matching incentives for innovation with mechanisms to assure access and dissemination as well.

These principles are inherent in our laws and are thriving in our trade policy as we hold our partners accountable to their intellectual property rights commitments, push back against China’s

unfair indigenous innovation policies, and highlight “notorious markets” for the sale of counterfeit and pirated goods.

You can see them at work in TPP, as we seek to combat trade secret theft, take on the rising challenges of cybertheft and work to prevent counterfeit products – from medicines to automobile parts – from threatening consumer health and safety.

You will see them in T-TIP as well.

At the same time, we look to broaden the benefits of innovation to the public, and enable the kind of cross-border collaboration and data exchange that will drive tomorrow’s innovations.

Here we are working to find better ways to foster affordable access to medicines, support freedom of information and encourage the free flow of ideas across the digital world.

To offer some examples: We are asking our TPP partners to accept WTO agreement provisions allowing for the export of generic versions of patented drugs to countries with insufficient manufacturing capacity.

In the TPP, we are proposing a “differentiated approach” for pharmaceutical IP protections which takes into account countries’ individual levels of development and other challenges to ensure that the benefits of innovation are shared with the world’s poor.

And, for the first time in any trade agreement, we are asking our trading partners to secure robust balance in their copyright systems – an unprecedented move that draws directly on U.S. copyright exceptions and limitations, including fair use for important purposes such as scholarship, criticism, news commentary, teaching, and research.

The balance we are seeking also includes ensures that safe harbors for Internet service providers, or ISPs, are available so that legitimate providers of cloud computing, user-generated content sites and a host of other Internet-related services who act responsibly can thrive online.

I have heard some of our critics suggest that TPP is in some way related to SOPA. Don’t believe it.

This just isn’t true.

Our touchstone in TPP is our strong and balanced domestic legal framework.

The United States will agree to nothing in TPP that goes beyond existing U.S. intellectual property law.

And we will continue to press our partners to allow digital information to cross borders unimpeded. We are working to preserve a single, global Internet, not a Balkanized Internet defined by barriers that would have the effect of limiting the free flow of information and create new opportunities for censorship.

Indeed, fundamental to TPP is the priority of ensuring freedom of the Internet and an open digital environment that will benefit consumers around the world.

Cross-border information flows are important to spurring innovation, incorporating small and medium-sized businesses into the global economy and laying the foundation for the next generation of economic drivers.

These issues get at values more profound than economics. They have ethical foundations built on the most basic concepts of freedom and individual expression.

These are values that are under challenge in some countries and they are values that we must protect, including the privacy of our citizens.

TRANSPARENCY AND OPENNESS

Today I have focused on three substantive values underlying our trade policy. But I'd also like to say a word about the process of trade policy.

The Obama Administration is committed to increased inclusiveness in trade negotiations.

Early in the President's first term, USTR worked to diversify membership in the advisory system that Congress established to provide official recommendations on trade policy.

We also wanted to expand beyond that system, so we began a process of broad consultations.

That included a new practice of opening the door to stakeholders – hundreds of them from the private sector, the labor community, NGO's, academia – during negotiating rounds and providing them with a platform for conveying their views directly to the negotiators – not just from the U.S. but from all of our trading partners.

We have strengthened our partnership with Congress, working with expert staff and interested Members through nearly every decision and challenge.

We have consulted with Congress on TPP alone on more than 1,150 separate occasions. We continue to do so daily.

Just last week, I met with more than a dozen Members of Congress on TPP, and my staff held 18 TPP briefings with committee staff – and that was with a snow day!

And while I'm talking about Congress, let me make sure one thing is absolutely clear: Any Member of Congress can see negotiating text any time they request it.

Moreover, before we put forward any U.S. proposal to our negotiating partners, we review it with the committees designated by Congress.

We have heard a lot of discussion about the “cleared advisors” system Congress established.

Our cleared advisors do include representatives from the private sector – as Congress has required.

Some are large employers, but they also include a small manufacturer in Ohio, a family-owned food company in Oregon and similar local business from around the country.

They include representatives of every major labor union; public health groups such as the Campaign for Tobacco Free Kids; environmental groups such as Oceana, the World Wildlife Fund, and the Environmental Defense Fund; as well as development NGOs such as Bread for the World.

The Obama Administration has expanded representation on advisory committees to include more voices from academia, NGOs and others with varying views.

Generic drug companies and ISP representatives are represented, and we are in the process of expanding our public health representation.

More importantly, these cleared advisors represent only a small fraction of the input we receive on trade negotiations through a variety of other mechanisms, including directly from stakeholders.

During this Administration, our door has been open to the broadest range of stakeholders possible.

Having said that, we believe there is always room to do better.

So I am pleased to announce some new steps we are taking to improve public understanding of our work.

First, we and the Commerce Department are in the process of re-chartering our advisory committees and, as we put out the Federal Register notice, we invite representatives from all relevant constituencies to apply.

The door is open and we are interested in further diversifying their membership.

Second, I’m pleased to announce that we are upgrading our advisory system to provide a new forum for experts on issues like public health, development and consumer safety.

A new Public Interest Trade Advisory Committee (PITAC) will join the Labor Advisory Committee and the Trade and Environment Policy Advisory Committees to provide a cross-cutting platform for input in the negotiations.

We are calling on NGOs, academics, and other public interest groups to submit their candidates to be founding members of the PITAC.

Finally, I'd like to announce new steps to broaden public information on the progress of negotiations.

In the coming days, we will provide the public with an update on the status of negotiations in the TPP.

Ahead of the next T-TIP negotiating round, we will release a document that further describes our negotiating objectives. And we will provide written updates after each round of negotiations.

TRADE PROMOTION AUTHORITY

Let me conclude with a word on Trade Promotion Authority. As I said, formal grants of negotiating authority date back to the New Deal Congress and FDR's Reciprocal Trade Agreements.

Then, this authority fully delegated negotiations to the Executive Branch, with Congress taking no role in approving deals once they were negotiated. That is no longer the case.

The process was updated with new consultation requirements and legislative procedures in 1962, 1974, 1988, and 2002.

TPA does three important things:

First, it's the mechanism by which Congress has worked with every Administration since 1974 to define its marching orders on what to negotiate.

Second, it lays out how the Administration should work with Congress before and during the negotiations.

Third, it sets the legislative procedures for votes to approve or disapprove agreements.

Congress has not updated these instructions since 2002. That was 12 years ago.

Among other things, it predates the bipartisan May 10th agreement on labor, environment and intellectual property rights initiated by House Democrats.

It predates much of the explosion of activity on the Internet and the emergence of the digital economy.

And it doesn't address newer issues affecting our ability to compete in the global economy, such as leveling the playing field between state-owned enterprises and our private firms.

It is the policy of the Obama Administration to follow the May 10th agreement in trade negotiations. But May 10th is not mandated by law.

We can fix that with Trade Promotion Authority that requires future Administrations to treat labor, environmental, and innovation and access to medicines issues the way the Obama Administration has chosen to treat them.

We are eager for Congress to step forward and update its role in trade negotiations, to make clear which Members or committees should be involved, how those consultations should be conducted and what rules of transparency should apply.

There is a practical reality to this as well. Congress has recognized the infeasibility of designating 535 individual Members of Congress as trade negotiators.

That is why, instead, we work to ensure that every proposal we take in a negotiation is developed in conjunction with the committees Congress designated when it last spoke on the issue in 2002.

Congressional staff attend our negotiating rounds and give real-time feedback as the negotiations proceed.

Indeed, the one thing about “fast track” is that it isn’t particularly short when it comes to Congress’ role.

Rather, it involves an extensive role for Congress prior to start of negotiations, throughout the course of negotiations and, of course, when the negotiations have been completed.

Under TPA, no U.S. trade agreement can enter into force unless Congress has been extensively consulted throughout the negotiating process.

Congress can take months to review the text of the agreement and have hearings on its full content and ultimately Congress has the power to approve or disapprove the proposed agreement.

Neither TPP nor T-TIP can go into effect without Congress’ approval.

CONCLUSION

Let me conclude by asking you to consider the results if we were to abandon the agenda I’ve laid out today.

First, we would lose the opportunities to create new, high-paying jobs through expanded exports that are so important to our economic recovery.

Other countries would get preferential access to some of the largest and fastest-growing markets in the world at our expense.

Our firms would find themselves at a disadvantage, creating incentives for them to either drop out of the competition or move their production overseas to access those markets.

Second, we would not secure enforceable commitments on core labor standards and acceptable conditions of work.

Nor would we secure enforceable agreements on environmental standards and on shark finning, ivory trade, illegal timber and environmentally beneficial tariff cuts.

Rather, we would have the status quo at best in these areas; or we would cede the rule-setting to others for whom combatting wildlife trafficking and strengthening workplace safety are not priorities.

Third, we would limit both our ability to protect American invention, artistic creativity, and research, and our ability to develop creative ways to speed the flow of new medicines to patients and further the freedom of people to search, buy and create on the Internet.

Rather, we would see an accelerated rise of “data nationalism” and a digital world that begins to erect barriers rather than transcend them.

Right now, there are 525 million middle class consumers in Asia alone. By 2030, there are expected to be 2.7 billion middle class consumers in Asia, more than 6 times the size of what the U.S. market is expected to be at that time.

Those consumers will want better diets and more protein.

They will want entertainment, games and software.

They will want to engage on the Internet and send packages all over the world.

They will want to save and invest for their families’ future.

They will want to breathe clean air, drink clean water and support a sustainable environment.

They will want clean energy products and equipment to build roads and schools.

They will want planes and trains and automobiles.

Who will provide these goods and services?

Who will serve these markets?

Will it be American workers, farmers and ranchers, or their competitors from other countries? Will we have access to markets and terms on which we can compete, or will we be left on the sidelines?

Rest assured, other countries are not standing by and waiting for us to act.

They are busy negotiating their own deals, trying to gain preferential market access to countries, setting rules of the road that do not reflect our values.

And I can guarantee you that they do not put the emphasis we do on raising labor and environmental standards, protecting intellectual property rights, promoting access to innovation, preserving the freedom of the Internet or putting disciplines on state-owned enterprises.

We face a choice: Work to raise the bar or stay on the sidelines as other countries write the rules of the game.

Promote a race to the top or acquiesce to a race to the bottom which we cannot win and which our values tell us we should not run.

History tells us that there is an American tradition here.

We don't passively stand by. We engage. We shape. We lead. That is precisely what we are doing right now.

We might not accomplish everything we set out to achieve. In any negotiation, no party gets 100 percent of what they seek on 100 percent of the issues 100 percent of the time.

But there is an arc to the evolution of the international trade policy.

With each negotiation, we have an opportunity to make progress toward a global trading system that increasingly reflects our values, ensures that the benefits of trade are broadly shared, and is more fair.

At the end of the day, we need to assess what the world will look like with and without TPP.

The world without TPP is a world with lower labor standards, weaker environmental protections and fewer opportunities for job growth in the U.S.

In my view, a world with TPP is a world that is in the interest of America's workers and America's families.

Our trade policy is directed toward creating jobs, promoting growth, and strengthening the middle class.

But that is not enough.

Americans demand more of their government and their trade policy.

After all, the United States is not just a business enterprise.

We are a nation of values.

Values born of history, tradition, and a shared understanding of what is right.

Values that underpin our laws, direct our relations with other countries and define who we are as a people.

The Obama Administration is setting a new standard, insisting that our values undergird our trade policy today and in the future.

In this effort, we have made important strides forward. And we have more to do.

With guidance from Congress and input from the public, we can create the better and fairer global economy that CAP has advocated for so consistently and which we all are working to make a reality.

Thank you.