

NOMINATION OF ROBERT ZOELICK

HEARING

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

ON THE

NOMINATION OF

ROBERT ZOELICK TO BE U.S. TRADE REPRESENTATIVE

—————
JANUARY 30, 2001
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**NOMINATION OF ROBERT ZOELICK TO BE
U.S. TRADE REPRESENTATIVE**

TUESDAY, JANUARY 30, 2001

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:05 a.m., in room 106, Dirksen Senate Office Building, Hon. Chuck Grassley (chairman of the committee) presiding.

Also present: Senators Hatch, Murkowski, Gramm, Lott, Snowe, Kyl, Baucus, Rockefeller, Breaux, Conrad, Graham, Bingaman, Kerry, and Lincoln.

**OPENING STATEMENT OF HON. FRANK H. MURKOWSKI, A U.S.
SENATOR FROM ALASKA**

Senator MURKOWSKI. Good morning, ladies and gentlemen. I would call the meeting of the Finance Committee to order.

You will note that I do not look at all like Chuck Grassley. At least, I do not think I do. But Senator Grassley is detained at another meeting that was called by a higher calling than those of us at the podium, and he will be joining us very soon.

What I would like to do, is advise the members that the two Leaders, Senator Grassley and Senator Baucus, have come to an agreement on opening statements which suggests they be limited to the chair and vice chair, or co-chair, or whatever the term that we are currently using around here.

But if there are those that have profound statements to make, why, we would hear them, but we will measure the area of profoundness after the fact. I do want to acknowledge my colleagues who are here.

I want to acknowledge those that are going to introduce Mr. Zoellick, Senator Warner, Senator Allen, and Representative Moran.

It is a pleasure to chair the hearing today on behalf of the chairman, Chairman Grassley. As I indicated, he is on other urgent business downtown.

I am pleased to have the opportunity to greet Mr. Zoellick, President Bush's nominee for the position of U.S. Trade Representative, and to welcome our colleagues that are going to introduce him today.

I do not think there is any question this is a critical juncture in America's trade policy. For the better part of 50 years, this Nation has operated under the widely-held consensus that developing free trade is in the national interest.

Opening doors between the U.S. and other countries has certainly created new jobs in this country, it has increased the national wealth, and it has helped to foster a healthy interaction among the family of trading nations.

Free trade, however, as we know, has its consequences. That has never been a secret. Opening the door to overseas competition injects a certain uncertainty into previously complacent markets. Trade liberalization can be downright unpleasant in the short term.

In the longer term, however, its benefits are unquestionable. This, at least, is, and has been, the overwhelming consensus of this country and this committee for as long as I can remember, and that is a little over 20 years now.

However, that consensus is under attack in this country today. Opponents of change and critics of the global marketplace have united to challenge the basic tenets of trade policy as we have known them since the end of the second World War.

Suddenly, we see barriers back in vogue. The old protectionist crowd is working feverishly to shore up existing economic barriers, even as a new crowd works to erect new political and social barriers to trade.

So here we are at a crossroads in trade policy, facing once again the fundamental oft-answered questions, should we tear down those walls; can trade bring people on either side of the walls together or should we continue to restrict their interaction? Against this backdrop, President Bush has nominated Mr. Zoellick to implement his decidedly pro-free trade agenda.

During the previous Bush Administration, Mr. Zoellick helped to unify Germany after the fall of the Berlin Wall, so he is no stranger to dismantling barriers and bringing people together on either sides of the wall.

At USTR, he will clearly need all of the diplomatic skills he has garnered from that and other experiences from his distinguished career, including, perhaps, not simply dismantling trade barriers, but also helping some of us to mend fences over trade issues which threaten to divide us.

We need to regain the consensus that has united us in the past if we are to successfully confront and resolve the issues facing us in the future. In particular, we face a decision of granting fast track negotiating authority to our President, President Bush.

We face questions over how to reassert American leadership in the World Trade Organization, and work with both developed and developing countries to establish workable priorities for the coming years.

We face outstanding questions on a number of trade agreements negotiated, in whole or part, by the prior administration. We face the critical questions over China's perceived back-tracking on commitments made prior to and in the bilateral trade agreements in November of 1999.

In short, Mr. Zoellick, your plate is full. The trade agenda seems to have become a bit of a thicket, a forest in which the individual trees are tough to make out. I agree with you that that is unfortunate, but that seems to be the way it is.

Even the individual trade agreements on your plate, whether the bilateral agreement negotiated with Vietnam, the free trade agreement with Jordan, or other agreements proposed for Singapore and Chile, have uniquely different merits, rationales, and challenges. It would be a mistake to treat them as if they were identical, or even as if one was a precedent for any of the others.

Regrettably, the same forces which aim to chip away at our consensus seem to be campaigning to blur the distinct lines between these agreements in order to further cloud the trade agenda. I am certainly pleased that President Bush has nominated someone fully qualified and up to the task at hand.

Your experience and reputation as a patient and pragmatic negotiator will, I am sure, serve you well, as well as this country, as the U.S. Trade Representative. I certainly welcome the opportunity to hear your opinions on these issues, and answers to the questions which members of this committee will be asking you today.

Senator Baucus?

**OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR
FROM MONTANA**

Senator BAUCUS. Thank you very much, Mr. Chairman.

Mr. Zoellick, let me join Senator Murkowski in welcoming you to the Finance Committee. I congratulate you on the appointment, and I congratulate the President, frankly, on making the selection.

I think you will be a very hardworking, very bright, very effective USTR, and we all, I know on this committee and in the Congress, look forward to working with you to make that happen.

I look forward to your very frequent appearances before this committee. I expect there will be several. We will ask questions, consult, and confer so we are more in sync on trade policy than otherwise would be the case. I also look forward to visiting you, not only in formal sessions like this, but in informal sessions.

Your predecessors did a very good job in meeting frequently with members of this committee and the Ways and Means Committee, and with other relevant committees, for that matter. I know that it helps build a stronger trade policy, and I know you will do the same.

Before I proceed, I want to comment on the recent dust-up over whether the position of USTR would be downgraded in this administration. I objected very seriously to that proposal; others in Congress in industry did as well.

I am very happy to see that it was just an ill-founded rumor, that your position will be as strong and not be downgraded, that is, just to remain in the cabinet and have direct access to the President.

I think that is very important, particularly as the world becomes more complicated and as the forces of globalization become even more complex. The U.S. Trade Representative, in my judgment, should have even higher status, higher priority, than he or she has had in the past. It has been good, but because of the nature of the global changes and the economic changes of the world, it would be my hope that you would step even more in the forefront.

Along with other members of this committee, I believe Senator Murkowski has said it, others will, we must continue to make

progress on trade liberalization and open markets. That is going to take a lot of work.

Just to review the bidding, last year the Congress and the administration worked very successfully together on trade policy in many areas. One that comes to my mind, one of the most important, is passing PNTR, a monumental achievement. I think that is going to go down in history as one of the greatest achievements of this Congress in a decade, working with President Clinton.

We also passed legislation on trade with Africa and enhanced Caribbean Basin Initiative program. We changed the Foreign Sales Corporation, FSC. We have got more work to do, perhaps, on that, but the Congress did act to help make that more workable with Europe; the U.S.-Jordan Free Trade Agreement and the U.S.-Vietnam Bilateral Trade Agreement that was signed, but both are waiting Congressional approval.

Adding trade, goods, and services is just clearly necessary to drive our economy and make good progress. But trade liberalization must be done, as we both know, in the correct way, and that is, very sensitive to a vast number of components in American society. That means rebuilding the consensus on trade in this country. It has faltered a bit.

I think further progress on trade liberalization and opening markets requires a political consensus, a greater political consensus that does not exist, and that requires a public consensus. After all, we in the Congress and the executive branch cannot do much without public support.

This means demonstrating to all of our citizens that trade does, in fact, contribute to their prosperity and to a better life. That is not an article of faith with a lot of Americans today.

It means addressing legitimate labor and environmental concerns in trade agreements. It means enforcing our trade laws. Sometimes we pass laws, but do not spend as much time as we should enforcing them. It means fixing the Trade Adjustment Assistance program so we can provide real assistance to displaced workers.

Let me state my view clearly. During the Presidential campaign, you and others made strong comments that it was inappropriate to address environmental and labor concerns in trade agreements. This is not a political issue, this is a substantive issue of importance to many members of Congress, including me.

I have outlined in countless speeches why I think we need to deal with legitimate labor and environmental concerns in the context of trade policy. It is here. We cannot avoid it, and we should not avoid it. It must be done in the context of trade policy.

So I will just state that, if legitimate labor and environmental concerns are not incorporated into fast track legislation, I will pose that legislation, and I will work hard for its defeat.

I believe we must rebuild the consensus on trade before we can move much further with trade liberalization. It is going to take time, a lot of effort, and a lot of cooperation on the part of lots of people on all sides, and I hope this administration will work closely with all of us in the Congress to ensure that we have the proper environment necessary to make this progress come true.

Turning to the first months of the year, I see five major and specific items. First, the U.S.-Jordan Free Trade Agreement. Jordan is

a critical partner in our quest for lasting peace in the Mideast. This agreement will help bind our two nations together. The agreement also recognizes that labor and environment issues can have a place in trade agreements. We should move quickly to put this FTA with Jordan into effect.

Second, the administration should send the U.S.-Vietnam Bilateral to Congress soon. This agreement builds on the significant progress we have made in our economic and political relationship with Vietnam over the past decade.

It requires a major change in Vietnam's own economic and trade structure, serves as a precursor for their ultimate application to join the WTO, and it will provide American business and agriculture with predictability and civility in the Vietnamese market. We need to put it into effect and we should look at how to deal with legitimate labor and environmental issues in that context as well.

Third, President Bush will attend the Summit of the Americas in Quebec in April. The major topic will be the Free Trade Area of the Americas, the FTAA. President Bush has proposed completion by the end of 2003. I support trade liberalization in this hemisphere as long as it is done in a proper way.

I urge the President to tell the assembled leaders in Quebec that he plans to work closely this year with Congress and interested groups throughout our society so that he can offer a fast track bill for the FTAA that will receive wide support.

Fourth, America's steel industry is in crisis. We all need to work together in the coming months on a lasting solution, using all the tools, including trade tools, that we have at our command. We must move quickly if we are to prevent irreparable damage to this sector of our economy.

Fifth, monitoring and compliance of trade agreements. This is a problem with many trading partners. Once China enters the WTO, our ability to ensure compliance will be challenged even more. We need an early assessment of monitoring capabilities in the executive branch, and I hope you initiate such a review and report back to this committee.

We all want to maximize the advantages to our country and to the world that expanding trade brings. The agenda I have outlined, I think, will ensure that.

I look very much forward to working with you, Mr. Zoellick, and good luck.

Mr. ZOELLICK. Thank you.

Senator MURKOWSKI. Thank you very much, Senator Baucus.

I have been again reminded of the arrangements that were met by the Chairman, Senator Grassley, and Senator Baucus with regard to opening statements. As a consequence, with those that are going to introduce the nominee, I would encourage anybody that has to speak to be very, very succinct. I am told that many of the senior members have already said, let us hear the nominee.

So if there is anyone that feels compelled—

[No response.]

Senator MURKOWSKI. Since there is no one that is compelled, we got over that hurdle.

I would call on Senator Warner, the senior member. Then I think we will refer to the House. Mr. Moran has been around for quite a while, and George, you have been around in a little different capacity.

So, Senator Warner, please proceed with your introduction.

STATEMENT OF HON. JOHN WARNER, A U.S. SENATOR FROM VIRGINIA

Senator WARNER. Mr. Chairman, out of deference to the skilled manner in which you handled the opening statements, I will make mine very brief and ask unanimous consent that it be placed and made a part of today's record.

Senator MURKOWSKI. Without objection.

[The prepared statement of Senator Warner appears in the appendix.]

Senator WARNER. I commend you, Mr. Chairman, and the distinguished Ranking Member for a very thorough analysis in your opening statements. Consequently, I shall be very brief.

Mr. Chairman, my statement is probably not profound, but what is profound is the nominee by the President to take on this very challenging responsibility.

As I look over this biography which I attached to my record, there is only one word that can describe it: awesome. This man has achieved many, many goals in his lifetime, in many, many sectors, whether it is government, private, philanthropic, or otherwise.

I have come to know him so well in the Aspen Institute where, this summer, I attended a seminar with some, I think, 50 members, and he was the presiding officer. With great skill, over a period of 5 days, he was able to direct that seminar and we reached, I think, very important conclusions. That is just one of many examples of his accomplishments.

I am proud, as a Virginian, to say that he is from our State, and offers himself once again for public service. I commend our President for selecting this able individual.

I draw your attention to but one paragraph in this biography, and it reads as follows. In a very subtle way, it says the following: "Raised in Naperville, IL, Mr. Zoellick received a J.D. magna cum laude from Harvard Law School and a Master of Public Policy degree from Harvard University's Kennedy School of Government in 1981. He graduated Phi Beta Kappa from Swarthmore College in 1975."

Mr. Chairman, I could not even get in those schools, much less receive a Phi Beta Kappa or the other honorary degree, so you are on your own, Bob. Good luck. [Laughter.]

Senator MURKOWSKI. Well, I venture to say that the senior Senator from Virginia could probably get in today if he cared to re-apply. [Laughter.]

Senator WARNER. Well, I doubt it. [Laughter.]

Senator MURKOWSKI. That is all right, John. You do the best you can around here.

Representative Moran, it is a pleasure to have you with us this morning.

**STATEMENT OF HON. JIM MORAN, A U.S. REPRESENTATIVE
FROM VIRGINIA**

Representative MORAN. Thank you very much, Mr. Chairman. It is a pleasure to be here, and particularly to be introducing Bob Zoellick to Ranking Member Baucus and the rest of the members of the committee.

This is an honor because I believe that Mr. Zoellick believes in the principles that are best for the long-term interests of the United States. To some, it may seem unusual that a Democrat is introducing a Republican for the post of U.S. Trade Representative, but trade is, and must be, a bipartisan priority for this country. It has become clear over the years that no substantive trade legislation is going to get through the Congress without bipartisan support.

This bipartisan spirit was particularly evident, as Mr. Baucus mentioned, during the 106th Congress, and particularly with last year's approval of legislation to grant permanent normal trade relations with China, which I think was a watershed legislative achievement.

As a father and co-chair of the House New Democrat Coalition, a group that is committed to promoting trade and technology—I know Senator Breaux is more than familiar with our description, since he has been a leader of our group—we believe that the more jobs and the better jobs, the better we are serving our constituents. So, we are committed to promoting trade and technology and other pro-business initiatives.

What we have had to do, is to obviously invest our efforts in forming a majority in the middle between isolationism on the right and protectionism on the left. I expect that Bob Zoellick is going to bring the same bipartisan approach to his work as our U.S. Trade Representative.

The cause of free trade is one of that many of our colleagues have embraced, and I know we will champion throughout the 107th Congress. Whether it is fast trade, Free Trade for the Americas, CBI parity for Colombia, Jordan, Singapore, Chile, we have a number of opportunities to do the right thing for future generations because it is in the best interests of our consumers and our businesses, and certainly for the people in the businesses who work in the countries with which we trade.

Mr. Chairman, it is encouraging that the administration has chosen to maintain the cabinet-level status of the USTR, as you have mentioned. It does send the right signal to our trading partners about the importance of trade to our government.

In addition to recognizing the fact that this country cannot possibly consume what we are capable of producing, therefore, the support of new and expanded markets around the world by raising their purchasing power and standard of living is clearly in our best interests.

Many of us also believe that economic engagement is an insurance policy that limits the need for more costly U.S. military intervention abroad. I had the pleasure of meeting Bob Zoellick last year when I testified at a hearing—I know Senator Gramm was there as well—before the Trade Deficit Review Commission on which he served regarding the posture of our Nation's balance of

trade. His command of trade policy and the respect with which he is held by his peers, I know, impressed everyone.

So I am confident that Bob Zoellick will bring strong leadership and expertise to this position. He has had a distinguished career of service to our country, both in the public and the private sectors, and will certainly continue this record as U.S. Trade Representative.

So, it is with optimism and a great deal of respect that I am pleased to introduce soon-to-be Ambassador Zoellick.

Thank you, Mr. Chairman.

Senator MURKOWSKI. Thank you very much, Representative Moran.

I would next call on Hon. George Allen, the junior Senator from Virginia. Please proceed.

STATEMENT OF HON. GEORGE ALLEN, A U.S. SENATOR FROM VIRGINIA

Senator ALLEN. Thank you, Mr. Chairman and members of the esteemed Finance Committee. It is a pleasure to be with you today for your consideration of U.S. Trade Representative Bob Zoellick.

It is my pleasure to be with Senator Warner and Congressman Moran in extolling the virtues of the next U.S. Trade Representative.

I think that when you look at this gentleman's resume, his record of performance, you see that the Bush Administration, once again, has sought and found top-quality individuals to lead this administration.

When we think of General Colin Powell as Secretary of State, Condalisa Rice, Secretary Runsfeld, and others, it is just going to be a wonderful team leading the interests of our country.

Senator Warner has put in Mr. Zoellick's resume, so I will not go through that whole resume, other than to say it is great to have been from Naperville, IL. It is a shame he went to the second-oldest university in the country as opposed to William and Mary, which is the oldest.

But, nevertheless, notwithstanding all of that, I think what is most important when you look at this gentleman's record of accomplishment and performance over the years, I would like to focus on the attributes and capabilities which best indicate what an outstanding job he will do as our trade representative for this country, and in particular the issues and thicketts that the Chairman brought up, and the challenges, as well as those that were brought up by Senator Baucus, the Ranking Member, in their opening remarks.

Mr. Zoellick served as Under Secretary of State for Economic and Agricultural Affairs in President George H.W. Bush's administration. Obviously, in trade areas from our farmers and agriculture interests, it is great that you have that perspective. That is one group of people who are very, very positive about opening new markets for our food and fiber from our country.

Mr. Zoellick also was the lead State Department official on the North American Free Trade Agreement negotiations and served as a special channel of contact to the President of Mexico.

We can learn from NAFTA. Senator Baucus brought up some of the positives, and there are very many positives from free trade. There are some negatives for good, hardworking families and individuals who may lose jobs because of international competition. What we can do to make these trade agreements better is to learn from that and improve some of those transitional assistance programs that can help those families making a transition from loss of jobs from international competition.

In addition, from that position, Mr. Zoellick helped establish the Asia Pacific Economic Council, or APEC, which has developed into an annual heads of states conference which is on par with the G-7 conference.

Finally, I am sure that Mr. Zoellick has learned how to deal with a President in international negotiations, serving as, how he calls it, as I understand it, the President's sherpa for two G-7 economic summits. Well, that is fine that you are a sherpa, and I am sure you will find plenty of sherpas that are capable and qualified to help you out as well.

Having served in the State Department, he served also in the Treasury Department, the Justice Department, as well as the White House as Deputy Chief of Staff, Mr. Zoellick possesses, in my opinion, the depth and breadth of experience that is necessary to navigate the United States through the complex process of trade negotiations, which will, of course, continue into Chile and Latin American countries, as well as the enforcements of existing agreements and making sure that the intellectual property of our companies here in our country are protected elsewhere.

I am particularly impressed at how widely known Mr. Zoellick is in the international community. It is important to be well known because that means you can negotiate better. Indeed, it is outside of the usual tottery of trade specialists.

His work as lead U.S. official in the 2+4 negotiations for the reunification of Germany, the German Government awarded him the Knight Commander's cross by Germany. He was also a key player in securing an effective peace process in both El Salvador and Nicaragua, as well as reducing the number of nuclear weapons in the former Soviet Union.

And Senator Baucus, alluding to some of your comments, I understand that Mr. Zoellick has developed a deep appreciation of the interrelationship of trade issues with environmental and social issues with his work on the Rio Climate Change Treaty and the bans on the trade of elephant ivory, and the devastating practices of drift-net fishing.

So, Mr. Chairman and members of the committee, these specific accomplishments are simply indicative of, once again, how successful this administration has been in choosing the very best candidates to serve our government.

I am confident that, with Mr. Zoellick's experience and dedication, it will enable him to continue his positive record for our country and, by doing so, help the opportunities for people all around the world.

So, Mr. Chairman and members of the committee, it is my pleasure to endorse and present to you an outstanding man of great cre-

dentials, capabilities, and vision, and who will do an outstanding job for our country, Mr. Robert Zoellick.

Senator MURKOWSKI. Thank you very much, Senator Allen.

Let me acknowledge Senator Warner, Congressman Moran, Senator Allen. I am sure that you probably have things to do and places to go, so you may certainly be excused, if you wish. You may stay, if you do not.

Mr. Zoellick, the rules of this committee require that you take an oath. Would you stand, please?

[Whereupon, Mr. Zoellick was duly sworn.]

Senator MURKOWSKI. Please be seated.

The committee has three standard questions that we ask all nominees before the Finance Committee.

The first is, is there anything you are aware of in your background that might present a conflict of interest with the duties of the office to which you have been nominated?

Mr. ZOELLICK. No, sir.

Senator MURKOWSKI. Do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated?

Mr. ZOELLICK. No.

Senator MURKOWSKI. Finally, do you agree without reservation to respond to any reasonable summons to appear and testify before any duly-constituted committee of Congress, including the Finance Committee, if you are confirmed?

Mr. ZOELLICK. Yes.

Senator MURKOWSKI. All right. I think that concludes the material. You may proceed with your opening statement.

I would advise members that the rules of the committee suggest that each member be given 5 minutes for questions to the nominee, and we will proceed in the order that you appeared at the committee hearing.

Please proceed, Mr. Zoellick, and we look forward to hearing your statement.

**STATEMENT OF ROBERT ZOELLICK, NOMINATED TO BE U.S.
TRADE REPRESENTATIVE**

Mr. ZOELLICK. Thank you very much, Mr. Chairman, Senator Baucus, and members of the committee.

I would, first, like to thank Senator Warner, Senator Allen, and my Congressman, Jim Moran, for what were exceptionally gracious introductions, for which I am very appreciative.

I would ask, Mr. Chairman, that my full statement be entered into the record.

Senator MURKOWSKI. Without objection.

[The prepared statement of Mr. Zoellick appears in the appendix.]

Mr. ZOELLICK. I would like to thank each of you for taking time during what I know has been a very hectic period to talk with me individually. Our discussions have helped me gain a better understanding of your ideas and your concerns.

As a number of you have said, frequent and substantive consultation with this committee is going to be enormously important

to me, so if confirmed I do look forward to working very closely with you.

I am honored and deeply appreciative of the President's nomination to this post. I know the importance that the President assigns to trade policy as part of his overall international and domestic agenda.

Two of the five priorities that the President identified in his major international address at the Reagan Library stressed the vital role of open trade: promoting a fully democratic western hemisphere, bound together by free trade, and leading toward a world that trades in freedom.

In undertaking this charge, I know well that the Constitution vests Congress with the authority to regulate commerce with foreign nations. Indeed, the history books recount almost 150 years of contentious Congressional debates over tariff bills, some even leading to movements for nullification and secession.

But the disastrous experience of setting protectionist tariffs for over 20,000 individual items in the Smoot-Hawley bill of 1930 led Congress, 4 years later, to try a different approach: a partnership with the executive to try to negotiate lower barriers to trade around the world.

This partnership between Congress and the executive became a bipartisan cause, as many of you mentioned, and eventually produced prosperity, opportunity, and even liberty beyond the greatest expectations of its supporters.

Federal Reserve Chairman Alan Greenspan put this success in historical perspective by pointing out that growth in trade as a share of the world economy over the past 50 years has finally managed to reverse the losses from the calamities of the earlier twentieth century.

So today, just like Americans at the turn of the last century, we face very critical decisions about the future course of our country, trade, and the world.

Just as the World War II generation forged a bipartisan consensus that sustained successful trade expansion throughout the Cold War, we must build a new consensus and promote open markets in trade in the decades to come.

I know that new ideas are being advanced from many quarters, and I want to work with you with a very open mind to try to mobilize broad support for freer trade.

I am sure we will have many opportunities, including, I suspect, today, to discuss important particulars of trade. But I would like to step back just a moment to touch on the importance of global trade to the American people.

First, expanded trade, imports as well as exports, improves the well-being of Americans, it leads to better jobs with bigger paychecks in more competitive businesses, as well as to more choices of goods and inputs with lower prices for hardworking families and hard-driving entrepreneurs.

I appreciate that votes for agreements like NAFTA and the Uruguay Round, and the PNTR that a number of you mentioned may not have been easy to cast, yet those agreements contributed to the longest period of economic growth in U.S. history, with levels of full

employment without inflationary pressures beyond the forecast of any economist.

Expanding global trade and the expanding economic growth in the United States are not coincidental, they are achieved in concert. One strengthens and reinforces the other. Moreover, restrictions on trade have victims: farmers, schoolteachers, factory and office workers, small business people, and many others who have to pay more for clothing, or food, or homes, or equipment because of visible and invisible taxes on trade.

Second, as President Bush has stated, free trade is about freedom. Economic freedom creates habits of liberty, and habits of liberty create expectations of democracy.

In 2 weeks, President Bush will make an historic visit to Mexico, where he will meet with Vicente Fox, the first Mexican president since that Nation's revolution to have been elected from the opposition. It is not an accident that, after Mexico embraced the opening of its economic system as embodied in NAFTA, it was drawn to a democratic opening as well.

Third, expanded trade affects our Nation's security. The crises of the first 45 years of the last century, the economic retrogression that Chairman Greenspan referred to, were inextricably linked with hostile protectionism and national socialism.

Or take an example from today. Colombia is waging a battle to defend the rule of law against murderers and drug traffickers from both extremes who finance their terror through drug trafficking.

One of the tools that Colombia needs is a renewed Andean Trade Preferences Act, so there are economic opportunities and reasons for hope.

I recognize, however, that these benefits of open trade can only be achieved if we build public support for trade at home. To do so, we must enforce, vigorously and with dispatch, our trade laws against unfair practices. In the world of global economics, justice delayed can become justice lost.

We also need to do a better job of monitoring compliance with trade agreements and insisting on performance by our trade partners. I will not hesitate to use the full power of U.S. law to defend American businesses and workers against unfair trading practices.

Even if we do our jobs well, I appreciate that change can be very difficult, even frightening. We need to help people to adapt and to benefit from change. I have learned that the economies of all of your states are transforming, too.

Many of your new businesses and employers are linked to the global economy, so Secretary Evans and I want to work with you to try to tap their support for open trade. In turn, we will try our best to deliver for America's farmers, service providers, high-tech community and intellectual property providers, small businesses, and highly productive manufacturing industries.

To strengthen and speed America's trade and economic policy we will have to reestablish the bipartisan Congressional executive negotiating partners that had delivered so much.

Therefore, if confirmed, I will promptly follow up with this committee and the House Ways and Means Committee to consider how to reestablish trade promotion authority for the President, based on the fast track precedent and the broadest possible support.

In the absence of this authority, other countries have been moving forward with trade agreements while America has stalled. We cannot afford to stand still or be mired in partisan division while other nations seize the mantle of leadership of trade from the United States. This would be a missed opportunity, indeed, an historic mistake.

Given the size of the U.S. economy and the reach, creativity, and influence of our private sector, we should be, and can be, shaping the rules for the international economic system for the new century.

American openness is high and our trade barriers are low, so when we negotiate free trade agreements with our counterparts we almost always open other markets more than we must change our own.

In considering this grant of trade promotion authority, I also urge you to give the President more leverage by broadening our options. I want to be able to tell my counterparts that we are willing to negotiate if they are serious about eliminating barriers, and also make clear that America will look elsewhere if they delay, that the United States will move forward and it is up to them to decide to join us or be left behind.

On April 20, President Bush will attend the Summit of the Americas meeting in Quebec City, the hemispheric assembly launched by President Clinton. President Bush has emphasized that to set a new course for this hemisphere, he needs to hold out the prospect in Quebec City that new trade promotion authority is on its way.

Of course, America's trade and economic interests extend far beyond this hemisphere. We want to launch a new round for global trade negotiations, emphasizing a key role for agriculture.

We will seek to negotiate regional and bilateral agreements to open markets around the world. There are opportunities in the Asia Pacific, further reforms in the Middle East and Africa, that need our encouragement. I compliment this committee for its important work with Africa and the Caribbean last year.

If India reforms its economy and taps its great potential, we should explore ways to try to achieve mutual benefits. And, vitally important, I will seek to work with the European Union and its candidate members in central and eastern Europe, both to fulfill the promise of a transatlantic marketplace already being created by private business investment in trade, as well as to reinvigorate, improve, and strengthen the WTO processes.

Let me close, Mr. Chairman, with a final word regarding the talented professionals on whom I will need to rely in working with you and our foreign counterparts. The staff at the Office of the U.S. Trade Representative is a select corps, with a special record of achievement. I am very proud to have this opportunity to serve with such exceptional public servants as we step forward with an ambitious agenda.

Thank you, Mr. Chairman.

Senator MURKOWSKI. Thank you very much for that statement.

Now we will go to five minute rounds for each member, and I will start off.

As you know, Mr. Zoellick, one of the provisions of the China PNTR legislation mandates that the President shall not accept China's WTO membership unless the terms of its ascension are equivalent to the terms agreed to in the November 1999 bilateral between the U.S. and China.

I am becoming somewhat concerned with what appears to be perhaps the Chinese backtracking on a number of their commitments contained in the bilateral agreement. I have been paying attention, for example, to a specific provision of that agreement relating to grandfathered rights of U.S. insurance companies.

Chinese authorities have already signaled that their intent is to violate that provision. There are a number of other examples of Chinese governmental intent to disregard or violate solemn commitments.

This, perhaps, suggests to me that we should be wary that China could backtrack on its assurances it will not block Taiwan's entry into WTO immediately after China's accession.

I would hope that you would find that unacceptable; I certainly do. I would ask if you can assure me that you will not agree to any WTO agreements until all substantive bilateral commitments are clearly accepted by China in its final WTO ascension package and that the President will not send his report to Congress, as required under H.R. 4444, until that right is absolutely clear. Will you, further, maintain vigil that China will keep its commitments relative to Taiwan?

Mr. ZOELLICK. Yes, sir. As a number of you mentioned, I know how difficult this issue was for you and many of your colleagues. There is no doubt in my mind that China must be held to the commitments that it made as part of that process.

As we have had an opportunity to discuss, China, right now, is negotiating the details of its various bilateral agreements as part of its overall protocol with the working parties.

Even prior to the nomination for this position, I have urged the Chinese to follow through on their commitments because this is clearly going to be a challenging implementation, as a number of you have mentioned.

It is going to have to be monitored and enforced closely. I was pleased to see that the last Congress gave some additional resources to the executive branch to do that, but this will not be successful for China or the rest of us unless we do that.

On the point of Taiwan, Mr. Chairman, I might just emphasize, dating back to my past service, the importance of bringing Taiwan into the WTO. I actually was part of a negotiation that brought Hong Kong, Taiwan, and the PRC into APEC. So, I feel very strongly that that is important for Taiwan, and ultimately its relationships with Beijing, too.

Senator MURKOWSKI. Thank you for that reassurance.

With regard to the Vietnam Trade Agreement, the bilateral trade agreement negotiated between the United States and Vietnam last July enjoys broad bipartisan support, I believe, among members of this committee and the Senate in general.

The agreement would allow dramatic concessions in tariff levels by the Vietnamese and thus promises new opportunities for American families and businesses in Vietnam.

But apart from the economic importance of this agreement, there are a wide range of important non-trade-based reasons to normalize trade relations with Vietnam through this agreement.

There is grave danger, in my opinion, that the arguments over the broader trade agenda will swamp stand-alone agreements such as that with Vietnam or the free trade agreement with Jordan.

What assurances can you give us that the President will send us the Vietnam agreement for passage by the Congress in a timely manner?

Mr. ZOELLICK. Mr. Chairman, I was very pleased to see the Clinton Administration negotiate this agreement. As you know, it is really an extra step in the process of normalization that has been pursued by two administrations, actually dating back to President Bush's administration.

As you mentioned, what this will establish, of course, is a normal trading relationship which, while the term sometimes is used in a different context, I believe Vietnam is only one of six countries that is outside that category, and it retains the annual review that is part of the Jackson-Vanik.

As you also know, once the agreement is submitted there are special procedures by which the Congress takes it up, and a timeline. Frankly, this is one of those issues in the spirit that a number of you have mentioned.

I want to be able to consult with you and your colleagues on the House Ways and Means Committee about the schedule just so we do not send something up in a process that interferes with an overall effort. But it's an excellent agreement and I'm committed to moving on it, subject to those consultations.

Senator MURKOWSKI. Thank you very much, Mr. Zoellick. My 5 minutes is up. I have one other question, which I will take up on a second round.

Senator Baucus?

Senator BAUCUS. Mr. Zoellick, in my opening remarks I made it clear that I think we need to address legitimate—and I underline the word legitimate—labor and environmental concerns in the context of fast track.

I also think that one size does not fit all. We have some labor and environmental provisions in the Jordan agreement, but not in Vietnam. There are lots of ways to skin a cat around here, but certainly labor and environment has to be considered in the context of free trade these days. They are here, they have arrived.

I think the greatest need for fast track is when the President negotiates the Free Trade of the Americas agreement. We are going to need, I think, fast track to progress in any significant way.

I saw a comment you made somewhere not too long ago that you hope to have fast track to the President by the time the President attends the Summit of the Americas in Quebec in April. I am not so sure we can get it done by then. We cannot, if there is lots of conflict and disagreement over how to do this. Perhaps we can, if there is agreement.

What I would like is a commitment from you that you and the Bush Administration will work with the Congress in trying to find that accommodation of labor, environmental, and similar issues with us before sending up a fast track request, rather than just

sending up, willy-nilly, a fast track request that does not include those provisions.

Mr. ZOELLICK. Senator Baucus, first, for this comment, which has also been brought to my attention, and I am sure in your public career you have had the same experiences, that I am not responsible for what some people write about things I did not say. But actually I am encouraged by your interest in trying to move forward.

Senator BAUCUS. That has never happened to any of us. [Laughter.]

Mr. ZOELLICK. On your point on the environmental and labor issues, when President Bush was asked about this he said that of course he believes that it is very important to try to improve environmental and working conditions, he just wants to be sure that we do not do so in a protectionist fashion.

As I think was the tone of both your and my remarks, to be successful with the trade agenda we are going to have to try to get the broadest possible support in the Congress, bipartisan support. That is why I definitely am committed to consulting and working with you and your colleagues on this issue.

As I think you and I discussed a little bit, in the limited time I have had I have already tried to contact some people in the AFL-CIO, and some environmental groups I have been associated with in the past, to try to extend the dialogue with them as well.

Just a couple of thoughts, and I know you would agree with this. In the long run, to improve environmental and labor conditions, economic growth and openness will be the most vital variable for these countries. That is the key. We could try to require whatever we want, but if they do not have a strong economy and growth it is going to be hard to achieve.

I also think that, again, from my experience with some other cases like this, for the long run, particularly in the environmental area, if we make it mutual and plant the roots in the country as opposed to having it imposed, the chances of it developing on its own in the country and being stronger will be much better.

As you said, I think we have to be open to the idea that one size does not fit all. So one of the reasons that I stressed in my statement about having an open mind about these is to engage exactly in the dialogue that you are suggesting.

The last point on this is, to be successful with any effort on trade promotion authority, of course, we are going to have to be able to try to work that out as best we can before we send anything up.

Senator BAUCUS. I wonder if you could give us your thoughts about the U.S.-Jordan Free Trade Agreement that was signed. Will the administration endorse the agreement, as negotiated last year, and send it up to the Congress?

Mr. ZOELLICK. I do not know yet, Senator, just because I have only had a chance to skim the agreement. As a number of people have mentioned here, it is obviously an important agreement with an important country in an important part of the world.

I will tell you an issue that I want to examine closely on the labor and environmental provisions. As you probably know, at least the general focus of them is to have each country apply its own laws. On its face, that seems reasonable.

Here are the questions that I want to look into: who has the right to challenge the application of the law; in what form, with what standard, and with what penalty? Frankly, I even think for some of the promoters of this, if they would conceive of the idea that there may be parties outside the United States that can challenge our application of the National Labor Relations Act or environmental laws with various penalties, that could start to get a little out of control. I am not saying this as a way of trying to bias against it, because I think it is seriously worth examining. But those are the sorts of questions that, frankly, if I am testifying in favor of the agreement, that I am going to get asked. Right now, I do not have the answers to those.

Senator BAUCUS. Right. I appreciate that, Mr. Zoellick. Frankly, I think when you look at it more closely, you will find that the answers to those questions do not lead to the more dire consequences that your earlier description would lead one to believe.

That is, when you look at it more closely you will find that a lot of the concerns, although initially legitimate, will turn out to be not quite as legitimate or as great as earlier realized.

I hope, when you look at it more closely, you will find that. If there are problems let us know, but I think most people, when they see that agreement, read it closely, and think it through, will find that it is very workable.

Senator MURKOWSKI. Thank you very much, Senator Baucus.

Senator Hatch?

Senator HATCH. Welcome, Mr. Zoellick. I just got back from the World Economic Forum in Davos. You would be surprised how many people were speaking about how tough you are and how good you are. I was very pleased to hear that while I was over there.

But I have basically four things I would just like to ask you about. One, is the carousel implementation. As you know, Congress directed the USTR to rotate the retaliation list within 30 days of enactment. This was not done; it is now more than 8 months since the law was signed. I would like to know what priority you would assign to implement the carousel provision.

Number two, is the Hyundai bail-out, the HEI problem. What is your general view of the HEI bail-out and what steps would you consider taking to address that situation?

Number three, is what are your attitudes with regard to the anti-dumping statutes that seem to be enforced very haphazardly.

Number four, as you know, a number of our States have steel industries and we are very concerned about what happens in those industries, not only the producers, but also American workers and consumers. I would like to know, as Trade Representative, what specific steps you can take to help rebuild the strength of our domestic steel industry.

Now, those are the four questions that I would appreciate your taking a crack at.

Mr. ZOELICK. All right. I will try to be brief.

Senator HATCH. I will submit other questions in writing.

Mr. ZOELICK. I will try to be brief on them, because I suspect that some of your other colleagues will raise these as well.

First, I am pleased they put tough before good, at least in this context.

Second, on carousel. I know that it is a law that was passed by this Congress. I still have to study the exact requirements of the law. But I thought it might be useful for you and your colleagues to give you a little sense of the context for use, which I think would help me as I look at it.

I see the carousel as a very potentially powerful tool. I, frankly, agree with the premise that we should not just leave in place a retaliatory list, and we have to examine it to see how we can maximize leverage. As a negotiator, not surprisingly, I prefer having flexibility in terms of timing, scope, and method of use, but I will take a very active role in reviewing the list.

With one key point to always keep in mind, the goal of that provision, at least as I understand it and as I would like to use it, is to try to solve the problem, try to open markets as opposed to just create barriers. In that sense, I think that the tool can be useful.

On the Hyundai matter, if I understand it, this is one dealing with semiconductors and some financing in Korea.

Senator HATCH. Right.

Mr. ZOELLICK. This was just recently brought to my attention. I saw a letter that actually Under Secretary Gidener of the Treasury Department had sent. At least my familiarity with this, but I hope to talk with former Secretary Summers and others, is that this is a problem that is part of a deeper problem in Korea, which is slipping from the restructuring that the government promised to do, frankly, for its own good as well as responsible trade policy.

They are offering some financing without getting the restructuring of a very large semiconductor producer. Therefore, that raises serious questions under the WTO Subsidies Code. I would continue the efforts that I believe my predecessors have started to press the Koreans not to violate those actions or those responsibilities.

That leads to antidumping. As I said in my statement, Senator, those unfair trade laws are there for an important reason and they have to be enforced, not only because for the U.S. trade policy to be successful we need a level playing field in fairness, but frankly, as a comment a number of your colleagues made, we are not going to sustain public support in this country for free trade unless we enforce those laws.

As you probably know, the primary responsibility, at least on a number of these, starts out with the Department of Commerce, but certainly I will be actively involved with that.

In steel, this is a topic on which I have had a chance to talk with Senator Rockefeller and many of your other colleagues. I think it is an extremely important industry and I realize it has been under extraordinary stress.

At least the most recent round of this really started with the 1997–1998 Asian financial crisis. From what I was able to see earlier this year, some of the capacity utilization levels started to get back up over 90 percent, but then they got hit again with soft demand. There is no doubt from the reports that I have seen they have been facing some unfair practices.

I want to try to learn more on how to deal with this. I had the opportunity to work with George Becker, the head of the Steelworkers, on the Trade Deficit Review Commission, and I said to

him that I want to sit down and talk with him to get his views, and Paul Wilhelm, from the steel industry, to try to understand them.

Frankly, as I have mentioned to some of your colleagues, I have already, in a quick time, had some opportunity to talk about this with Secretary Evans and Secretary O'Neill. I know they have been questioned by Senator Rockefeller and others in the process.

So I think this is an industry under stress. I certainly want to try to see what can be done to try to deal with any unfair practices and to help it recover.

Senator HATCH. Thank you very much.

Senator MURKOWSKI. We have been joined by the Chairman of the committee, Senator Grassley.

Senator GRAMM. He has been a bad boy. He is late. He has to be at the end, right? [Laughter.]

Senator MURKOWSKI. Well, he has been doing the work of the Lord on taxes.

Senator BAUCUS. I have a feeling he can do whatever he wants to do.

Senator MURKOWSKI. Would you like to have the gavel, or would you like to have this warm seat?

The CHAIRMAN. I will just stay here for a minute.

Senator MURKOWSKI. All right.

Senator GRAMM. Mr. Chairman, thank you very much.

I first want to join my voice with the Chairman and others in saying that I do believe that using carousel retaliation can be very effective. I want the Europeans to open their markets to bananas and beef. It is in their interests to do it. I want to see us use the enforcement mechanism we have to try to encourage them to do the right thing.

Second, I would also like to say that it is very important that China live up to, not just the insurance parts of the U.S./China bilateral agreement, but to all parts of the agreement.

I say this because when people come and knock on my door to complain about unfair trade practices, when you really strip away all the rhetoric and get to their bottom line, they have come to petition for protection. When converted into English, their petition is that because all these countries are cheating their consumers, we want to be able to cheat our consumers.

So any time we let our trading partners cheat on their obligations, we encourage our own economic interests to pressure us to cheat on our end, and everybody loses.

I want, Mr. Chairman, to take a little bit of my time to respond to Senator Baucus on environment and labor law parts of fast track agreements. I want to explain why I am opposed to them.

Fast track authority is extraordinary authority. It is a unilateral action by Congress to give away part of its constitutional prerogative to amend, to change, and to engage in full debate on legislation.

Fast track authority basically ensures that we will vote up or down on a trade agreement. Now, we all understand why that is desirable, and why it is probably necessary. But the reason Congress has traditionally granted fast track authority is because

there is a consensus that we want to promote trade and economic opportunity and the jobs that come from trade.

Now, when you bring in other matters, what you are literally doing is allowing the President to negotiate agreements that become the law of the land. In effect the President is unilaterally, subject only to an up or down approval vote, potentially changing labor laws and environmental laws. That is where the problem lies.

I am perfectly happy to have any President negotiate any environmental agreement internationally that that President would choose to negotiate, or any labor agreement internationally that that President should seek to negotiate.

But legislation to implement those agreements has got to come under the rules of the Congress and the rules of the Senate, which would mean that they could be amended and fully debated. So, I think that's where the problem comes in.

There is one other problem that you did not mention regarding the trade agreement with Jordan, and that is the very real question of whether we could change our environmental laws under this agreement. If we decided that we had made a mistake, or that there was a refinement that was needed, or that we have allowed certain political pressures to induce us not to build enough power plants or to open up ANWR, for example, then the real question would be whether this agreement, which in the words of the constitution becomes not just the law of the land but the supreme law of the land, would prevent us from opening ANWR or changing the Endangered Species Act. These are very, very real questions.

Are we going to have an international agreement imposing old laws on us that in the future would fit us as well as the clothes we wore as children? I think that is the real question here, and I think it is a big-time question.

Let me conclude by asking a question. As you are aware, Bob, we have really fallen behind most of our trading partners in promoting trade.

Mexico has entered into trade promotion and free trade agreements with much of South America and is negotiating with Europe. Canada has engaged in massive trade expansion since NAFTA.

We are the only country that is part of the NAFTA agreement, and in fact the only major trading country in the world, that has not had a major expansion in its trade relationships in the last six years. Are you concerned about this, and what do you think we ought to do about it?

Mr. ZOELLICK. Yes, Senator. The reason I tried to put this in a bit of an historical and strategic perspective in my statement is I am very concerned. On the one hand, you have this incredible situation where the United States' economy and what our business sector has done is looked upon as an envy in the world. I have seen in Europe, and to a degree in Asia, the private sectors are trying to emulate what we are doing.

This is one of those points in history where we have an unparalleled opportunity to shape the international trading order. It is understandable how this happens; people are focusing on things at home. But people are not seeing that we are missing that opportunity. All you have to do is read some of these articles and see how Japan and the European Union are planning where the inter-

national trading system should go. They should not be doing it, we should be leading it.

Frankly, I have said publicly on other occasions, if other countries go ahead with free trade agreements and we do not, I do not blame them, it is our mistake. But we have to get back into this game, and we are certainly in a position to do so.

To do so, and I take the comments of Senator Baucus and others very seriously, one of the other things we are going to have to do is to try to reestablish some basis of consensus in this, with the public and with the Congress, both sides of the aisle, and that is one of the things that I am committed to trying to do while trying to negotiate the shoals that you talked about as well, which, as you know, I take very seriously.

Senator GRAMM. Thank you, Mr. Chairman.

Senator MURKOWSKI. Thank you.

Senator KYL?

Senator KYL. Thank you, Mr. Chairman.

I have just one question, which is a follow-up to Senator Murkowski's question on the position with respect to Taiwan's accession to WTO membership. I want to be just a little bit more specific, if I could.

Toward the end of the last session, I filed an amendment which would have actually conditioned the extension of PNTR to China on Taiwan's admission to the WTO as a separate entity, referred to as a separate customs territory, in the jargon of the WTO.

I withdrew that amendment after receiving a letter from President Clinton dated September 12, which stated, "There should be no question that my administration is firmly committed to Taiwan's accession to the WTO. Based on discussions with the Chinese, I am confident we have a common understanding that both China and Taiwan will be invited to accede to the WTO at the same WTO general council session, and that Taiwan will join the WTO under the language agreed to in 1992, namely, as the separate customs territory of Taiwan, Panghu, Khinmen, and Matsu," referred to as Chinese Taipei. "The United States will not accept any other outcome," President Clinton wrote to me.

My question is, will this be the position of the Bush Administration supporting Taiwan's entry in the same session and under the terms that were agreed to in the 1992 language?

Mr. ZOELLICK. Senator, as you would understand, I would actually like to read the whole letter. But let me just, I hope, reassure you that the administration will have no weakness on this issue. Again, to put that in a bit of context, when I last dealt with this issue in the early 1990's I did not want to concede the point that Beijing would necessarily come in before Taiwan, because I did not want to give up that point of leverage.

Second, about a year and a half ago, after a visit to Taiwan, I learned that Hong Kong was the one working party that had not signed off on Taiwan's report.

So I actually had a meeting with C.H. Tung, where I stressed to him that if Hong Kong wanted to get the support of the United States and be seen as a unique economic entity, it had better be very careful about holding up any of these things with Taiwan.

Frankly, not long ago, again, before I was named, I had some contacts with some of the officials from the PRC and I stressed that any effort to mess this up would be an explosive issue here.

The last point I will make on this is there is a deeper political reason for this. The people of Taiwan are justifiably proud of the political democracy they have created, the economic success they have created, and frankly there is a new generation coming to the fore now and they are tired of being treated like outcasts.

One of the best things for Taiwan, and in my view for Beijing, is to give these people a little space so that they have an opportunity to feel that they are part of this system. I think that will be better for both of them in the long run. So I only mentioned this in detail so you know where I am coming from.

Senator KYL. Thank you. I agree, Mr. Zoellick. I will submit a copy of that letter for the record, and to you.

[The letter appears in the appendix.]

Senator KYL. But I would just ask you, because the effort of the Chinese from time to time publicly has been to undermine the sovereignty of Taiwan and to suggest that the only condition under which China would permit its entry is as a territory of China rather than a separate customs territory, which is the language of the WTO agreement of 1992 and the language that the United States has always contended Taiwan should accede to WTO. I guess when the Clinton Administration said the United States will not accept any other outcome, it is a pretty clear statement of intent.

I would think that the Bush Administration could make an equally clear statement of intent following the Clinton Administration's policy on this. I do not think it is a complicated question in that regard, and I think it is important that we have a commitment to that effect.

Mr. ZOELLICK. I hope to do so. I just have a practice of reading letters before I agree to them.

Senator KYL. Let me just say directly, would you believe that that is the only acceptable outcome? That is to say, Taiwan would accede under the terms of the 1992 agreement, namely as a separate customs territory of Taiwan, Panghu, Khinmen, and Matsu?

Mr. ZOELLICK. If it is part of the 1992 agreement, certainly.

Senator KYL. Thank you.

Senator MURKOWSKI. Thank you, Senator Kyl.

Senator Rockefeller?

Senator ROCKEFELLER. Thank you, Mr. Chairman.

I had a macroeconomic opening statement, which I now submit for the record, and therefore will return to what we talked about, Mr. Zoellick, in our conversation, as indeed I must do, am bound to do.

That is, steel. It is interesting to me that USTR nominees come before this committee and say that they are going to uphold the laws, and indeed they so intend, if they were the U.S. Government, sole and simple.

But the history, and this is the history of the Clinton Administration of which I was very critical on this score, is that the USTR person may indeed say that, but the USTR leader will then get washed away by globalization, by a sense of, we want to be credible trading partners, and we are worried about credibility in other

countries. Other countries are not worried at all about their own credibility as they subsidize the steel industry.

I just wonder out loud, when was the last time that the Italian steel industry made budget? The answer is, probably 25 or 30 years ago. The government just makes up the difference at the end of the year.

So let me just ask you, to pin you down a little bit more, in probably two rounds of questions, do you think it is important, other than just for the niceties of the answer, for the United States to have a viable steel industry?

Mr. ZOELLICK. Senator, I think it is important to have a healthy, productive, and competitive steel industry, as you and I have discussed.

Senator ROCKEFELLER. Why do you feel that way?

Mr. ZOELLICK. Well, I think that steel has been an important industry in terms of our economy. I think the issue that you are raising, in particular, goes beyond the importance of the steel industry, which is the question of fairness to it or any other industry. It is one reason why I put a comment in my testimony.

Senator ROCKEFELLER. Mr. Zoellick, I am aware of that. I just want to get as many questions as I can in.

Mr. ZOELLICK. I am sorry.

Senator ROCKEFELLER. You have answered my second question.

I have written the President, and after my testimony I will ask somebody that I work with to give you two copies of the letter I wrote him about Section 201 and its use, and hopefully it is used very soon.

As you know, our ITC standards for damaged, hurt, injury is a higher one than the WTO standard, and therefore more difficult to overcome. Our legislation would equalize WTO and U.S. injury standards, so to speak.

You and I discussed this the other day, but is the concept of 201 and the use of 201 something that you would recommend to the President, as it relates to steel?

Mr. ZOELLICK. I realize you want to be quick, so I will try to be brief. I think you mentioned two things. I am not totally familiar with the slight distinction in standard, but on the existing 201, as we discussed, I am certainly willing to look at this quite seriously, because going back to the point I was trying to make, I think that if an industry commits to restructure—and the danger with 201 if it is just used for protectionist purposes—if there is a serious restructuring issue, if there is a capacity issue, if there is a series of injuries that have to be dealt with, I have no objection and believe, in certain cases, it is a better course of action to look at 201.

Now, I understand there are differences within the steel industry on this, and it is one of the things I have to learn more about. But it is going back to the exchanges you had with my colleagues, Secretary O'Neill and Secretary Evans.

I think in Secretary O'Neill's case, he has had some experience with another major producing industry, aluminum, where, frankly, we have already tried to have some brief discussions about how we might try to approach this. So, I am willing to seriously look at 201.

Senator ROCKEFELLER. I appreciate that. I will submit that to you as soon as my questioning period is finished.

The next question simply refers to, when you talk about protectionism and then you talk about enforcing our trade laws, one, as they currently exist, and then with this interaction on 201 that we would adjust ours to be compatible with WTO's, if you say that we are going to enforce the law, where do you draw the distinction between enforcing the law, and thereby if the whole 201 process works through ITC and the President with recommendations from you, that every country that produces virtually all kinds of steel is effective, and that is why it is very effective, where do you draw the line between enforcing the law, which then Senator Gramm would call protectionism-indeed, there might have been a time in your life where you might have called that protectionism-what is the difference between protectionism and enforcing a law that most USTR representatives in recent years have been unable to do because they have been overridden by Treasury, the State Department, the White House, and everybody else?

Mr. ZOELLICK. I am not exactly sure I got the question right, but let me give it a try, just to give you some sense of the consistency of my views on this.

In advance of the election, I was asked at a debate I had about the use of 201. I gave the same answer then that I did today: I believe that 201 can be an appropriate tool.

Now, to link it to my comment about protectionism. As you know, 201 requires an injury, it does not require an unfair practice. So what I was referring to was, if there is an injury and there is a serious plan to restructure to try to help the industry regain its competitiveness, it has to be done so in a way that that is not an excuse for just a delay and a protectionism because there has not been an unfair practice.

So the 201, unlike the antidumping and countervailing duty laws, is not based on a finding of an unfair practice. So that is why I meant, in the context of 201, one does not just want to delay, because at the end of the day that will just make it worse for the industry involved if it does not adjust.

So that is why I think it has to be a serious plan with the industry, with the government, to try to restructure and regain its competitiveness, and in the meantime offer some of the protections of 201.

Senator ROCKEFELLER. Thank you, Mr. Zoellick. I will come back on the second round.

Senator MURKOWSKI. Thank you very much.

We are joined by the Majority Leader, Senator Lott. Senator Breaux is the next in line.

Senator BREAUX. Thank you very much, Mr. Chairman.

Thank you, Mr. Zoellick, for your appearance. You bring to this job probably the most outstanding set of credentials in previous experience of any person who has come to this position, and I hope certainly that you will end up using that vast amount of experience, training, and education to be an outstanding trade representative. As we have said in our conversations, this is an extremely important post for this country.

You have been critical of the previous administration's standards, I think, on the environment and labor protections as part of our trade negotiating positions. I was wondering, I think that we have come to the point where people believe that when we trade with countries, that there should be some standards with whom we trade with; we do not want to trade with countries that use slave labor or abuse their workers.

Yet, I do not think most people feel that we can impose our standards and our standard of living on every country that we trade with. Somewhere between those two extremes, I take it, is where you would probably fall.

I was wondering, in an effort to try and figure out where that might lead you, you were critical of the Clinton Administration's position in the Seattle talks. I was wondering, what did you feel caused you to be critical of them? How would they have gone further than you would have had them go?

Mr. ZOELLICK. Well, first, Senator, as I think you properly pointed out, today we actually have laws on the books against slave labor, and those are consistent with the WTO. That is one extreme. At the other extreme is trying to make everybody look the same, which is not going to work.

To take the case of Seattle, what troubles me about Seattle, Senator, was that, first off, I felt that given the importance of launching the round, all three major trading countries—the United States, the EU, and Japan—all approached it defensively. It was all a question of how they could avoid getting blame. I think that that did not set up what was the right environment to get this launched.

Now, particularly on the environment and labor issue, I have it from a pretty good understanding of senior administration officials, as well as people in the European Union, that there was an understanding that was going to be reached at the end of the day about how to try to deal with the environmental and labor issues, at least to launch the road along the ideas of trying to involve the WTO, the ILO, the World Bank combination of ideas.

The President came to Seattle and, as I recall, in a radio interview launched a new idea at a very sensitive time. That idea was that there should be labor rights enforced by trade sanctions.

That was a shock to his own administration at the time, and at least in my experience in negotiating it is kind of good to work off the same sheet from day one if you are going to be effective.

At the time that statement was made, given the other sensitivities and conflict, I do not want to put all the responsibility, but it helped blow the thing out of the water. So if you actually were interested in trying to move in the direction that you suggested, that was not an effective way to do it. So, that was the reason I was critical.

Senator BREAUX. Did you consider the things that were before that point being discussed within the appropriate parameters of what should be tried to be accomplished?

Mr. ZOELLICK. I personally do, yes.

Senator BREAUX. You speak of hemispheric policy. I was wondering if you could elaborate just a little bit. Are you talking in terms of a large free trade area within this hemisphere? Can you comment on what you mean by that?

Mr. ZOELLICK. Certainly. As you know, President Bush has emphasized the high priority that he puts on trying to achieve free trade in the hemisphere. There were discussions actually first launched in the first Bush Administration with something called the Enterprise for the Americas Initiative, and then the Clinton Administration started a formal negotiation process with the FTAA. That will be the issue for the first framework in which this could move.

The reason I have kept it more general, Senator, is that I believe it is very important for us to be flexible as we proceed to try to achieve this objective. Some of the countries in Mercosur are very sensitive about what they have created, and I think we have to approach that with appropriate sensitivity.

On the other hand, I would also like to be in a position that, if others delay for whatever reason, we do not stop. Some of your colleagues here have mentioned the Chilean agreement. I think that is an agreement that, frankly, I discussed with the Chileans 10 years ago. I wish we would have had it long ago.

So the reason I have talked about it in broad terms, is that I would like to maximize the possibilities by which we achieve the objective. The main one right now is the FTAA negotiations and the main opportunity to move that forward, as in the Quebec City summit.

Senator BREAU. I would encourage you to continue aggressively in that area.

We have already talked privately on rice, sugar, Mexico, Canada, Japan. Those are all high-priority items that I am concerned about, and we will continue that dialog.

Thank you very much, Mr. Chairman.

Senator MURKOWSKI. Thank you, Senator Breau.

Senator Snowe is next in line, but we have been joined by the Leader, Senator Lott. I wonder if the gentle lady from Maine would yield to our Leader.

Senator SNOWE. Absolutely.

Senator MURKOWSKI. I am going to have to meet Congressman Hanson, so I am going to have to depart. The Chairman is going to take over, Senator Grassley.

I am going to submit a question to you in writing over the shortage of drilling pipe, which we talked about, and the realization that that pipe is made primarily by one U.S. manufacturer, who has indicated that they are very much opposed to importing pipe. But they have had about 3 years to increase their capacity, and they have not, so I think it is something that you should look into.

As we search for more oil and gas domestically we are going to need drilling pipe to do it, and we have to depend on one company, and that company does not expand its capacity and we have got a problem.

So, with that, I want to thank you for the role that I played in Senator Grassley allowing me to chair, and your response to some tough questions. We look forward, obviously, to the oversight responsibility of this committee and working together.

Mr. ZOELLICK. Thank you, Chairman.

Senator MURKOWSKI. So, Senator Lott has sought recognition and I do not have much more to say.

So, Senator Lott?

Senator LOTT. Thank you, acting Chairman, and thank you, Senator Snowe, for allowing me to go forward. Chairman Grassley, thank you for allowing me to do this, too.

It is a pleasure for me to join other members of the committee, and I am sure the entire Senate, in expressing our appreciation for, and support of, Bob Zoellick to be our USTR, U.S. Trade Representative.

You certainly have a very impressive career of service to America, and I know you will show the world the same fire that you have displayed over many years in a number of incarnations as you have been prepared in these various government positions, by education, and by experience to take on this very, very important role. So, I wish you the very best and I am counting on you to be an aggressive trade representative.

I wanted to be clear from the outset that I do support free and fair trade. I think it is essential for America's prosperity and our security. Over 25 percent of our \$8 trillion economy is tied to foreign trade, and that means 15 million Americans owe their jobs to foreign exports.

In the House and in the Senate, almost without exception, I have always supported free trade agreements. Last Congress, while we did not get a lot of credit for it, we passed two major trade initiatives.

A lot of credit goes to this committee, to the leadership, from Bill Roth and the former Ranking Democrat, Senator Moynihan. They were persistent, they stayed behind it, and they made a difference.

We passed not only the PNTR with China, we also passed significant legislation that will be helpful in bringing expanded freedom and trade to the Caribbean nations, and also we started the process of moving African economic development into a new century by passing the African trade bill.

So while it was really two bills, three parts of the world were affected by that. I think that was very positive, and I hope we can continue to move forward in that arena.

However, I think there are some dangerous signs on the horizon and some potential trouble developing. Time after time, in my opinion, in Republican and Democrat administrations, the U.S. Trade Representative has been cajoled, bullied, and out-flanked by aggressive governments and trade blocs whose goal is to weaken American competition.

Also, I watched with great concern many times when the Trade Representative's position was undermined, stopped, stymied, or delayed at the very minimum at the White House because of what I thought was inappropriate pressure from the State Department or the Commerce Department.

I expect that will happen again this time, and I hope that you will early and I will early and often make sure that those two departments understand that you are the trade representative.

And while we have to consider impact diplomatically on our allies or how it affects other trade, I would like for us to do what Richard Russell, the famous and outstanding Senator from Georgia used to say, and that is, it is time that the State Department that

we have an American desk, and we have an American desk at the USTR.

The area that really worries me is the European Union. For nearly a decade now, they have unlawfully banned U.S. beef in defiance of two World Trade Organization rulings. The same holds true for EU's illegal banana regime.

The Congress has felt so strongly about these areas, we even passed what is now referred to as the carousel sanctions legislation, which would say that if sanctions are put in place and they do not have an effect after a period of time, you will roll those over to additional, or different, more effective sanctions.

Unfortunately, the Clinton Administration did not comply with the law on the carousel legislation. So, there is a problem.

There is also the Canadian lumber problem. I know that the Senator from Montana and others on this committee know what I am talking about there.

But it is more than beef, bananas, and wood. This is about our relationships with these organizations. The European Union and WTO, Beijing, New Delhi, Moscow, they are all watching to see how we are going to deal with these important issues.

Free trade is a two-way street. Frankly, I think that we have been basically the ones advocating and pushing for free trade, and a lot of our allies and our trading partners have not responded in kind. So let me ask you just two or three questions on this.

In the last 6 months, 100 American lumber mills have permanently or temporarily shut down due to the anticompetitive practices of the Canadian government. Maintaining a competitive U.S. lumber industry and preserving U.S. jobs means ending or offsetting the enormous subsidies given by the Canadian provinces to the Canadian lumber companies.

The 1996 U.S.-Canada lumber agreement is due to expire in April. The previous administration did nothing to replace it or to make Canadians live up to it. If things remain the same, more U.S. mills and landowners will be adversely affected and will go under.

What are your immediate plans to resolve this dispute?

Mr. ZOELLICK. First, Leader, if I could just mention, thank you very much for taking the time to come on this. I know what a busy schedule you have.

I think you properly mentioned the accomplishments, not only of this committee, but of the full Senate. I have watched how you have adroitly handled these things, I can see how you position it, and I do think the record of achievement is what people should watch on this.

On the softwood lumber case, I know the very strong concern that you and many of your colleagues have about this. I have tried to study up a little bit, and what I have been able to learn so far is that there has been a problem with subsidies that the U.S. has tried to handle, first, with some CVD cases, then back in, I guess, the 1980's on the finding of subsidies, there was a 15 percent export tax, and then there was a question of this agreement.

Here is the frank thing I have to get smarter on, Mr. Leader, is that from what I can tell, almost nobody is happy with this agreement. There are questions of classification, circumvention, I under-

stand there are different views within Canada, the different provinces.

So I want to try, after I learn a little bit more about it from our side, to be able to sit down with my Canadian colleague, and if there are subsidies, obviously we are going to have to deal with them because I know how important these issues are. I know there have been those problems in the past. So I realize its importance. I am trying to get a little sense of its history, and it is very early on my agenda.

Senator LOTT. I know it is early, but I want to emphasize to you that there is a lot of concern about that, again, on both sides of the aisle, about the way the Canadians have dealt with us on that.

We do not expect you to do it alone. I am going to be meeting with the Canadian ambassador; I hope to meet with the Canadian prime minister. I have always raised that point with them.

But I will tell you what, I think it is time the United States have a resolve, we are not going to cut the fine-tuned points with you or argue over customs whether a hole is driven in a piece of lumbar or not, we are going to enforce the law, period.

The Chairman is gaveling me here; others want to ask questions. Can I ask one more question?

The CHAIRMAN. Yes.

Senator LOTT. With regard to beef and bananas and how the WTO has acted, I will tell you what I think is at stake here: the WTO. If the decisions that they make are not going to be complied with, why have it? If the Europeans continue to proceed the way they have on these issues, we are going to have major trouble.

So how are you going to deal with that issue?

Mr. ZOELLICK. I had a chance, with Senator Hatch, to talk a little bit about the carousel provision and would be happy, at your convenience, to expand on that again.

But I agree with you, in terms of the fundamental issue of these cases. These cases go way beyond beef and bananas. I have been making this point in Europe. From talking with you and your colleagues, those who defended the WTO system get their legs cut out from underneath them.

Senator LOTT. I am one of them.

Mr. ZOELLICK. Yes. Basically, you go out and you say this is a dispute resolution mechanism, it is supposed to work. We win the case, we win the appeal, they do not budge.

Frankly, for Europeans who blame the United States on being anti-multilateral and being unilateral, I look and say, who is being unilateral on this? So coming back to the carousel issue, I think it is one way to try to deal with this issue.

I also want to try to meet with the interested industries involved to get their thoughts on the best way to proceed.

Senator LOTT. Thank you for your lenience, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator LOTT. Thank you, and good luck.

Mr. ZOELLICK. Thank you, sir.

The CHAIRMAN. Senator Snowe?

Senator SNOWE. Thank you, Mr. Chairman.

I want to welcome you, Mr. Zoellick, to the committee. There is no question that you have outstanding capabilities and expertise to serve as our next Trade Representative.

I want to follow up on what the Senate Majority Leader raised with respect to the softwood lumber industry. I concur with what he has said, it is a serious and persistent problem. It certainly has affected my State of Maine. We have had this agreement in place since 1996 that is set to expire the end of March. There is no agreement to replace that agreement that would be effective, as I understand it.

I hope that Secretary Powell raised some of these issues last week with his counterpart from Canada; we have assurances that he did. But, nevertheless, this is a very critical problem for our industry.

Four Canadian provinces provide about 95 percent of the government-owned timber. The government underwrites the industry, and subsidizes it to a large degree. We have seen U.S. prices fall by 33 percent over the last 12 months. That is a record low.

So, I really do urge you, in conjunction with what the Leader has raised here today, to make this your immediate and top priority, because this agreement sets to expire the end of March.

Mr. ZOELLICK. Understood.

Senator SNOWE. So you would do so in every way. I would hope that you would keep us informed. I hope we could get a permanent agreement so that we could end this protracted problem with Canada with respect to this issue.

Obviously, everything else has been a Band-Aid approach. We had countervailing duties for a while, then we had this agreement replacing it, but simply nothing has worked. We need to address this flawed arrangement that is really undercutting a primary industry, not only in my State, but in this country.

Mr. ZOELLICK. Senator, I believe, actually, it is going to be very important that I consult with you and your colleagues as we develop this, because as I mentioned to the Leader's question, at least what I have been able to learn so far, there seems to be frustration in every corner.

So one of the questions is, would an extension of the agreement work? From what I have seen so far, a lot of people are unhappy with that, too. So it appears that we are going to have to try, or at least look to see, whether we come up with something different. I would like to get your, and others' ideas on what that might be.

Senator SNOWE. I appreciate that. As a border State, we obviously have some unique problems with Canada and the Canadian provinces, with the agricultural industry, the potato industry.

That is why I am proposing legislation for a Northern Border Council, so all of the States in this country bordering Canada would be part of the council to make recommendations to you and to Congress on different issues as they arise, because it is an important relationship that we have with Canada.

We want to iron out these differences and the problems that develop, particularly those that involve border States that have that unique relationship. So, I will submit it to you for your comment as well.

Another area that concerns me in terms of trade agreements, and it has already been mentioned by many, is the whole issue of not only having free trade, but fair trade, and aggressively enforcing our agreements.

I would like to have you comment on that issue, and how do you see your role as Trade Representative in aggressively enforcing those agreements, particularly with respect to trade violations.

Obviously you will have available to you section 301 of the 1974 Trade Act, in addition to the dispute resolution process of WTO, but will you aggressively use that mechanism when it comes to trade violations and self-initiating it in tandem with the WTO dispute resolution process.

Mr. ZOELLICK. Yes, Senator. There is no reason you would be aware of this, but much of the legislation that is the heart of the toolbox comes out of a 1988 bill, and I was very deeply involved with all of those provisions, so with special 301, intellectual property provisions, the regular 301, and the government procurement, and the whole set of tools.

Now, there is a separate body of law, as you know, the anti-dumping/countervailing duty that is run primarily out of the Commerce Department. But the ones that I just mentioned, and a host of others, are ways that the U.S. Trade Representative's Office can try to pry open markets.

Just as a personal style, I like to try to solve problems. I want to try to get things done. So in using tools, I do think it is going to be important that one try to understand the other guy's point of view, not to accept it, but to understand how to try to work with it.

I have gotten a lot of questions over the course about the foreign policy background. In my view, this actually gives me some advantages because I know how our system works, I know how other people's systems work, at least to a relative degree, and the name of the game is ultimately not just to hit the other guy, the name of the game is to try to open up a market.

Now, sometimes you have to take these actions, you have to litigate them through the WTO. My goal, Senator, is to try to make this as much a win-win proposition. That is what people do in the business sector. When I was in the business world, the goal, frankly, even if somebody had a different point of view, was to try to reach something that worked for both sides, not just to litigate it.

When you litigate it you have to fight it all the way, and I have done that, too. But that is how I believe the tools need to be related to an overall strategy to try to open markets for the United States, and deal with unfair trade when we identify those.

Senator SNOWE. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman.

I wish to add my voice to those who have commended for President Bush for such an outstanding nomination. I have had the opportunity to work with Bob in a number of capacities over past years and have great confidence in his skills, his intellect, and his dedication to achieve a world of open, but fair, trade under the

rules of law. I believe his responses to the questions that have been asked thus far reinforce that very positive feeling.

Within that, I have a few questions, primarily which relate to trade within the western hemisphere. I was pleased, Mr. Zoellick, that you mentioned in your opening statement the Andean Trade Preference Act and the fact that it is up for reauthorization this year.

I feel that, in addition to extending it, we need to look at modernizing-or I might use the word harmonizing-the Andean trade pact with what we did last year relative to the Caribbean.

A concern is, if there is a competitive difference in those products which have a substantial mobility between the Caribbean and the Andean trade pact countries, that the tendency is going to be for manufacturing and other operations to flow to the region that has the more preferential rights of entry into the United States. That specifically, today, affects apparel assembly.

So my question is, would you support, as part of the extension of the Andean Trade Act, also the provision to the Andean trade countries of access to the U.S. market for apparel, and possibly other products, which is essentially harmonized with what we now have with the Caribbean Basin countries?

Mr. ZOELLICK. Well, Senator, after all of those nice compliments, you shrewdly drove in on the words in my statement about "renewed" and "robust," and focusing on what robust might mean.

As you know, that topic that you raised on apparel is going to be a very sensitive one up here. I would like to work with you and others to see what we could do on that. For the reasons that I said in my testimony, I think it is very important not only for our economic policy and interests, but for our larger goals with Colombia.

I skipped a line in my written statement to say that Colombia is now our third largest recipient of military aid, and it would certainly strike me as short-sighted, not to try to deal with the economic relationship without aid, but based on trade, to help that country deal with its internal problems.

Having said that, as we have discussed, it is going to take some lifting up here, and I look forward to working with you on that.

Senator GRAHAM. Well, first, it is a very significant and urgent issue. At the very time that we are trying to eradicate drug production in Colombia, recognizing that that is going to put out of work thousands of people that need to have alternative employment, we could by our trade practices be also adversely affecting one of the larger employment areas in the region, and specifically in Colombia, and thus have a non-coherent set of national security, economic, and trade policies. So, I hope that this would be an issue in which we could find agreement, and do so earlier rather than later.

That moves to the second question, which relates to the CBI last year. One of the driving forces behind the new CBI legislation was the fact that, in the year 2005, the Multi-fiber Agreement, which now I think has a different name, is going to go out of existence.

Therefore, one of the protections for the apparel assembly industry in the Caribbean and the textile production industry in the United States is going to be lost.

There is a great deal of concern as to whether the U.S. Caribbean relationship will be competitive in world marketplaces after 2005. Thus, we not only have changed the law, but also hopefully have set in place some initiatives to try to increase the efficiency and lower the unit cost of production in that partnership of U.S. textiles-Caribbean assembly.

What would you see as being the role of your office, and the administration more broadly, in the area of increasing the efficiency of apparel production with the U.S.-Caribbean partnership?

Mr. ZOELLICK. As you highlighted, and I am very pleased you did so, with many of these agreements it is important to see how the U.S. operations are integrated with others and how-frankly, this is one of the points of NAFTA, in general-it creates more effective and efficient operations for the United States, as well as its neighboring countries.

I think you hit the nail right on the head in the textile area. Given the changes that are going to take place, this is one important option. As you know, there seems to be some different views in the U.S. textile industry. Some of those that are focused more on the fabric production and the yarns are very interested in this possibility, some have not yet come to that point.

So to answer your question about the role of USTR, frankly, this is going to be something that, working with Secretary Evans and others, I want to try to be in touch with these industries, try to make the case on, in my view, their long-term economic interests in changing, modifying, and being more competitive and hope that the facts will win the day. Sometimes they do, sometimes they do not.

Senator GRAHAM. Could I just conclude with a short statement?

The CHAIRMAN. Yes, please.

Senator GRAHAM. There is a question embedded in this, but you will not have to answer it. There is some concern in my State relative to the safeguard mechanisms that were supposed to be built into NAFTA, and how effective they have been.

As an example, in certain areas of agriculture, safeguards that were supposed to be responsive to seasonal agriculture have not been fully implemented.

I would encourage you that, as we go to the next round of trade discussion, that there be effective consultation with those industries to gain their perspective of what the actual experience has been under NAFTA, and then be able to take that into account in a new round of negotiations.

Mr. ZOELLICK. I will do so, Senator.

Senator GRAHAM. Thank you.

The CHAIRMAN. Senator Kerry?

Senator KERRY. Mr. Zoellick, welcome. I enjoyed our conversation and I look forward to having many more with you. I would certainly second the comments of your introducers; you come to this with some terrific credentials.

Let me just ask you very quickly, on a couple of bilaterals, then I would like to move to a couple other subjects, if we could try to get through them.

You mentioned on the Jordan trade agreement that you wanted to take a look at it. Is there currently any reason that you see that that agreement could not come up to us relatively quickly?

Mr. ZOELLICK. I believe this agreement will come up to you relatively quickly. I have not had a chance to discuss it with my colleagues.

I mentioned, in response to a question from Senator Baucus, one of the issues that I wanted to try to deal with, I have already had some discussions on the House side, again, about trying to overcome that issue. It is my objective here to try to deal with that issue in a way that allows us to move ahead. And, as I also said, one size does not fit all.

Senator KERRY. Let me just say to you, reading between the lines of your answer, I am just back from the World Economic Forum—I think Senator Hatch was there—and there was a huge amount of discussion, obviously, about where we are going in the next round and what the impact of labor, environment, and the other concerns of Seattle are going to be.

There was, from certainly most of the Third World countries and from a significant number of the European countries, enormous concern expressed about the lack of any kind of follow-up on Seattle, where certain promises were made about how we would engage in a dialog on labor, and so forth.

The fact that this particular bilateral happens to encompass a title with respect to labor and environment, I know to some people here gives them the willies because they think it might be precedential as to what might happen in the multilateral round. I do not see how you are going to translate that into a multilateral, No. 1. I think their fears are entirely misplaced.

Number two, it is very, very benign when you look at it. It does not require any sort of futuristic adherence to anybody else's laws, simply a statement that you are not going to retreat from your current ones.

So I think if we are going to make progress in this area and not have enormous problems in this next round globally, which is in the interests of everybody who wants trade, every company out there that is going to benefit from trade has a stake in responding to some of the concerns people are expressing about this growing divide.

Every responsible corporate chieftain, and there were many of them there, is talking that language. They are proactively putting in place their own state-of-the-art technologies, practices, best practices, et cetera.

So I think this is going to be imperative to resolving Congressional resistance here, and I urge you to work to overcome what I sense you are saying you want to try to.

On the Vietnam trade agreement, we have worked for about 4 years to put this agreement in place. Right now, there are discussions on labor taking place on a side track.

In addition, I put together, with Jim Wolfenson, the first-ever environmental conference held in Vietnam, with all the donor countries there talking about how you can develop, and develop sustainably, but again, on a side track. It was dual-track.

So I would think this particular paradigm that has been achieved with respect to Vietnam can equally be treated as another kind of model, another way to approach the next months of discussions.

I would hope that you would send that up to us very rapidly. It does not have to get caught up in Jackson-Vanik, it should not. It is a separate effort. It is really critical to the relationship that we have been building in the last years. I would just like a quick sense of how you feel about trying to push that along.

Mr. ZOELLICK. Well, first, I want to compliment you and some of your colleagues for the efforts you have made in terms of the process of normalization of this country, which you know well. I was very pleased to see the agreement.

I have read some references to some of the memorandum on labor understandings on the side, which have intrigued me in terms of offering assistance, developing the rule of law, and some of the core aspects. So, I am quite intrigued, actually, to dig into that further.

As for the timing, Senator, obviously I have to consult with my colleagues as well, but my major concern was that I know that, once set up, it starts a trigger process up here.

The real group I needed to consult was you and the people on the Ways and Means Committee, because you have a busy agenda. So I am interested in trying to move this forward, and that, frankly, is the major issue that I want to be better aware of.

Senator KERRY. Is my time up, Mr. Chairman?

The CHAIRMAN. No.

Senator KERRY. The trigger process would work, actually, better if it is sooner rather than later. I think it gets less caught up in the budget schedule, the tax cut schedule, and so forth, and hopefully we will be able to move it rapidly.

I will wait for the next round, if I may, Mr. Chairman.

The CHAIRMAN. Senator Conrad, then Senator Lincoln, then my questioning. That will finish the first round, then we will go to second round.

Senator Conrad?

Senator CONRAD. Thank you, Mr. Chairman.

Bob, it is good to see you here. I have very high regard for you and I wanted to be here to say how fortunate I believe the country is to have somebody of your capacity and quality in this position.

We have gotten to know each other through Aspen Institute activities and other fora around town, and I just am especially pleased that somebody of your capacity is in this position.

With that, I want to say that I believe in more liberalized trade as a basic concept, but I also understand that if the promise of that is to be realized, then negotiations have to be successful. All too often, what has happened is we have put the free trade label on an agreement, and it was really negotiated trade. Unfortunately, with respect to certain sectors of the economy, the negotiation was lost.

I want to just bring to your attention, as I had a chance to do the other day in my office, a couple of charts, if I could, talking about the differences in a key sector of our economy, certainly the critical sector in my State, which is agriculture. It is of keen inter-

est to the Chairman of the committee and the Ranking Member of the committee as well.

I would point out the incredible imbalances that our producers are faced with in terms of world agriculture. This first chart points out that the EU supplies 63 percent of the world's trade-distorting domestic subsidies.

You can see that in this pie chart the red part is Europe, the blue is Japan. Between the two of them, they account for 88 percent of the world's trade-distorting domestic subsidies, 63 percent Europe. The little, slim green part of this pie is the United States, 6 percent. This has got to change if we are going to level the playing field and give our producers a fair fighting chance.

Let us go to the next chart. You can see that this is another way of looking at the story. This shows what the EU is doing, on average, in per acre support compared to us. The red bar is Europe, the blue bar is the United States. It is not a fair fight. The Europeans are providing more than \$300 per acre of support, on average, and we are at \$38 per acre.

These are not Kent Conrad numbers, these are OECD numbers. These are the folks that are the international scorekeepers. It is no wonder we have got an agricultural crisis in this country. It is no wonder we have had to write four disaster bills in the last 3 years.

Let us go to the next chart, which looks at it in a different way. This shows that the EU is flooding the world with agricultural export subsidies. The WTO is the source of these figures. For 1998, the last year for which they have full figures, the blue part of the pie is Europe, 83.5 percent of the world's agricultural export subsidies are from the Europeans. The United States' share is that little tiny red chunk, 2.7 percent. So they are outgunning us here 30:1.

Let me make a point. My own view is, the only way this changes is it is negotiated. The only way you or anybody else can be successful in the negotiation, is you have leverage in the negotiation. We have no leverage. We have no leverage because of the farm policy we have adopted here.

In my own view, unless we buildup we will never build them down and we will never have a playing field for our folks. I do not know of anybody, I do not care how smart they are—and I have very high regard for your ability and your intelligence—I do not know of anybody that I would have more confidence in this position—who could possibly prevail if we do not put the resources in to give you leverage in negotiations. I have never seen anybody be successful in negotiations without leverage. So part of my charge to you, and part of my message here, is that we have got to provide leverage, and that means resources.

Let me go to a specific situation now, and that is the Canadian Free Trade Agreement, and the devastating effect it had on my State. This chart covers the period of the Canadian Free Trade Agreement. You can see, total wheat imports from Canada: there were none before the Canadian Free Trade Agreement.

Then wheat imports took off like a scalded cat after the Canadian Free Trade Agreement, not because they were more competitive, not because they were more efficient, but because of a massive loophole in the Canadian Free Trade Agreement.

My time is up. I just want to draw this to your attention. This is the kind of thing we have got to have fixed if people are going to have any confidence in these trade agreements.

I thank the Chairman.

The CHAIRMAN. Thank you, Senator from North Dakota.

Now, the Senator from Arkansas.

Senator LINCOLN. Thank you, Mr. Chairman. I appreciate you holding the hearing.

Mr. Zoellick, we appreciate you being here. Thank you for meeting with me earlier, and I want to certainly join with others in citing how impressive your background is, and the tremendous qualities and capabilities that you bring to this position. We are looking forward to working with you.

I would kind of like to applaud all of the charts and the comments from my colleague, Senator Conrad. We serve on the Agriculture Committee together.

As you know, I represent a State that relies on agriculture as its largest industry, and I shudder to think what my State's economy would look like without our poultry farms in the northwest, or the cotton and rice fields in the Mississippi delta, or the timber in the south. For U.S. agriculture to remain viable, we have to have that strong export market.

I was late today because I was in the Agriculture Committee listening to the 21st Century Commission's report on what we can do to help production agriculture be more competitive.

Without a doubt, Senator Conrad is right, we have to give that support, but we are going to need your dedication and devotion to working with us to secure those markets and to gain fairness in future trade negotiations if we are going to see American agriculture expand, grow, and be progressive.

The next decade will determine whether or not we are going to continue to provide a safe, abundant, and affordable food supply in this world. We are going to be looking to you to be a defender and fighter for American agriculture.

It may not be glamorous or glitzy in Washington, but agriculture is certainly a necessity for all of us.

Steel is also big business in my home State. Many do not realize that my former Congressional district is the second-largest steel producing district in the Nation. I think the steel industry's situation has been a great example of our trade laws not being enforced aggressively enough, much to the expense of our own domestic industry.

I would like to touch on that real quickly. In your discussion here about Section 201, do you feel like it is sufficient protection?

Mr. ZOELLICK. Well, first, let me just say a word about what both you and Senator Conrad mentioned about agriculture, because I know you both have been leaders in this issue, at least to give you one starting point of assurance. It is a point that President Bush feels equally strongly about.

Indeed, when he talked with me about this position, it is the one that he emphasized first and foremost. So, I look forward to working with you on the range of issues. I think it now provides 20 to 30 percent of farm income, so it is a big thing and if we lose it, it hurts.

In terms of the steel issue, in particular, I think you then focused on 201. What I talked with Senator Rockefeller about, is really two points. One, is I believe that we need to do a better job of enforcing the laws that deal with unfair trade. I tried to emphasize, indeed, I think there is a timeliness issue here.

Senator LINCOLN. Absolutely.

Mr. ZOELLICK. That is a separate question from the 201. The 201 question, the Senator asked whether I would be willing to consider or advocate use of 201 in steel. What I mentioned, is since that provision really only requires injury, it does not require an unfair practice, that under extreme circumstances like the ones that the steel industry has faced and may face, that we definitely should look at it, if it is combined with the effort to try to deal with some of the industrial issues and restructuring that may be necessary to make it fully competitive.

You and I have talked about it, Senator Lincoln. This is one of the issues that drove it home to me, you have some very competitive producers in your State, among the leading groups.

Senator LINCOLN. Absolutely.

Mr. ZOELLICK. So when they are in trouble it is certainly a sign that there is a bigger problem here, so that is the context in which I believe we should look at using 201.

But I must emphasize again, and this is through everything that I have done, this has to be to deal with a problem and make and remake a competitive industry, not to leave a protectionist wall. Because ultimately, what I have seen time and time again, it will hurt it over time and other industries in the United States that use its products will start to move away from it, they will use plastic instead of steel, or something else. So, that has to be our goal.

Senator LINCOLN. Well, there is no doubt that it not just the older, integrated part of this industry that is suffering. Mini-mills, as you mentioned, are suffering as well, and that is a key part.

You sat on the U.S. Trade Deficit Review Commission, and I think some of the comments you made were about the approach of developing nations and future trade negotiations to consider eliminating antidumping laws in exchange for some of the other trade concerns that were there. If your thoughts are that Section 201 is sufficient, I would certainly want to know that there are going to be changes.

I do not think that the weakening of any of those laws would be acceptable unless there is first a strengthening of the Section 201, and certainly the recognition of the timeliness of it. After an industry brings a 201 action, there is 18 to 24 months before anything ever begins to happen. So, I just wanted to bring that to your attention.

Mr. ZOELLICK. Senator, just to reassure you, my point was that this is a portfolio, not a subsidy.

Senator LINCOLN. All right. Great.

Next, on softwood lumber. I would like to associate with the comments of the Majority Leader, as well as Senator Snowe. I know Senator Baucus and I have been very involved in working on this issue with the former USTR, actually right before we left for Christmas.

This is a critical issue for us. Our otherwise competitive U.S. mills are dying. As Senator Snowe mentioned, prices are down 33 percent. In recent months, 10 Arkansas mills have closed. It is devastating to us. I do not know if that hits home, but for Arkansas timber is a big industry.

We know that Canadian imports are at record levels, and the current agreement ends on March 31. I know you have exhibited an interest to set it as a priority. I would love to hear you go even further to say that if it is not going to be the first priority, it will certainly be the second.

As you move forward in your confirmation, I request that we, you would contact your Canadian counterparts within the first week of your appointment and bring back to us something that we could work with you on. I think we want to be reassured that you truly are going to make it a priority.

Mr. ZOELLICK. Senator, just real briefly. I had a phone call from my Canadian counterpart, a congratulatory call, and in respect for the deference of the Senate I said I could not meet until I got through this process. But he is very eager to meet, assuming I get through the process.

Senator LINCOLN. Well, it is killing my State's lumber industry and I truly want it fixed. I certainly am prepared to work with you in any way that you need me, and certainly with my colleagues.

Last, but not least, one question that has not been addressed, and that is the catfish industry. The catfish industry has been built on a reputation of nutrition and high-protein quality products.

The farm-raised catfish industry in the United States is probably the fastest-growing agricultural enterprise in America during the past decade, and it is certainly an integral part of aquaculture, in general.

We have had a lot of concerns. We do not know and have been unable to obtain information to determine whether there are unfair trade practices that are being exploited by Vietnamese catfish imports. We would certainly like to ask you, to provide the committee with a full report on this matter.

We want to know what kind of support we can expect from your office on this issue. I imagine Senator Lott is going to be interested as well, since Mississippi is No. 1 in catfish production and Arkansas is No. 2.

The CHAIRMAN. Can you give a short answer to that? I have two Senators that want to have second rounds.

Mr. ZOELLICK. Yes. Senator, I apologize, I am not familiar with that issue. I will, with your help, try to get into it right away and learn what I need to know.

Senator LINCOLN. Great. Well, they do not have to adhere to the FDA or the EPA rules we do, and we are very concerned about what they may be.

Thank you, Mr. Chairman. Thank you, Mr. Zoellick.

The CHAIRMAN. Thank you, Senator Lincoln.

OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM IOWA, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. I apologize for being at the White House while you were introduced, and I appreciate all of my colleagues going

ahead and accommodating me by having the Senator from Alaska chair the meeting. I will put my opening statement in the record.

[The prepared statement of Senator Grassley appears in the appendix.]

The CHAIRMAN. I would congratulate you, obviously, and move to questions right away so we can hasten along here.

The April Summit of the Western Hemisphere marks a very important opportunity to advance free trade in the region that produces one-third of our world's economic output. In spite of the obvious importance of the Free Trade Area of the Americas negotiations, these talks obviously have floundered.

What will the United States do, under your leadership and under President Bush's leadership, to rejuvenate the Free Trade Area of the Americas negotiations, specifically at the summit?

Mr. ZOELLICK. Chairman, first, I should say I certainly cannot offer any contradiction to spending your time at the White House, since that is the man I am supposed to be working for. So, thank you for coming.

As you know, the Free Trade in the Western Hemisphere is a very high priority of President Bush, and indeed, he devoted a portion of his speech to it in August.

The first step, I believe, will be trying to work with you and your colleagues to try to secure some trade promotion authority based on the fast track precedent so that we have something to take to the table so we can do this negotiation.

As you and a number of your colleagues know, the President has got the meeting in Quebec city of the Summit of the Americas on April 20, and so it would certainly be extraordinarily helpful if we have a sense of our direction and momentum by then so as to give him that additional leverage.

I believe that the Clinton Administration has prepared an early text on the FTAA, which is no small starting point. It covers lots of different categories, and they are at the point of at least having bracketed the differences.

I, as I mentioned in my other comments, Senator, believe that it is important for the United States to move on that text, but also to keep our options open in terms of other agreements, for example, the Chilean Free Trade Agreement that the administration has begun, because I think, with your help, I would like to send a signal to the countries of Latin America that we want open markets, we want to work with them to try to achieve this, but we are not going to be held back if they are not moving. We have got to get off the dime on this.

The last point I would make, because I know this question has come up in some context, is that while this regional agreement is very important to the United States, it certainly is not to the exclusion of global talks and the WTO process. Indeed, I think quite to the contrary.

I think the fact that the United States can move on multiple fronts can increase our leverage in the global round, as indeed the Clinton Administration used the NAFTA and the APEC summit to help squeeze the European Union to get done the Uruguay Round. So I do not believe they are exclusive. I believe, actually, they can be mutually supportive.

The CHAIRMAN. Give me your view on the significance of creating negotiating authority for the President, and particularly how you approach that issue, and how the President approaches it. How would you plan to work with Congress to obtain this legislation?

Mr. ZOELLICK. Mr. Chairman, as I mentioned before, I think that this is going to be one of the most important challenges for you, the committee, and your counterparts in the House and the administration, because I think it is vitally important that we reestablish this negotiating authority and get a start for this century, as our predecessors did 50 years ago.

Along the same lines, I think we need to try to do it in a bipartisan fashion, try to get the broadest possible support. That has waned in recent years and it is going to be part of my job to try to rebuild that.

In doing so, as I mentioned to Senator Baucus, it is important that I consult widely, not only with the Congress, but with other groups that are interested. I talked about the AFL-CIO, various environmental groups. I mentioned in my statement, I am open to ideas on how to rebuild this broader trade consensus.

As Senator Graham and I talked about briefly, I just cannot underscore enough the fact that we are losing time and others are filling the gap here. It would be such a tragedy if the United States misses this opportunity to shape the international economic system. So the core of it, frankly, starts up today, and with you and your colleagues to see what we can put together.

The CHAIRMAN. This will be my last question, then we will go to second round.

At the Seattle ministerial in December 1999, the United States was unsuccessful in its efforts to launch a new round of multilateral trade negotiations. Do you believe a new round of WTO negotiations is necessary to achieve U.S. goals for increased market access in such areas as agriculture and services? If so, what is your strategy for obtaining the necessary international consensus that it would take to launch a new round?

Mr. ZOELLICK. Mr. Chairman, I do want to try to press the new round, as I know my colleagues in the administration do.

As you mentioned, left over from the Uruguay Round there were supposed to be ongoing discussions in agriculture and services, but I think we all understand those are not going to go very far unless we add other items to them. The President has emphasized the importance of this being seen as a single undertaking, in particular, so agriculture is not left behind in the process.

There are some other issues that have come up in the WTO context that I think we are also going to need to deal with, for example, the transparency of these institutions; some of the NGO's that have complained about this, I think, have valid points, if we are going to build support for it.

As for the particular style, again, it will start by trying to get some trade promotional authority here with this body. I think the context in the world today is that, without that authority, it is going to be very hard to move very far.

As for strategy, as I mentioned, I would like the United States to have the authority to be able to move on multiple fronts, because

the message I would like to send to the world is the United States is willing to negotiate. We are willing to open if they open.

But if they are too slow, we will go elsewhere, because our economy is so attractive, the model of our private sector is so appealing, people will come to us if we are ready to deal. For those that will not deal, they are going to be left behind, not us.

The CHAIRMAN. For second round, in the order of seniority, but also coming, Senator Baucus, Senator Conrad, and Senator Rockefeller.

Senator BAUCUS. Thank you, Mr. Chairman.

Mr. Zoellick, I was here when Senator Lott stressed stronger U.S. action on Canadian softwood lumber. I heard Senator Snowe voice the same concerns, and I understand other Senators have joined in the chorus, including Senator Lincoln from Arkansas.

I want to underline what they have said and I want to add a little more sense of urgency to the problem. As you know, the current agreement expires in 2 months. As far as I know, there have been no negotiations between the United States and Canada under the past administration in any meaningful way.

This is huge. This is the largest imminent potential trade issue between the United States and any other country. It is our largest trading partner and could ignite a trade war, unless it is dealt with very quickly and dealt with very creatively.

I heard you mention you want to consult with various groups before making a decision on what you might do. Of course you want to do that, but we have got to move beyond consultation. I have a hunch, frankly, you have got a pretty good idea of who the players are, who the people are, what the interests are.

This is, pure and simple, a huge Canadian subsidy. It is a huge trade barrier. In my judgment, some of the American interests who are opposed to any action we might take are frankly being unAmerican. That is, they are helping themselves at the expense of the American forest products industry to the benefit of the Canadian forest products industry, and a trade barrier is a trade barrier. This is clearly a trade barrier. Some estimate it is up to \$4 billion, if you include all the various components of the stumpage underwriting practice by the Canadians.

As you know, 90 percent of Canadian land is crown timber and is controlled by the provinces. About 90 percent is old growth in Canada. About 90 percent of the timber cut in Canada is old growth; in the U.S. it is about 2 percent. So it is also an environmental problem.

While the Canadians are cutting old growth, they are putting a lot of pressure on endangered species and other environmental considerations. We Americans have a tough endangered species act law, we are living up to it, we are curtailing excessive old growth cutting and we are letting the Canadians just go ahead, willy nilly, to the detriment of American mills and American companies.

I just urge you very, very, strongly to find a solution. In that vein, I would just like to ask you what your plans are on the subject.

For example, I know that Prime Minister Cretien is meeting with President Bush on February 5, and I would like you to tell us whether that is going to be on the President's agenda.

Mr. ZOELLICK. It is interesting you asked that question, because as I said to some of my colleagues as we were trying to work with the committee to speed my confirmation, I said, boy, it would be nice to be able to be in a position by the time of that meeting to be in an official capacity to speak to the President about it.

But, Senator, on this one in particular, I understand the sense of urgency, and others have mentioned, and I understand, that the agreement expires. What I have picked up so far is a great sense of frustration and even anger, and yet a number of questions about what has not worked, without a good sense of what can work.

What I mentioned to Senator Snowe, is that I know there have been different approaches to this problem, export taxes, CVD cases, this agreement. The sense that at least I have gotten from my earlier discussions is, nobody is happy with any of them.

So, I really need to try to dig into it and find out what might work to try to deal with the nature of the problem, and I do not have that here today. But it does not show a lack of interest, it just shows a lack of an answer.

Senator BAUCUS. Well, we are going to have to come up with one pretty soon because time is running out. Some time ago, not too long ago when we were dealing with this issue, it was generally agreed that the subsidy amounted to about 30 percent. The American industry struck an agreement with the Canadians at 15 percent. That was the tariff.

That was the agreement. The Canadians agreed. Then guess what happened? The Canadian unilaterally walked away from it. Just walked away. It has been difficult for us to put that back together again. They are tough customers. They are very tough customers. They assume that we are going to roll over, that we are going to just turn the other cheek, that we are the United States of America and we can take the hit.

Well, I tell you, Mr. Zoellick, that to gain respect of countries around the world, including the Canadians, we have got to stand up for what is right. What is right, is to discontinue this subsidy.

Mr. ZOELLICK. Well, I understand that. Thank you. I will be pleased to work with you to try to come up with the right solution.

The CHAIRMAN. The next person is Senator Conrad.

Senator CONRAD. Robert, I would like to go back to where we were. You have got to use these charts.

Mr. ZOELLICK. Good charts. You are going to have to get Power Point, Senator.

Senator CONRAD. I am going to send a set of these down to you.

Mr. ZOELLICK. Good.

Senator CONRAD. There we have it, 82.5 percent of the agricultural export subsidies being the Europeans', 2.7 percent, us.

My question to you is, what are we going to do? What are you going to do to get a different result, and what will you do to try to get the leverage necessary for you to secure a different result?

Mr. ZOELLICK. Well, Senator, as you and I have had a chance to discuss, in that area I think the best way will come back to being in a position to negotiate with the EU, and others, as part of a global round to try to do away with these subsidies, particularly related to the export subsidies that have been the terrible outcome of an EU policy where they pay people too much to grow too much,

and then they can't use it all so then they have to pay them to sell it. So, I agree that the nature of the Common Agricultural Policy has been terrible, not only for U.S. agriculture, but for others around the world.

One of the ways, as a point of pressure, is we need to be in a position to have other countries around the world also join us and help give us leverage. For example, the Cairns group and a number of the developing countries of the world that also care about open agricultural markets.

That, as in many other issues of trade, will require tradeoffs across the board. I would mention one other aspect of this from the EU side. While I appreciate your point of leverage and it is something that we should discuss further in a number of contexts, I will note that the EU is also starting to recognize that this policy is breaking the bank, particularly as they go through their own enlargement process and start to add other countries and conceive of what it would cost to add them in agricultural terms. So, frankly, as you know, a lot of this depends on the nature of governments.

One of the possibilities may be here that, with some of the current governments in the EU, given their own constituency support—and here I am thinking that some of them are center left governments that have less of a base in the European agricultural community, we may have a better shot at moving if we can move more quickly on these.

Now, I also recognize and stated the disappointment I had that at one of their recent summits, I guess it was a year or two ago in Berlin after the agriculture ministers agreed on cuts, one of the heads of state came back and outflanked them and refused to do it.

So, at the end of the day, it is partly leverage we can create through the international trading system to try to get the Europeans to do what is smart for themselves, which is to quit spending a bunch of money to overproduce and then have to pay people to sell it.

Senator CONRAD. Let me just say to you that I have absolutely no confidence that they will change without leverage by us. None. Zero. I have heard this siren song for years, that they are about to break the bank. I can tell you that, in hours and hours and hours of discussions I have had with their leaders, they have got no intention of changing. None. Zero. They are not going to without leverage.

The only leverage that I can see is exactly what we did in the cold war, we built up to build down. If we do not buildup, all the rest of it is going to be just kind of smoke and nothing is going to happen.

Finally, if I could ask a question, Mr. Chairman, on the Section 301 investigation that is occurring now with respect to Canadian wheat. Will you support that investigation?

Mr. ZOELLICK. Well, I believe the investigation was launched, and I certainly support its continuation to learn what it produces, and in fact to bring this back to the global round, in your discussion of the durum wheat issue.

What I have been able to understand, a lot of this goes back the Canadian Wheat Board and the question of what practices it has,

how they work, and how a monopoly operates. Frankly, that is one of the issues that I believe is very much on the U.S. agenda, if we are able to get a global round launched.

So in that context, the 301 might be very useful in trying to identify some of these practices that we could pursue in negotiations.

Senator CONRAD. And if I could ask you publicly what I asked you privately, and that is, if you would be willing to come to North Dakota at some point, probably in mid-February, to talk to our producers about the challenges that we are facing.

Mr. ZOELLICK. Senator, you would not respect my ability as a negotiator if I did not say I would be pleased to come, but I would like to negotiate on the month. [Laughter.]

Senator CONRAD. All right. I look forward to your visit.

Mr. ZOELLICK. Thank you.

The CHAIRMAN. The next person is Senator Rockefeller, then Senator Kerry.

Senator ROCKEFELLER. I will be brief, Mr. Chairman.

First, I would ask consent to submit some written questions, which in fact have nothing to do with steel, but have to do with Japan and Asia trade, so that Mr. Zoellick can answer those in writing.

The CHAIRMAN. Yes. We would like to get answers to these so we can move on with your nomination, so if you could answer those quickly we would appreciate it.

Mr. ZOELLICK. I will do my best.

[The questions appear in the appendix.]

Senator ROCKEFELLER. My question is really in the form of a plea. Kent Conrad just showed some charts in which he talked about \$38 per acre subsidy, and then I go and think of the \$60, to \$70, to \$80 billion that steel has spent to modernize itself without one government dime, ever, ever, ever, ever.

Now, there has been one program which has been passed which has not functioned because it meant to be a steel loan guarantee thing, but it does not work because, although the government guarantees 85 percent of the loan, because of the condition of the steel industry no bank will pick up the 15 percent. So, in effect, it does not exist.

So to me, the subject of leverage has come up. What is interesting, is that when you go back to some of the earlier hearings we had with other nominees, maybe I talked about steel, maybe somebody else, but here you have had a whole panoply from both sides of the aisle talk about steel, and for a reason.

We import two-thirds of our oil and it drives up our trade deficit, and nobody really says much about it. But there is one thing that is certain, and that is there would never be anybody who would say, oh, the Middle East can supply it all, or other parts of the world can supply it all, why do we not just let them do it all and we will just give up our production? That would never happen. But that is what is happening with steel, which is not like Toys R Us.

I mean, steel is a rather different kind of industry. It is not even like aluminum, it is more fundamental. It is the Dick Chaney visit to Weirton Steel, saying you cannot have a defense industry without steel. That has been used to much, that people stopped hearing it, but it indicates the different nature of it.

So to me, leverage starts, for the United States, with clarity within the administration. Yet, you say, well, I need to know what the steel producers think. Well, they have all signed a letter to the past President endorsing 201. You will never find unanimity on anything.

You will be faced, when it comes down to it, I would suppose with certain cabinet members, if you, let us say, are pushing for 201. You will be faced with, oh, but this does not work right now because we have this crisis in Southeast Asia, or Northeast Asia, whatever, and there will be different reasons that will be brought in.

I will say to you what I have said to a couple of others. I think everything comes down to the intensity and the quality of fire in the eyes of the U.S. Trade Representative, how much of an advocate for a responsible, but fair, solution for something called a steel industry is represented by somebody whose full-time position is involved with trade?

Now, you do not do dumping, you do not do countervailing duties. I understand that. But if you are an adamant advocate of 201 because you have come to believe that it's the best way to make sense to rationalize and save what is possible of the 50 percent which still remains of the steel industry, which is in bankruptcy, then you can make a tremendous difference, Mr. Zoellick.

You have the background and the experience which, in many ways, far outweighs many of the folks that you will be arguing with, fellow cabinet members, because of your tremendous international experience and your tremendous trade experience. You are very, very deep in knowledge.

I would just ask you, plead with you, to use the force of your brain, of your knowledge, of your power, and your advocacy, if you believe in something like a 201, if you believe in something like the steel industry means something for this country, that you really fight for it.

Mr. ZOELLICK. Senator, let me just make three points. One, is that by talking about discussions, I was not trying to dodge, I was trying to say to learn more, because I certainly need to get smarter on a lot of aspects of this.

By referencing the fact that I knew that there were some differences wasn't to say that I was trying to avoid it, I was just saying that I've heard that and I've got to find out why.

Second, I may or may not be an effective advocate, Senator, but I am usually a forceful one. So, I will certainly, if I am committed to a course, will certainly argue my case.

The third point, is having had the opportunity to serve in government a number of times before, I think what is most effective is if one builds the coalitions and makes it administration-wide. I think one of the things that has been interesting over the past 3 or 4 weeks is the discussions that you and your colleagues have prompted. I have been talking with Secretary O'Neill about steel issues.

So I think you got the sense from Secretary O'Neill's response about willing to be quite serious and looking about how to deal with what is a very serious problem.

I think the best approach would be if the three of us, and others involved, can try to come up together and have a unified idea on how to deal with this. In the course of this, you can be certain that, as I have already told you, that I think 201 has to be closely examined. I do not know for sure whether it is the right solution, and part of it will depend on what the industry and the unions are willing to do.

But, as I have mentioned, I have always thought that this could be a very important element of dealing with this industry's problem, and perhaps some others' too.

Senator ROCKEFELLER. Thank you.

The CHAIRMAN. Senator Kerry?

Senator KERRY. Mr. Chairman, thank you very much.

Mr. Zoellick, as you know, a lot of small businesses are actually in a pretty decent position to benefit from trade. Fifty percent or more of the jobs in this country are small business-related, and almost all of the growth comes from small business.

But there is very, very little analysis or capacity for analysis of the impact of any particular trade agreement or trade regime on small businesses. I am the Ranking Member of the Small Business Committee; Senator Snowe is on it, Senator Grassley has been on it.

I think all of us share an interest in trying to figure out whether there is a way for you to perhaps go as far as creating a deputy or some position within the trade formally recognizing the need to factor small business impacts and potentials into the negotiating process.

Mr. ZOELICK. Senator, I think that is a very interesting idea. I know that the topic of small business and trade came up with Secretary Evans in his hearing, and I think, at least from what I could see in reading the transcript, there was an interest in what the Commerce Department could do to improve its capabilities to promote exports.

Frankly, what you are saying fits exactly the logic and the strategy I have tried to outline about building support for this, so I would be pleased to work with you, and I imagine ultimately the appropriators, to see what we can do on that.

Senator KERRY. Well, I am confident that the Chairman and others would be very supportive of that effort. If you would embrace that, if there were an Assistant U.S. Trade Representative position that specifically encompassed small business, I think we would, frankly, do a lot better and we would be fighting for the folks who normally do not get as much advocacy as they might, but who are terrifically important to us, also, a base of support, I might add, that will be critical to people's reactions to the outcomes of whatever it is you achieve.

Similarly, if I could raise another issue with you, in 1999 the Clinton Administration issued an executive order promising that the United States was not going to retaliate against sub-Saharan African nations and other countries that imported or licensed life-saving drugs to address the AIDS issue as long as the countries did so in compliance with the WTO agreement on trade-related intellectual property rights.

There has been some rumbling, and I do not know if this is accurate or not, that the Bush Administration is thinking of retreating from that executive order, and that would obviously have a dramatic impact on AIDS patients in Africa and elsewhere.

Can you comment on what your attitude specifically would be with respect to that order?

Mr. ZOELLICK. I can only give you my sort of initial understanding of this issue, Senator. I would be pleased to follow up.

This obviously invokes the whole question of intellectual property which, as you know, as you even mentioned in the context of small business, is extremely important for the United States because it is one of our great competitive advantages.

I suspect one of the questions that it raises, is that while in the Uruguay Round we pressed very hard in the TRIPS negotiations to add intellectual property protection, that in many cases we have also sought stronger protections. Indeed, the Congress passed the Special 301 provision that I talked about to try to get stronger protections for intellectual property.

This is one of those issues, again, where for the countries themselves, for their investment and to bring in the right type of business, they want to try to offer the protection.

I realize that the AIDS case is an extraordinarily sensitive one in terms of trying to deal with this, as I believe the pharmaceutical companies do as well. My one caution as I look into this—and I start with no bias, I am just giving you my view on this—is that I have dealt with this issue in other contexts and I want to be sure that the pharmaceutical subject is not used as the fall guy for other problems because, as I have seen with a number of these countries, some have developed extraordinary programs—my recollection is Thailand, Senegal, and I think Uganda have.

It really requires a commitment by the government for prevention, some early health measures dealing with pregnant mothers, with children with AIDS. This does not have to be hopeless. Things can be done to deal with this.

Now, some of the drugs' patents, frankly, have already expired on them, but others may be part of this category. I do not know for sure what has to be part of that. I am certainly well aware of what a huge problem this is, not only for individuals, but for countries and for the world as a whole, so we need to try to tackle it in this combination of matters. So, I just know about the executive order, and these are my initial thoughts on it, without starting with a prejudgment.

Senator KERRY. As usual, you encompassed in your answer pretty good sensitivity to the issues that are in balance here, so I obviously would hope you would be able to do that.

Mr. Chairman, I have two more questions. I do not know if we have time, given the number of Senators at the dais here. Do I have time?

The CHAIRMAN. He had one question.

Senator KERRY. Well, he is the Ranking Member, and I obviously would yield to him.

The CHAIRMAN. He probably would let you finish, if you are going to finish in a little while.

Senator KERRY. Yes. I just have two quick things.

The CHAIRMAN. All right. Go ahead.

Senator KERRY. But I would be perfectly happy to wait.

Senator BAUCUS. I am keeping Chief Bosworth waiting in my office. I would just be very brief.

The CHAIRMAN. If you choose to go first, obviously you have the right.

Senator BAUCUS. Mr. Zoellick, I was a little concerned when I saw that Presidential economic advisor Larry Lindsay was quoted as saying, "The Bush Administration would tolerate a rise in America's trade deficit with Japan if Japan began to take policies that would help it emerge from its recession."

Question. Is this the view of the Bush Administration?

Mr. ZOELLICK. I do not know this statement and I do not quite—

Senator BAUCUS. Well, I just told you what it was.

Mr. ZOELLICK. But here is what I do not understand about it, Senator. If Japan takes policies that are going to deal with its recession, it is going to start to grow and it is going to start to buy more, so that should start to reduce the deficit.

Senator BAUCUS. Oh, no. That was not the point. The point was, we would be less concerned, we would tolerate it as a first step, as a quid pro quo, if Japan were to then begin to undertake actions that would help it emerge from its recession. The point was, the United States would lead first by saying this trade deficit is all right for a while.

Mr. ZOELLICK. Let me make what is, at least in my mind, an important distinction. Unfair barriers to trade and to U.S. exports are never acceptable. We talked about rice and others. I think these are going to be critical areas for Japan for us to try to open markets, and frankly for their own good. One of the reasons they have been stumbling for 10 years is that they have not deregulated and opened up the economy.

When you talk about a bilateral trade deficit, this is significantly a function of the fact that their economy has been in the tank for 10 years and that they are not growing, and that we are. So when one says "tolerate a trade deficit"—

Senator BAUCUS. Well, with all due respect, and you know this, Mr. Zoellick, it is also because the Japan has very strict trade barriers, Financial Services Insurance, and others. So, it is not just that we have been buying and that they have got a recession, it is also that Japan has very high trade barriers to American businesses and industries.

Mr. ZOELLICK. I agree. That is why my first point to you was that we do not tolerate the trade barriers, which is different to me than a trade deficit.

Senator BAUCUS. But Mr. Lindsay's comment seemed to imply that we would.

Mr. ZOELLICK. I cannot speak for Mr. Lindsey.

Senator BAUCUS. Well, what is your view?

Mr. ZOELLICK. About tolerating trade barriers or trade deficit?

Senator BAUCUS. Going first and tolerating the trade deficit, and telling Japan that, if Japan would on its own undertake actions that would turn this recession around.

Mr. ZOELLICK. I do not believe we should tolerate trade barriers. Second, I do believe it is in Japan's interests, and our interests, for them to take the appropriate steps, which they have not been taking, to deregulate the economy, go beyond spending packages and go beyond their monetary policy.

I believe, and this is the reason I am trying to focus on this, Senator, the steps they would take to get their economy moving again should also open up their economy, because the lack of transparency, the anti-competitiveness, the barriers, these are some of the reasons why Japan has now been stuck.

So that is where I think we should focus, and I think that will help them grow and it will also help us have trade access. So that, at least, is my view on where we should go.

Senator BAUCUS. I would just sum up with a general point. You are very knowledgeable, you have deep experience in other departments. I just hope that you do not succumb to the siren song, particularly in the State Department, of sort of coming to some general worldwide agreement in how to manage the world to the detriment of the American people.

I sense that often the State Department and others are more concerned about their general grand design and coordination of countries, forces, and dynamics, and so forth, and forgetting that they are Americans, first.

I am not advocating economic nationalism. I am not advocating a policy where it is our way or no way. What I am saying, and I hope you forget all that has passed and you remember that you are an American, and an American first, so when you passionately advocate your point of view in the councils of this administration, that that point of view that you passionately advocate is one that is for the American people and not part of some big, grand State Department design.

Mr. ZOELLICK. Well, I will certainly do so, Senator. I would like to think that I could actually build on that other experience. I honestly think that by knowing more about how that process works in our country and others, that I might be able to be more effective in terms of trying to get things done.

Senator BAUCUS. I look forward to working with you. Thank you.

Mr. ZOELLICK. Thanks.

The CHAIRMAN. Senator Kerry?

Senator KERRY. Thank you very much, Mr. Chairman.

Mr. Zoellick, let me bring up three things quickly, if I can, but I think they are critical. The reason I wanted to stay a little longer and have this dialogue with you, is that I think the next round and our approach to it is really going to be more critical than what has gone before.

There are many people who believe that the WTO itself is sort of a test now in a way that it has not been. Globalization is the new word that is being used to describe the current cultural/political/economic invasion that is taking place in a lot of countries. Because of technology, we feel the global aspects of it more, but really it is an old process. There is nothing new about it at all. It has been going on for several hundred years or more, centuries, just at a different rate.

What is happening today, when people talk about new things like the digital divide and other divides, really, the digital divide is the industrial divide. It is just that countries missed the Industrial Revolution, and now they are missing the Information Age Revolution. The gap grows larger.

This is really the dilemma that we face as a Nation as the leader. We are the chief consumer. At the meetings in Damos, what I found interesting, there were several hundred business leaders, government leaders, ministers of trade, ministers of finance, prime ministers, others, all seated and talking about the future.

One of the most important things they all thought was needed for a world economic soft landing, not to have a hard landing which has global impact, was for the Federal Reserve. They were all focused on the U.S. Federal Reserve reducing interest rates, obviously, so we would continue to consume, because we drive their economies by our consumption.

So as I listened to the Ranking Member talk about, remember you are an American first, there is a new definition of our role in the world because of the interconnectedness of these economies, and you are very well aware of this. The up-side story on free trade has not really been told very well.

The Dominican Republic is the fastest growing country in the world today. Why? Because they are able to export, because they have been able to take advantage of trade, as have other countries. Standards of living, increase in wages, freedom of movement, freedom of travel. There is a whole up side that does not get told.

We obviously hear very dramatically about the down sides, and we feel them as politicians because they are our workers, they are our fellow citizens, they are our neighbors, and some of them are going to take out that vengeance at the polls.

So we have got to find a balance here, and that job is really going to fall to you and your colleagues as you go into the next round. Now, where you go with fast track, I think, is going to be critical to this administration's success or failure on this. Again, the proclivities I am hearing are "to send it up here quickly."

I would caution you against sending it up here too quickly. The Tokyo Round, I think we took about 15 months of negotiations before fast track was actually passed. With Reagan, in 1988, I think it was about 2 years of negotiating that took place before you finally had fast track put in place.

There is no rush. There is no reason not to take 2, 3, 4, 5 months to work with many of us up here who have voted for fast track, like myself. I was the last person. I was the only person in my delegation last time to vote for fast track, and that has been reducing in my delegation, as it is in other places around the country, because of the tensions that are growing over the confrontation within the trade regime.

So my hope is that you will work with us on the labor and environment issues to see if we cannot find some different approaches. Let me be specific.

I recommended several days ago—again, I am sorry to take time, Mr. Chairman, but I want to put this out here on the record—I have been part, now, of the full 10 years of the Kyoto discussions. I was in Rio and Buenos Aires, in Kyoto, and in the Hague. I have

watched the tension grow between the less-developed countries and developed countries and the question of who is going to belly up first and who is part of a global solution on this.

Increasingly, the less-developed countries view our efforts to get them to be responsible, i.e., to implement environmental standards, as part of a western conspiracy to hold them down and prevent them from sharing in the mainstream economic up side.

The reason I say that to you is simply because the same dynamic is now entering into the negotiating process of the next round on trade, their willingness to sort of accede to some of the cross currents internationally that are being raised about labor standards and about environment.

In my judgment, the best way, because of the trillions of dollars of wealth that have been created in the last 10 years, because we are a country looking at a \$5.9 trillion surplus over 10 years, about \$2.2 trillion after you take Social Security and Medicare and set it aside, they do not understand why we are only putting \$12 million, which is what we did last year, into the global environment facility under the United Nations in order to try to help them deal with state-of-the-art and the environment.

I believe the only way we are going to keep the glue together in WTO and adequately set up a dual-track process, is for the United States to step up and get the larger trading partners to join in the creation of a very significant trading partner environmental development fund—I am talking about, in the billions of dollars, perhaps \$10 billion or so to start—as a means of partnering and providing grants to corporate and governmental entities to embrace the state-of-the-art environmental technologies and technical capacities that we could bring to them, but which we do not, and which gives them no sense of our willingness to do anything except profit from the up side of “globalization.”

So I wonder if, as you approach this very complex and demanding task of negotiating the next round, as well as the bilaterals you will be called on to negotiate, you would envision either something like that fund, or is there some other methodology that you have thought through which you think will ease these tensions and help us to put the trading regime into a better light and diminish the kinds of movements that are growing in opposition to it?

I am sorry that was a long preamble, but I wanted to kind of lay it out.

Mr. ZOELLICK. It is a very interesting question, Senator. Let me just try to make four points. I look forward on other occasions to talking to you about it at greater length.

One, the reason I found Chairman Greenspan’s statement about globalization so interesting, is that if you actually go back and look at the numbers you see that the history of the past 50 years has really been to recover the loss of the first 50 years, the disaster of the Depression and two wars. I think a lot of people do not recognize the degree of integration of the world that took place in 1900 and what we lost by making the wrong choices earlier in the century.

That leads me to the second point. I very much agree with you, and that has been the thrust of my remarks today, I think we are at a critical point on where all this goes for the United States and

the international system. That is why I have tried to present my views as not simply saying, oh, well, we want another fast track authority. I am trying to say, these are big choices. Trying to call it a trade promotion authority suggests we need to think about this in a different way.

I have tried to suggest that I and others want to be open to ideas in terms of how we pursue this, because to me, the best legacy for you and your colleagues, and me and the administration, would not be just to run something through by a few votes, but to try to rebuild what we had 40 or 50 years ago about a broader basis of support and a broader bipartisan coalition.

Sitting here today, I do not know for sure whether that can be done. But I am committed with you to try to do that, and that is why I am trying to reach out to other groups to get their views.

The third point about this, is that, as you mentioned, the developing countries. This is why, in a sense, the negotiations are particularly sensitive, because some of what some of the people want in the United States in dealing with labor and environmental issues are going to chase away the developing countries.

They see this much more skeptically than some of the people in the United States have talked about, sometimes with good reason, sometimes just that of not understanding or anxiety about the cost.

So we are going to have to thread a needle here in terms of how to try to bring them along. That is why, as I have talked about some of these agreements, and even in the Jordan one, as I mentioned, on its face there is a lot that is attractive. I want to make sure that, as it is applied and what it opens up, that it does not become a land mine here that causes problems elsewhere.

As for the specific suggestion that you mentioned, it is interesting. A few years ago, I actually had supported the creation of the GEF, in part, for this context. I tend to be a fiscal conservative. I am not big on spending huge amounts of money.

One thing I noticed in the Financial Times today that struck my interest, was that the World Bank chief economist was stressing the role that the World Bank could play in terms of trying to promote trade.

Ten or 12 years ago when I was at the Treasury Department, we had to drag the World Bank into environmental lending, and I think that may be another way in which we can try to connect this to try, as you say, not to just make this as the United States or others telling under-developed countries, you have to do this or you have to do that, but explain why it is in their interests.

As I mentioned, I think to Senator Baucus earlier, for the long-term success of this we have to plant the roots in these countries. It cannot be forced by the gringos from the north or another group. It has to have its own interests. Some of the things that you are suggesting strike me as the best way to do that.

Fourth, and finally, in terms of the discussion about trade promotional authority. Sitting here today, Senator, I have no particular timeframe in mind, other than the fact that I think it is important to move for precisely the reasons you mentioned. The world is watching. You know how administrations work. What we are able to accomplish early, and then proceed, will be very important in terms of the signal it sends and what we can try to get done.

We have got the Quebec City summit, we have got the WTO negotiations. I think basically, and this will fall primarily on me and my colleagues, working with you, that we have to run the balance here.

I think we want to move expeditiously, but certainly, if we are going to try to accomplish the things that you and I are discussing here, it has got to be based on broad consultations that are continued, and an honest sharing of ideas. When I am talking about consultation, I am not just saying I want to listen to what you have to say. I want to try to mix it up here intellectually.

Senator KERRY. Well, I think it is critical to try to embrace some of that. I am not one of those who is arguing that the WTO is the right place to be actually negotiating some of that. Clearly, what the WTO can achieve and the confidence with which it goes forward will be dependent on the truth, the reality perception people have about what is on the other side.

Now, in Seattle it was agreed that people were going to move forward to try to figure out how to do the labor piece and the environmental piece. Well, there has been a deafening silence.

That is going to create enormous leverage for those who—some of whom have pure protectionist instincts, some of whom who have pure isolationist instincts—do not want this to succeed.

I think if you do not reach out in this way to say, here is what the dual track can be, here is how you can achieve, here is how we can make trade beneficial to the environment, the way it is going to be beneficial to the environment in a less developed country, whether it is the maquilladora plants or some other place, is for them to be able to say to people, if we have increased trade, and if we have some new plant here, it is going to be a state-of-the-art facility, and we know it can be a state-of-the-art facility because here is this fund that is going to help us to put in what we cannot afford to do ourselves.

Now, that is an up side benefit to trade. That begins to put the so-called human face on globalization that everybody has been talking about for four or 5 years, but is not happening.

On the ILO piece, it is interesting, the right for freedom to assembly and the right to organize have been on the U.S. Senate's agenda since 1949. We who always talk about these rights have only passed, or adopted, or ratified, some 12 of whatever it is, about 200 or so ILO standards. So our hands are not so clean as we run around talking about how this is going to work.

In a country like India where the choice for some of these young kids is whether they may be involved in prostitution or subject to trafficking or drug problems, is in some cases working, but is not, I might add, if you read the front page of the New York Times, such a strange thing, as we see a whole lot of kids in America who, at age 17, are working so many hours that they are not doing their homework and their school suffers.

So there really are some very sensitive things to try to work through here. But the WTO, all the transparency issues and accountability issues, et cetera, are critical to doing that.

A final question, Mr. Chairman, and thank you. This will be very quick. Thank you for your indulgence.

You were part of the Trade Deficit Review Commission and the Republican commissioners took a pretty strong position in favoring ILO cooperation. It said, "The ILO has adequate authority to authorize actions against nations in violations of labor standards."

Last year, the ILO took an historic step and called for sanctions against Burma, charging that country with widespread and systematic use of forced labor.

U.S. apparel imports from Burma are growing at a rate of 100 percent per year, and many factories in Burma are producing apparel for export that are jointly owned by members of the government in Burma, which continues to oppress, Ansang Suchi, and continues to be a government that avoids all opening. It is really, to some degree, worse even than North Korea today, and less indicative of a willingness to change.

Would you support a ban on U.S. imports from Burma, and would you consider that this is the kind of area where we should work with our friends internationally so there is a multilateral response to this kind of activity from a country that remains so far outside of the mainstream of the community of nations' behavior?

Mr. ZOELLICK. Senator, I apologize. While I know something about the Burmese regime, I am not familiar with the details of that trade issue.

Let me try to address it in this way for you. I tend to be skeptical of the use of unilateral sanctions, which is not exactly what you asked, but I would just give you that as the premise.

Senator KERRY. No, I join you. I share that.

Mr. ZOELLICK. On the multilateral side, I think the question is, what will be the likelihood of effecting change in the system? If it is something that we can work, and again, I should mention that I, at various ASEAN and APEC meetings, hit this issue very hard about how I thought they were not serving themselves well by taking an easier view toward the Burmese regime.

What I would like to learn more about is the likelihood that we would be able, as a group, to pressure them to change. I am not adverse at all to looking and seeing if that would work, I just do not know here, today, the likelihood of it.

Senator KERRY. Well, I appreciate that. I agree, the multilateral is the key. South Africa worked because it was multilateral, and I think we have far too many unilateral efforts and they wind up hurting us, in most cases, in a lot of different ways, losing influence as well as losing business.

But I do think we need to take a stronger leadership position with our friends and allies in pointing out how this affects the global trading regime and how it affects the overall attitude of other countries with respect to the growing sense of this gap between the haves and have nots, and the struggle people are having with creating some kind of a fairer playing field, if you will.

So, I wish you well in this. You are extraordinarily well-versed in it. I welcome your arrival and look forward to really working with you in it. I hope we can find a great deal of cooperation between us. These are American interests, not Republican or Democrat interests, and they ought to be areas that we can really find some support.

If we could bridge the gap here on some of the ideological issues that have traditionally divided us, I think the United States could be a much stronger force in bringing some of our allies who tend to sort of sometimes act very individualistically on this to the table. So, thank you, and good luck.

Mr. ZOELLICK. Thank you, Senator. Just a final word. I know that all of you have been very patient.

I very much agree with the strategic view. I appreciate what you have set out today; indeed, I am encouraged by it and want to work with you.

But also, frankly, as both our comments suggest, this is a big, new venture and there may be others that you think are important that I and my colleagues should talk to, and I would be very pleased to do that.

The whole thrust, to me, is if we are going to be successful we have to try to make the leap that you are talking about here. I do not know for sure how to do it. I have got some ideas, but I know many others do, too.

Senator KERRY. Mr. Chairman, thank you so much. I appreciate it.

The CHAIRMAN. Thank you, Senator Kerry.

I appreciate very much your responses. This is the end of our hearing. I hope that we will be able to sit down with you and talk about the things that Senator Kerry just discussed with you, and the things brought up by the other members, that we will be able to sit down, all sides, and in some so that we can get everything on the table and see what the possibilities are.

Obviously, if we are going to make greater advances in reducing barriers to trade, both tariffs and nontariff trade barriers, we are going to have to give the President the authority to negotiate for the Congress in this way, and get legislation that can be passed, that will cover both regional as well as comprehensive worldwide trade negotiations.

I assume that we now have all the necessary paperwork so after answering questions submitted to you in writing, it would be my hope, based upon discussions that I had with Senator Baucus, that we could move very quickly on your nomination. I do not know whether we will be able to do it yet this week, but early next week, so you can assume your duties.

We look forward to working with you, and wish you well, and hope you enjoy traveling around the world.

Mr. ZOELLICK. Thank you very much, Mr. Chairman. I really look forward to working with you, in particular, and with all your colleagues.

Just one last point that I think is reflected in everything I have tried to say. When people ask me about my first priority, it actually is to deal with the U.S. Congress to try to create this. I know the history of the office, I know the importance of this relationship. I know at times I will make mistakes and I know you will let me know, which is what I need to know, but I want to try to get it right so we can be successful together.

The CHAIRMAN. Consultation is the basis for Congress not giving up any of its constitutional responsibilities in trade, and also to make sure that you get the job done that is assigned to you.

Thank you very much.

Mr. ZOELLICK. Thank you.

The CHAIRMAN. The hearing is adjourned.

[Whereupon, at 1:08 p.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF HON. MAX BAUCUS

Mr. Zoellick, let me join Chairman Grassley in welcoming you to the Finance Committee. I congratulate you on your selection by President Bush as the next US Trade Representative. I will support your confirmation. I look forward to working closely with you over the coming years as the Congress and the Administration continue building this nation's trade policy. I look forward to your frequent appearances before this committee, both in formal sessions such as this, and in informal Executive Sessions. I also look forward to frequent personal discussions with you.

Before I proceed, I need to comment on the recent dust-up over whether the position of USTR would be downgraded in this Administration. I objected seriously to this, and was pleased with the outpouring of concern by senior members of the Senate and House, along with representatives of the business community. Trade, now equivalent to 27 percent of America's GDP, is simply too important not to have a prominent and equal place at the table when we deal with our nation's global affairs. I am very glad that President Bush confirmed that you would be a member of his Cabinet and would report directly to him.

Along with all the members of this committee, I believe strongly that we must continue to make progress on trade liberalization and open markets. Last year, the Congress and the Administration worked successfully together on trade policy. We passed PNTR, a monumental achievement. We passed legislation on trade with Africa and an enhanced Caribbean Basin Initiative program. We changed the Foreign Sales Corporation, the FSC. We passed a Miscellaneous Tariffs Act. The US/Jordan Free Trade Agreement and the US/Vietnam Bilateral Trade Agreement were signed with both awaiting Congressional approval. Expanding trade in goods and services is necessary to drive our domestic economy, as well as the global economy. We need to build on the progress we made last year. But, trade liberalization must be done in the correct way.

Let me outline briefly my expectations.

First and foremost, we need to rebuild the consensus on trade in this country. Further progress on trade liberalization and opening markets requires a political consensus, and that requires a public consensus. This means demonstrating to all our citizens that trade and expanding markets contribute to their prosperity and to a better quality of life. This means addressing legitimate labor and environmental concerns in trade agreements. This means enforcing our trade laws, and using them aggressively. And this means fixing the Trade Adjustment Assistance program so that we can provide real assistance to displaced workers.

Let me state my view clearly and without ambiguity. During the Presidential campaign, you and others made strong comments that it was inappropriate to address environmental and labor concerns in trade agreements. This is not a political issue. It is a substantive issue of importance to many members of Congress, including me. If legitimate labor and environmental concerns are not incorporated into fast track legislation, I will oppose that legislation and work hard for its defeat.

I believe that we must rebuild the consensus on trade before we will be able to move very far on trade liberalization. This will take time, and I hope that the Administration will work closely with Democrats and Republicans in the Congress to ensure that we have the proper environment in which to make further progress on trade.

As I look at the issues facing us in the first months of this year, I see five major items.

First, President Clinton sent to Congress the US/Jordan Free Trade Agreement, along with implementing legislation. Jordan is a critical partner in our quest for lasting peace in the Middle East, and this agreement will help bind our two nations together. The agreement also recognizes that labor and environment issues can have a place in trade agreements. We should move quickly to put this FTA with Jordan into effect.

Second, the Administration should send the US/Vietnam Bilateral Trade Agreement to the Congress soon. This agreement builds on the significant progress we have made in our economic and political relationship with Vietnam over the past decade. It requires major change in Vietnam's own economic and trade structure, serves as a precursor for their ultimate application to join the WTO, and will provide American business and agriculture with predictability and stability in the Vietnamese market. After a year of wavering on the part of Vietnam's leadership, they finally signed the agreement. We need to put it into effect, while also looking how to deal with legitimate labor and environmental issues down the road.

Third, I assume that President Bush will attend the Summit of the Americas in Quebec in April. The major topic there will be progress on completing the Free Trade Area of the Americas, the FTAA. President Bush has said he would like to speed up the pace and complete the agreement by the end of 2003. I support trade liberalization in this hemisphere, as long as it is done in the proper way. I urge the President to tell the assembled leaders in Quebec that he plans to work closely this year with Congress and interested groups throughout our society so that he can offer a fast track bill for the FTAA that will receive wide support.

Fourth, America's steel industry is in crisis. Congress, the Administration, steel manufacturers, the United Steel Workers of America, and steel users must work together in the coming months on a lasting solution, using all the legal tools, including trade tools, that we have at our command. We must move quickly if we are to prevent irreparable damage to this sector of our economy.

Fifth, we are starting to put significantly increased resources into monitoring and compliance of trade agreements. Once China enters the WTO, our ability to ensure compliance will be challenged even more. We need an early assessment of monitoring capabilities in the Executive Branch to ensure that we are using these resources as efficiently as we can. I hope you will initiate such a review and report back to this committee.

We all want to maximize the advantages to our country, and to the world, that expanding trade brings. The agenda I have outlined will ensure that.

I look forward to your comments and to the interchange that will follow.

PREPARED STATEMENT OF HON. JEFF BINGAMAN

Thank you Mr. Chairman. And thank you Mr. Zoellick for being here today. I want to keep my comments short this morning, so let me make some quick observations and leave it at that.

I think the primary problem the Administration faces at this time on international trade is re-establishing consensus—both in the Congress and in the United States—on how we should move forward over the next few years in terms of a trade policy agenda. I think we have lost the support of a good majority of the American people, simply in that they increasingly wonder what is in trade agreements for them.

I understand the notion of why international trade is good for everyone. I understand the notion of “a rising tide lifts all ships.” I'm not sure everyone in my state, or the United States, does any longer. We have to fix that. We have to find a way to get everyone on board again.

So from my perspective you face four immediate tasks as you advise the President on international trade:

First, you will need to address the issue of persistent trade imbalances on the part of the United States with the rest of the world. I understand that trade imbalances are complex, and are related to larger macroeconomic issues of saving, investment, and exchange rates. But I for one still find it troubling that the U.S. trade deficit with many countries continues to exist, this in spite of changes in those macroeconomic variables over the years. I find it troubling that we continue to act as the market of last resort for the international community when other countries should be playing a more significant role by opening their markets. Furthermore, from my perspective, our country should be doing more to monitor and insist compliance on existing trade agreements. I will have to be convinced by the Administration that we should broaden NAFTA until we figure this issue out.

Second, you will need to determine how to address labor and environmental issues, both in bilateral agreements and in a new WTO round if it ever occurs. I do not think that this is an issue that will go away, and based on some of the problems we have along the U.S.-Mexico border, I don't think it should go away. Significantly, although some on this panel might disagree, I don't think you will get fast-track authority—and I doubt if you will get the Congressional coalition you need to move forward on the Free Trade Agreement of the Americas—until you integrate these concerns into U.S. trade policy.

Third, through your position as U.S. Trade Representative you will need to reinforce programs that allow U.S. workers to obtain employment when they lose their job. I know this is not the responsibility of the U.S. Trade Representative per se, but it relates directly to your over-all goals. From my perspective, it is a “real people in real communities” issue that needs to be dealt with openly and pro-actively by the Administration. I know you were a member on the U.S. Trade Deficit Review Commission, and I know you and the other Commission members agreed with this assessment. From what I can tell, it was the only point that you all agreed on. With this in mind, I ask that you to use your influence with the Administration to assist Congress, and the Finance Committee in particular, in making serious reform to trade adjustment assistance programs.

Finally, I think you have to alleviate concerns about effective governance by the WTO. I think much of this problem can be solved by increasing transparency and expertise as it relates to the dispute resolution process. But the issue itself reflects a larger concern—both in the international community and in the United States—about the equity and efficacy of the WTO and, perhaps more importantly, the capacity of international trade agreements to contribute to our national interest.

Let me emphasize that I think you are extremely qualified for the task at hand. You have been active in U.S. trade policy in the past and have the respect of the international community. I think you will make an excellent U.S. Trade Representative. Based on what you have written on the subject, you clearly have strong opinions about where we should be going with U.S. trade policy over the next few years. But that said, I want to raise a couple of specific questions with you during the question and answer period, as to whether your opinions are shared by the President, and what the priorities of the Administration will be down the road.

Thank you, and I look forward to the discussion.

PREPARED STATEMENT OF HON. CHARLES E. GRASSLEY

I want to welcome my colleagues to my first hearing as chairman of the Finance Committee and the first of what I expect will be a series of discussions on the U.S. trade agenda. Today, we will review President Bush's nomination of Robert Zoellick to be the United States Trade Representative. But, I view this as the beginning of a process of building a political consensus that will allow the United States to reclaim its leadership role in the international trade arena.

Let me begin by reiterating how important I think the USTR's position is to farmers, firms, and working men and women across the United States. I also want to set out my expectations regarding the conduct of our trade policy and the Finance Committee's role in that process.

There is no doubt that trade is critical to the American economy. Throughout the past decade as much as one-third of all our economic growth has been attributable to exports. Trade has helped keep inflation low and has spurred competition and innovation in the American marketplace. Trade has also created good, high-paying jobs, with export-related employment paying 15 percent above the prevailing wage.

In my home state of Iowa, trade is perhaps even more important than it is to the rest of the country. A significant share of every farm's produce in Iowa is now destined for overseas markets. Firms like Rockwell International in Cedar Rapids manufacture products that are world leaders in aerospace technology and depend increasingly on international markets for a substantial share of their sales. Insurance providers in Des Moines now market their products throughout the world and rely on the expanding overseas market opened by trade agreements for future growth.

I am certain that every senator on the Finance Committee has a similar tale to tell about the importance of trade and investment in their state. The importance of trade to our constituents is one of the primary reasons why the Finance Committee and the Congress created the position of the Special Trade Representative in the Trade Expansion Act of 1962. Congress was motivated by a desire to make sure that U.S. trading interests were not sacrificed for broader foreign policy goals and the American trade agenda would have a strong advocate who was close to the President and could speak for him in international negotiations.

The time when the United States was prepared to sacrifice its trading interests to the broader foreign policy goals of maintaining the NATO alliance or a regional balance of power in Asia is long past. Now, expanding trade and encouraging free markets are properly seen as among the primary instruments of our foreign policy and bulwarks in support of American interests abroad. An aggressive trade policy and the advocacy of American trading interests is consistent with a forward-looking foreign policy, not in conflict with it.

I am pleased that the President has maintained the USTR's cabinet rank. I think that sends an important signal to our trading partners of the role trade policy plays in the President's thinking. But, I think that it was an equally important statement of the relationship the President wants to establish with Congress on trade matters, which brings me to my expectations of how trade policy ought to be conducted.

First and foremost, Congress holds the constitutional responsibility for regulating our foreign commerce. As Chairman of the Finance Committee, I take that responsibility seriously. Unless the President and Congress are on the same page trade-wise, we will not be able to assert the country's interests on the international stage. That means that Congress—and the Finance Committee in particular—is a full partner in this enterprise.

Second, in practical terms, that means that trade policy requires a high degree of cooperation between the Congress and the President and an even higher degree of consultation. One of the manifest failures of recent years in trade has been the lack of close and continuing consultation between the President and Congress. Frankly, rebuilding a strong relationship between Congress and the President on trade is the first and most important challenge the USTR will face. That process begins right here with the Finance Committee and our counterparts in the House on the Committee on Ways and Means.

While I expect that you will hear regularly from us, I want you to know that this is a two-way street. We need to hear from you on a regular basis as well. You need to make us aware of the challenges you face in order to ensure that we can play our role in shaping our trade policy response. Many of our foreign friends frequently voice concerns about Congress' role in the trade policy process, but in my experience, Congress generally steps in when it feels the Administration is not attending to business. There is an easy solution to that problem, and that is keeping us informed every step of the way.

Third, as Chair of the Finance Committee, I intend to look to the United States Trade Representative, as the President's principal spokesperson on trade, to be an aggressive advocate for American trading interests. Along with the honor of serving as USTR, however, goes the accountability for achieving measurable results. Our trading partners have not waited while the United States has been forced to sit on the sidelines in recent years. They have forged ahead to create alliances and trading ties that do not include the United States. We need to get back in the game, and the USTR's office is where that must happen.

Take the Free Trade Area of the Americas, for example. The FTAA is the single most important economic and trade initiative we have undertaken with Latin America since President Kennedy launched the Alliance for Progress in 1961. Latin America is our fastest growing regional trading partner. About 46 percent of all the goods manufactured in this country are exported to our own hemisphere. Yet, despite the obvious importance of the FTAA, there is little real progress at the negotiating table.

We will face many other important trade challenges this year—challenges like launching a new round of WTO trade negotiations, renewing the President's fast-track trade negotiating authority, completing the process of China's accession to the WTO. In each case, the United States Trade Representative will play an indispensable role, both in terms of formulating policy, and making the process work.

[SUBMITTED BY SENATOR KYL]

THE WHITE HOUSE

WASHINGTON

September 12, 2000

Dear Mr. Leader:

I want to commend you for commencing debate on H.R. 4444, which would extend Permanent Normal Trade Relations to the People's Republic of China. This crucial legislation will help ensure our economic prosperity, reinforce our work on human rights, and enhance our national security.

Normalizing our trade relationship with China will allow American workers, farmers, and businesspeople to benefit from increased access to the Chinese market. It will also give us added tools to promote increased openness and change in Chinese society, and increase our ability to work with China across the broad range of our mutual interests.

I want to address two specific areas that I understand may be the subject of debate in the Senate. One is Taiwan's accession to the World Trade Organization (WTO). There should be no question that my Administration is firmly committed to Taiwan's accession to the WTO, a point I reiterated in my September 8 meeting with President Jiang Zemin. Based on our New York discussions with the Chinese, I am confident we have a common understanding that both China and Taiwan will be invited to accede to the WTO at the same WTO General Council session, and that Taiwan will join the WTO under the language agreed to in 1992, namely as the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (referred to as "Chinese Taipei"). The United States will not accept any other outcome.

The other area is nonproliferation, specifically the proposals embodied in an amendment offered by Senator Fred Thompson. Preventing the proliferation of weapons of mass destruction and the means to deliver them is a key goal of my Administration. However, I believe this amendment is unfair and unnecessary, and would hurt our nonproliferation efforts.

Nonproliferation has been a priority in our dealings with China. We have pressed China successfully to join the Non-Proliferation Treaty, the Chemical Weapons Convention, the Biological Weapons Convention, and the Comprehensive Test Ban Treaty, and to cease cooperation with Iran's nuclear program. Today, we are seeking further restraints, but these efforts would be subverted—and existing progress could be reversed—by this mandatory sanctions bill which would single out companies based on an unreasonably low standard of suspicion, instead of proof. It would apply a different standard for some countries than others, undermining our global leadership on non-proliferation. Automatic sanctions, such as cutting off dual-use exports to China, would hurt American workers and companies. Other sanctions, such as restricting access to U.S. capital markets, could harm our economy by undermining confidence in our markets. I believe this legislation would do more harm than good.

The American people are counting on the Congress to pass H.R. 4444. I urge you and your colleagues to complete action on the bill as soon as possible.

Sincerely,

BILL CLINTON

The Honorable Trent Lott
Majority Leader
United States Senate
Washington, D.C. 20510

PREPARED STATEMENT OF HON. JOHN D. ROCKEFELLER IV

Mr. Zoellick, I am glad you are here today to report on how you intend to handle your considerable responsibilities as America's chief trade negotiator. Never has this position been more important given the need to both expand markets for U.S. goods abroad and to defend domestic interests against unfair and illegal trade practices.

You obviously have an extremely impressive resume, and are credited with having made significant contributions to the resolution of some of the world's most intractable problems. As the incoming, and sure to be endorsed by the Senate, United State Trade Representative, you face great challenges. Enforcing the China WTO Accession agreement is one of them. But perhaps the toughest challenge of all is to help truly demonstrate that America will indeed gain from increased globalization—and to demonstrate that through your actions.

As you negotiate market opening agreements, you must remember that there are hundreds of thousands of American workers and communities that worry they have a lot to lose as our economy and globe transitions. Globalization is occurring as inevitably as the sun rises, and we therefore must position ourselves to benefit from it to improve the quality of life for all Americans. Many people in my state are not sure that they will profit from increasingly free trade or globalization. Just last week, I was pleased to join Toyota in announcing they will now make Lexus engines in West Virginia. That's the Lexus and the Olive Tree operating right in Buffalo, WV. More high-quality, high-paying jobs are something West Virginians understand.

However, the inability of our steel industry to compete against imported steel dumped on our market at illegal prices, despite our technological and productivity edge, is something West Virginians don't understand. They don't understand when we insist American steelworkers play by the rules of international trade, and yet we don't insist that our trading partners play by the same rules. We must see to it that our trading partners do play by the same rules—or I believe we will lose the support of the American people for continued trade expansions. That's a big part of your new position, in my view.

It's not enough to have meaningful Trade Adjustment Assistance although we certainly must have a mechanism to help workers who are displaced. And I look forward to working with my colleagues to improve how that program works in this Committee as we reauthorize TAA this year. But I assure you that I intend to concentrate my energy and use every legal means to preserve good American jobs when they are jeopardized by unfair trade and I am going to ask you for your complete support.

We had a chance to have a good long talk about some of my concerns about trade in general and the state of America's steel industry, in particular. You know I am deeply troubled that we may indeed lose our steel industry in the next several years if there isn't real leadership from the new President and fast. I have implored the incoming Administration to initiate a 201 investigation and to do it today. I wrote the President on this matter yesterday.

I am especially anxious to hear your thoughts on how we can truly enforce our unfair trade laws and restore the confidence of Americans who question whether their rights will be defended in pursuit of global markets. I believe the two go hand in hand. We will see increasing resistance to free trade, whether it's FTAA and fast track authority for the President, Jordan, or any proposed agreement, if we don't prove we will fight for our own rights as leaders in global trade. I believe we can do both. West Virginia shows us we face both danger and opportunity. Your job is to both enforce the trade laws on the books—and, in my estimation, it is as important for you to guard against the danger as it is to create the opportunity. I hope you will bear that in mind as you undertake your new role.

I will have some specific questions about steel for you during my allotted time. You know I wish you the best, and am grateful you are willing to lend your talent to this critical post in our nation's public service.

PREPARED STATEMENT OF ROBERT B. ZOELICK

Chairman Grassley, Senator Baucus, and Members of the Committee:

I would like to thank each of you for taking the time during a hectic period to talk with me individually. Our discussions have helped me gain a better understanding of your ideas and concerns. Frequent, substantive consultation with this Committee is enormously important to me, so if confirmed, I look forward to working closely with you.

I am honored and deeply appreciative of the President's nomination to this post. I know well the importance the President assigns to trade policy as part of his international and domestic agendas.

You are familiar with President Bush's strong preference for setting priorities as a means of leading and governing. Two of the five priorities the President identified in his major international address at the Reagan Library, in November 1999, stressed the vital role of open trade: so as to "promote a fully democratic Western

Hemisphere, bound together by free trade” and “lead toward a world that trades in freedom.”

In undertaking this charge, I know well that the Constitution vests Congress with the authority “To regulate Commerce with foreign Nations.” Indeed, the history books recount almost 150 years of contentious Congressional debates over tariff bills, some even leading to movements for Nullification and Secession. But the disastrous experience of setting protectionist tariffs for over 20,000 individual items in the Smoot-Hawley bill of 1930 led Congress four years later to try a different approach: a partnership with the Executive to negotiate lower barriers to trade around the world.

Launched by strong and innovative leaders, Franklin Roosevelt and Cordell Hull, this partnership between Congress and the Executive became a bipartisan cause, and eventually produced prosperity and opportunity and even liberty beyond the greatest expectations of its supporters. Chairman Greenspan put this success in historical perspective by pointing out that the growth in trade as a share of the economy over the past 50 years has finally managed to reverse the losses from the calamities of the early 20th century, and now approximates the degree of globalization around 1900. So today, just like Americans at the turn of the last century, we face critical decisions about the future course for our country, trade, and the world.

Just as the World War II generation forged a bipartisan consensus that sustained successful trade expansion throughout the Cold War, we must build a new consensus to promote open markets and trade in the decades to come. I know that new ideas are being advanced from many quarters, and I want to work with you with an open mind to try to mobilize broad support for freer trade.

I am sure we will have many opportunities—including, I suspect, today—to discuss the important particulars of trade. These specifics are vital to our trade policy. But I would like to step back just a moment to touch on the importance of global trade to the American people.

First, expanded trade—imports as well as exports—improves the well being of Americans. It leads to better jobs, with bigger paychecks, in more competitive businesses—as well as to more choices of goods and inputs, with lower prices, for hard-working families and hard-driving entrepreneurs. I appreciate that votes for agreements like NAFTA and the Uruguay Round may not have been easy to cast. Yet those agreements contributed to the longest period of economic growth in U.S. history, with levels of full employment, and without inflationary pressures, beyond the forecasts of any economist. The expanding global trade and the expanding economic growth in the United States are not coincidental; they are achieved in concert. One strengthens and reinforces the other. Moreover, restrictions on trade have victims: farmers, school teachers, factory and office workers, small business people, and many others who have to pay more for clothing or food or homes or equipment because of visible and invisible taxes on trade.

Second, as President Bush has stated, free trade is about freedom: “Economic freedom creates habits of liberty. And habits of liberty create expectations of democracy.”

In two weeks, President Bush will make an historic visit to Mexico, where he will meet with Vicente Fox, the first Mexican president since that nation’s revolution to have been elected from the opposition. It is not an accident that after Mexico embraced the opening of its economic system, as embodied in NAFTA, it was drawn to a democratic opening as well.

Third, expanded trade affects our nation’s security. The crises of the first 45 years of the last century—the economic retrogression referred to by Alan Greenspan—were inextricably linked with hostile protectionism and national socialism. Communism could not compete with democratic capitalism, because economic and political freedom creates dynamism, competition, opportunity, and independent thinking.

Take an example from today. Colombia is waging a battle to defend the rule of law against murderers from both extremes who finance their terror through complicity in drug trafficking. Colombia is now the third largest recipient of U.S. military assistance. One of the other tools Colombia needs is a renewed and robust Andean Trade Preference Act, so there are alternative economic opportunities and reasons for hope within the country and region.

I recognize, however, that these benefits of open trade can only be achieved if we build public support for trade at home. To do so, we must enforce, vigorously and with dispatch, our trade laws against unfair practices. In the world of global economics, justice delayed can become justice lost. We also need to do a better job of monitoring compliance with trade agreements and insisting on performance by our trading partners. I will not hesitate to use the full power of U.S. law to defend American businesses and workers against unfair trading practices.

Even if we do our jobs well, I appreciate that change, particularly rapid adjustments, can be very difficult—even frightening—for many hard-working people. We need to help people adapt and benefit from change—whether prompted by trade, technology, e-commerce, new business models, or other causes. Therefore, a successful trade policy over the long term should be accompanied by better schools, tax policies that enable people to keep and save more of their paychecks, and reforms of Social Security and Medicare so older Americans have a safer retirement.

From our conversations, I have learned that the economies of your states are transforming, too. Many of your new businesses and employers are linked to the global economy, so Secretary Evans and I want to work with you to tap their support for open trade. In turn, we will try our best to deliver for America's farmers, service providers, high tech community and intellectual property providers, small businesses, and highly productive manufacturing industries.

To strengthen and speed America's trade and economic policy, we will need to reestablish the bipartisan Congressional-Executive negotiating partnership that has delivered so much. Therefore, if confirmed, I will promptly follow up with this Committee and the House Ways & Means Committee to consider how to reestablish trade promotion authority for the President, based on the fast-track precedent and the broadest possible support.

In the absence of this authority other countries have been moving forward with trade agreements while America has stalled. We cannot afford to stand still—or be mired in partisan division—while other nations seize the mantle of leadership on trade from the United States. This would be a huge missed opportunity, indeed an historic mistake. Given the size of the U.S. economy—and the reach, creativity, and influence of our private sector—we should be and can be shaping the rules of the international economic system for the new century. American openness is high and our trade barriers are low, so when we negotiate free trade agreements with our counterparts we almost always open other markets more than we must change our own.

In considering this grant of trade promotion authority, I also urge you to give the President more leverage by broadening our options: I want to be able to tell my counterparts that we are willing to negotiate if they are serious about eliminating barriers, yet also make clear that America will look elsewhere if they delay—that the United States will move forward, and it is up to them to decide to join us or be left behind.

On April 20, President Bush will attend the Summit of the Americas meeting in Quebec City, a hemispheric assembly launched by President Clinton. President Bush has emphasized that to set a new course in the hemisphere—to overcome the North-South divide, just as the United States ended the great divide between East and West—he needs to hold out the prospect in Quebec City that new trade promotion authority is on its way.

Of course, America's trade and economic interests extend far beyond this hemisphere. We want to launch a new round of global trade negotiations, emphasizing a key role for agriculture. We will seek to negotiate regional and bilateral agreements to open markets around the world. There are opportunities in the Asia Pacific and, I hope, with APEC. Further reforms in the Middle East and Africa need our encouragement, and I compliment the Committee for its important work with Africa and the Caribbean last year. As India reforms its economy and taps its great potential, we should explore ways to achieve mutual benefits. And vitally important, I will seek to work closely with the European Union and its candidate members in Central and Eastern Europe, both to fulfill the promise of a trans-Atlantic marketplace already being created by business investment and trade, as well as to reinvigorate, improve, and strengthen the WTO processes.

The total stock of two-way investment in the EU and the United States amounts to about \$300 billion, with each partner employing about 3 million people in the other. The trans-Atlantic trade in goods and services is approaching half a trillion dollars. It would be folly not to try building on our common interests while working to solve vexing disputes.

Let me close with a final word regarding the talented professionals on whom I will need to rely in working with you and our foreign counterparts. The staff at the Office of the U.S. Trade Representative is a select corps with a special record of achievement. As I have told them, I am very proud to have this opportunity to serve with such exceptional public servants as we step forward with an ambitious agenda.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION FOR ROBERT B. ZOELLICK**

January 22, 2001

A. BIOGRAPHICAL INFORMATION

1. Name: Robert Bruce Zoellick
2. Position to which nominated: United States Trade Representative
3. Date of nomination: January 11, 2001
4. Address:
 - Residence: 627 Chain Bridge Road
McLean, Virginia 22101
 - Office: The German Marshall Fund of the U.S.
11 Dupont Circle, Suite 750
Washington, DC 20036
5. Date and Place of Birth: July 25, 1953
Evergreen Park, Cook County, Illinois
6. Martial Status: Married
Spouse: Sherry Ferguson Zoellick
7. Names and Ages of Children: N/A
8. Education:
 - Naperville Central High School
Naperville, Illinois
09/67 to 06/71
High School diploma, 6/71
 - Swarthmore College
Swarthmore, Pennsylvania
09/71 to 06/75
B.A., 06/75
 - Harvard Law School
Cambridge, Massachusetts
09/76 to 06/81
J.D., 06/81
 - JFK School of Government
Cambridge, Massachusetts
09/77 to 06/81
M.P.P., 06/81

9. Employment Record*:
- Research Assistant
Council on Wage and Price Stability
726 Jackson Place, NW, NEOB
Washington, DC 20506
09/75 to 08/76
 - Special Assistant, Assistant Attorney General (Criminal Div.)
U.S. Department of Justice
10th and Constitution, NW
Washington, DC 20530
06/78 to 1/79
 - Associate (Legal)
Califano, Ross & Heineman (firm is no longer in business)
Washington, DC
06/81 to 08/82 (also summer 1980)
 - Law Clerk to Judge Patricia M. Wald
U.S. Court of Appeals, DC Circuit
333 Constitution Avenue, NW
Washington, DC 20001
08/82 to 08/83
 - Vice President and Assistant to the Chairman
FannieMae
3900 Wisconsin Avenue
Washington, DC 20016
09/83 to 07/85
 - U.S. Department of Treasury (job titles and dates follow)
15th & Pennsylvania Avenue, NW
Washington, DC 20220
 - Special Assistant to the Deputy Secretary
07/85 to 12/85
 - Acting Dep. Assist. Secretary for Financial Institutions Policy
12/85 to 02/86
 - Deputy Assistant Secretary for Financial Institutions Policy
02/86 to 08/86
 - Executive Secretary & Special Advisor to the Secretary
(James A. Baker, III)
09/86 to 01/88

*/ I have not listed summer legal and Teaching Fellow positions while in law and graduate school.

9. Employment (continued):
- Counselor to the Secretary of the Treasury
and Executive Secretary
01/88 to 07/88
 - Director, Campaign Issues
George Bush for President Campaign
Washington, DC
07/88 to 11/88
 - U.S. Department of State Transition
11/88 to 03/89
 - Counselor (Under Secretary rank) and later also
Under Secretary for Economic and Agricultural Affairs
U.S. Department of State
2201 C Street, NW
Washington, DC 20520
03/89 to 08/92
 - Deputy Chief of Staff & Assistant to the President
White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500
08/92 to 01/93
 - FannieMae (positions and dates listed below)
3900 Wisconsin Avenue, NW
Washington, DC 20016
 - Executive Vice President for Housing and Law
04/93 to 01/98
 - Board Director
Jones Intercable
9697 East Mineral Avenue
Englewood, CO 80155
04/95 to 03/2000
 - Board Director
SAID Holdings Ltd.
31 Reid Street, 3/Floor
Sun Life House
Hamilton, HM 12 Bermuda
05/96 to PRESENT

9. Employment (continued):

Board Director
Alliance Capital Management
1345 Avenue of the Americas
New York, NY 10105
02/97 to PRESENT

Member, Advisory Council
Enron Corp.
1400 Smith Street
Houston, TX 77022
01/99 to PRESENT

Director, Aspen Strategy Group
The Aspen Institute
1 Dupont Circle, NW, Suite 700
Washington, DC 20036
09/97 to PRESENT

John M. Olin Professor in National Security
U.S. Naval Academy
121 Blake Road
Annapolis, MD 21402
09/97 to 06/98

The Center for Strategic and International Studies
1800 K Street, NW, Suite 600
Washington, DC 20006
President and CEO-designate
07/98 to 12/98
President and CEO
01/99 to 05/99

Resident Fellow (office only)
The German Marshall Fund of the U.S.
11 Dupont Circle, NW, Suite 750
Washington, DC 20036
07/99 to PRESENT

Senior International Advisor
Goldman Sachs & Co.
85 Broad Street
New York, NY 10012
07/99 to PRESENT

9. Employment (continued):
- Research Scholar
Belfer Center for Science and International Affairs
Harvard University
79 John F. Kennedy Street
Cambridge, MA 02138
07/99 to PRESENT
- Member, Advisory Board
Viventures
Tour Cedre 20 eme étage
7, allée de l'Arche
F-92677 Paris Courbevoie Cedex, France
10/2000 to PRESENT
- Director
Precursor Group
1801 K Street, NW, Suite 315L
Washington, DC 20006
06/2000 (invested)
09-10/2000 Board inducted
10. Government Experience: In addition to the positions listed above under Question 9:
- U.S. Trade Deficit Review Commission
(report completed November 2000)
The Defense Policy Board (for Secretary Cohen)
The CIA's Economic Intelligence Advisory Panel
U.S. Postal Commission on a Safe and Secure Workplace
(report completed August 2000)
11. Business Relationships: See Question 9 above.
12. Memberships:
- A. Non-Profit Boards
The Council on Foreign Relations
The German Marshall Fund of the U.S.
The European Institute
The Eurasia Foundation
The National Bureau of Asian Research
The American Council on Germany
The American Institute for Contemporary German Studies
The Arthur Burns International Fellowships
International Institute for Strategic Studies
(Governing Council, London, United Kingdom)
Overseas Development Council (no longer in existence)

12. Memberships (continued):
- B. Non-Profit Advisory Boards
The Johns Hopkins School of Advanced International Studies
The Institute of International Economics
The Brookings Institute (re Foreign Policy and Economics)
The Nixon Center for Peace and Freedom
The World Wildlife Fund
The Trilateral Commission (Executive Committee)
The Centre for European Reform (London, UK)
The Reuters Foundation - Carnegie Endow. for Int'l. Peace
- C. Other Associations
The Aspen Strategy Group (The Aspen Institute)
The Australian-American Leadership Foundation
The Inter-American Dialogue
The D.C. Bar
13. Political Affiliations and Activities:
- a. None.
- b. Campaign Issues Director for George H.W. Bush, 1988
Foreign Policy Advisor for Robert Dole, 1996
Foreign Policy Advisor and other assistance for George W. Bush, 1999-2000
Helped raise money for some Congressional candidates (see answer to 13.c).
- c. See attached.

Political Contributions

Date	To	Amount
9/24/00	Kolbe 2000	1,000
6/22/00	Lazio 2000	500
5/14/00	Bush for President Compliance Cmte	1,000
1/31/00	RNC	20
10/5/99	Frist 2000	500
9/20/99	Friends of Dick Lugar	500
3/15/99	John McCain for President Exploratory Committee	500
3/7/99	Gov. George W. Bush Presidential Exploratory Committee	1,000
1/11/99	Friends of Dick Lugar	250
7/25/98	The Coverdell Good Government Cmte	500
7/19/98	Jeb Bush for Governor	500
7/12/98	Governor Bush Committee	500
7/12/98	Heather Wilson for Congress	500
6/19/98	Kolbe '98	500
3/26/98	Friends of Dick Lugar	250
11/2/97	Governor Bush Committee	500
4/30/96	Bereuter for Congress Committee	500
4/17/96	Klug for Congress, Inc.	500
4/7/96	Portman for Congress Committee	500
11/28/95	Watts for Congress	250
9/19/95	Fair Government Foundation (Coverdell)	250
7/17/95	The Coverdell Good Government Cmte	500
6/22/95	Kolbe '96 Committee	500
5/14/95	Portman for Congress Cmte	100
5/7/95	People for Pete Domenici Cmte	1,000
4/29/95	Klug for Congress, Inc.	500
4/16/95	Lugar for President '96	1,000

14. Honors and Awards: Midwest Scholarship, Swarthmore College, 1971-75
 Scott Award, Swarthmore College, 1974-75
 Phi Beta Kappa, B.A. w/Honors, Swarthmore College, 1975
 Luce Fellowship, 1980
 J.D. magna cum laude, Harvard Law School, 1981
 Alexander Hamilton Award, U.S. Dept. of Treasury
 Knight Commanders Cross, Germany
 Distinguished Service Award, U.S. Dept. of State

15. Published Writings:

I have noted below articles, op-eds, and edited books that I have published over the last 10 years. There may be others that I do not recall or have on file, but this list covers the vast majority -- and is certainly representative.

- "Gore's Hidden Weakness: Foreign Policy", *The Wall Street Journal*, Oct. 23, 2000.
- "Two Plus Four: The Lessons of German Unification." *The National Interest*, Fall 2000.
- "Piec punktow zapalnych," *Polityka*, 16(2241) 15 Apr. 2000.
- "Clinton's Last Chance to Get Russia Policy Right," *The Wall Street Journal*, Mar. 27, 2000.
- "Essentials republikanischer Außenpolitik. Worauf sich Europa einstellen sollte," *Internationale Politik*, Mar. 2000.
- "A Republican Foreign Policy," *Foreign Affairs*, Vol. 79. No. 1 Jan/Feb 2000.
- "Clinton's Seattle Straddle," *The Washington Post*, Dec. 14, 1999.
- "It Can Be Lonely at the Top," with Charles A. Kupchan, *Financial Times*, Dec. 13, 1999.
- "Congress and the Making of US Foreign Policy," in *Survival*, IISS, Winter 1999-2000.
- "21st Century Strategies of Trilateral Countries: The United States," in a volume entitled "21st Century Strategies of the Trilateral Countries: In Concert or Conflict?" A Report to the Trilateral Commission: 53. Sep. 1999.
- "...A Little Clarity of Purpose, Please," with John Hillen, *The Washington Post*, Mar. 17, 1999.
- "As for the French Proposal - *Non*," with John Hillen, *The Los Angeles Times*, Jan. 17, 1999.
- "Abschied von der Selbstbeschränkung. Deutsche Außenpolitik aus Sicht der USA (Farewell to Self-Restriction: Foreign Policy as Viewed from the USA)", *Internationale Politik*, Dec. 1998.
- "An Asian Strategy," *The Washington Post*, Jul. 23, 1998.
- "A Go for NATO," *The Washington Post*, Apr. 28, 1998.
- "A Larger Plan for Asia," *The Washington Post*, Jan. 6, 1998.
- "Economics and Security in the Changing Asia-Pacific," *Survival*, IISS, Winter 1997-98.
- "Strike Hard", *The Washington Post*, Tuesday, Nov. 18, 1997.
- "The Future of the Transatlantic Relationship," *American Studies*, Quarterly Vol. 42/1 (1997) Universitätsverlag, Heidelberg.

"Preparing for the Summit," published remarks in Heritage Foundation Lectures No. 601: Sino-American Relations at the Summit. Oct. 15, 1997.

"America and Europe, A Partnership for a New Era." Edited by David C. Gompert and F. Stephen Larrabee. Foreword by Robert B. Zoellick. Rand Studies in Policy Analysis, Cambridge University Press, 1977.

"China: What Engagement Should Mean," The National Interest, Number 46 Winter 1996/97.

"Russia and the Newly Independent States," Paper of Working Group chaired by Robert B. Zoellick, principal author, from Foreign Policy into the 21st Century: The U.S. Leadership Challenge, Center for Strategic & International Studies, Sep. 1996.

"Let China Join the Club," The Washington Post, Jun. 24, 1996.

"Security and Economic Implication of Korean Unification," in Korea-United States Cooperation in the New World Order, Institute for International Economics. Feb. 1996.

"Who Won the Trade War?" The National Interest, Number 41 Fall 1995.

"How to Achieve Trans-Atlantic Free Trade," The Wall Street Journal Europe, Jun. 14, 1995.

"Journalists as Historians," Book review of Self-Inflicted Wounds: From LBJ's Guns and Butter to Reagan's Voodoo Economics by Hobart Rowen, Foreign Policy, Number 98, Spring 1995.

"Mother Country No More, Britain is Still Special," The Wall Street Journal, Apr. 3, 1995; also "why the Special Relationship Still Matters," The Wall Street Journal Europe, Apr. 3, 1995.

"Korea and the United States in the World Economy -- An American Perspective" in The Political Economy of Korea-United States Cooperation, Institute for International Economics. Feb. 1995.

"The Reluctant Wilsonian: President Clinton and Foreign Policy," SAIS Review, Summer-Fall 1994.

"Russia and the West: From Romanticism to Realism" ("Russland nicht im Zweifel lassen"), Frankfurter Allgemeine, May 27, 1994.

"Clinton's China Card," The Washington Post, May 9, 1994.

"Japan in the Post-Cold War World," The Nihon Keizai Shimbun (NIKKEI), Jan. 9, 1994.

"Strobe Talbott on NATO: An Answer," The Washington Post, Jan. 5, 1994.

"NAFTA: U.S. Leadership...," The Washington Post, Nov. 1993.

"How the U.S. Can Promote Greater Free Trade in Asia," Heritage Foundation published lecture (480) of Nov. 9, 1993.

"Germany's Next Challenge" ("Starker nach Osten blicken"), Die Zeit, Nov. 26, 1993.

"Blueprint for a New Age," International Economic Insights, Vol. IV, No. 5 Sep/Oct 1993.

"Fight for NAFTA, Neutralize Perot," *The Washington Post*, Jul. 12, 1993.

"Economics and Security in the Pacific," in *Cooperative Engagement and Economic Security in the Asia-Pacific Region*, Institute for National Strategic Studies, National Defense University Press, 1993.

Atlantic Frontiers: A New Agenda for U.S.-EC Relations, A Report of the Carnegie Endowment Study Group on U.S.-EC Relations. Foreword by Robert B. Zoellick, Chairman. (Carnegie Endowment for International Peace, 1993).

Multilateral and Regional Efforts to Integrate Markets: The Uruguay Round, NAFTA, Asia Pacific Economic Cooperation Initiatives and the European Communities. Remarks at the Proceedings of the 87th Annual Meeting, The American Society of International Law. Mar. 31-Apr. 3, 1993.

"Russia: Bring on the Entrepreneurs," *The Washington Post*, Jun. 30, 1992.

"The Soviet Economy: It's Always Darkest before It's Pitch Black," *The International Economy*, May/June 1991.

Books

America and the Balkans: Memos to a President. Edited by Robert B. Zoellick and Philip D. Zelikow, W.W. Norton and Company, 2000.

America and Russia: Memos to a President. Edited by Robert B. Zoellick and Philip D. Zelikow, W.W. Norton and Company, 2000.

America and the East Asian Crisis: Memos to a President. Edited by Robert B. Zoellick and Philip D. Zelikow. W.W. Norton and Company, 2000.

America and the Muslim Middle East: Memos to a President. Edited by Philip D. Zelikow and Robert B. Zoellick. The Aspen Institute, 1998.

16. Formal Speeches:

I have noted (and provided copies) of the following speeches I have made in recent years. Only a few have been printed, but I have included ones where the speech was transcribed or my speaking text was close to formal (while trying to avoid duplication of similar speeches):

Opening Address to the Trans-Atlantic Policy Network, Venice, Italy, Dec. 1, 2000.

"Governor Bush and the Century of the Americas," Meeting at the Council on Foreign Relations, Oct. 30, 2000.

"East Asia: Today and Tomorrow," Chase/Flemings Asia Conference, New York, Oct. 5, 2000.

"The German-American Partnership," Confederation of Employers and Business Associations of Berlin and Brandenburg, Sep. 11, 2000.

Remarks before the French American Foundation, Paris, Jun. 15, 2000.

"The Outlook for Southeast Asia," Russell 20-20 Annual Meeting and NBR, Apr. 27, 2000.

"U.S. Policy Towards East Asia," talking points for the Japan-US Conservative Caucus, Tokyo, Apr. 11, 2000.

"The Future Direction of U.S. Policy Toward the Korean Peninsula," Draft talking points, KRIS, Apr. 8, 2000.

"Germany and the U.S.: Yesterday, Today, and Tomorrow," Karl Heinz Berkurts Lecture, Hanover, Mar. 20, 2000.

"Europe and America: Integration or Competition?" Central European Forum 2000 Victoria Meeting, Warsaw, Feb. 26, 2000.

Lecture to the American Center (transcript), Tokyo, Mar. 30, 1999.

"Strategic Philanthropy for Business", keynote address to the Business-Humanitarian Forum, Geneva, Jan. 27, 1999.

"The Changing Order in the Asia-Pacific," Houston Committee on Foreign Relations, Dec. 9, 1998.

Remarks at the Wharton School, Public Policy Forum Series, Dec. 7, 1995.

17. Qualifications:

My background includes government service, private business, and academic teaching, research and writing. This experience involved work on a wide range of international and economic topics, business and financial management, numerous negotiations, and extensive public speaking and writing on a variety of international matters.

I have worked closely with the Congress on many domestic and international issues over the course of some 20 years. Moreover, I have ties with numerous economic and environmental non-profit groups interested in the area of international economics and trade. And I have substantial experience with people in both the public and private sectors around the world.

Moreover, I have been involved with many trade policy issues when in public service, including: the Omnibus Trade Act of 1988; the U.S.-Canada FTA; NAFTA; the Uruguay Round; the Enterprise for the Americas Initiative; the Structural Impediments Initiative with Japan; APEC; and many bilateral negotiations and individual trade cases. I also supervised or was active in many other international negotiations, ranging from the unification of Germany to the Rio Treaty on Climate Change and bans on driftnet fishing and the sale of elephant ivory.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Yes.
2. No.
3. No.
4. Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. None known. See Section F for financial holdings.
2. None known.
3. Supported the Clinton administration's efforts on NAFTA, the Uruguay Round, PNTR for China, and NATO enlargement. Consulted by the Clinton administration on various international economic and foreign policy issues.
4. I am not aware of any conflicts or foresee any at this time, but in the event that any conflicts were to arise, I will work with the ethics officer at the U.S. Trade Representative's office and the relevant officials at the Office of Government Ethics to resolve them in a manner consistent with applicable laws and regulations.
5. Opinions to be submitted.
6. No.

D. LEGAL AND OTHER MATTERS

1. No.
2. No.
3. In August 1999, as a member of the Board of Jones Intercable, I was named in three Shareholders' Class Action suits. All three cases have been Consolidated and Dismissed.
 - a) *Susser vs Jones et al*
District Court, City and County of Denver, Colorado
 - b) *Famet vs Jones et al*
District Court, City and County of Denver, Colorado
 - c) *Harbor Finance Partners Ltd. vs Jones et al*
District Court for City and County of Arapahoe, Colorado
4. No.
5. None.

E. TESTIFYING BEFORE CONGRESS

1. If I am confirmed by the Senate, I am willing to appear and testify before any duly constituted Committee of the Congress on such occasions as I may be reasonably requested to do so.
2. If I am confirmed by the Senate, I am willing to provide such information as is reasonably requested by such committees.

RESPONSES TO QUESTIONS FROM SENATOR GRASSLEY

Question 1: The current situation in Europe with respect to biotech crops troubles me greatly. It appears that the EC is unable to separate its real food security problems—such as BSE—from issues relating to the adoption of completely safe new food technologies. What are your general comments on this matter, and how would you handle these issues of trade and food safety?

Answer: The question of food safety is an important one, and efforts to ensure that food imports are safe will be a priority. Health and safety standards employed to ensure safety must be based on scientific principles and evidence. Otherwise, they will do little to ensure the actual safety of the food being consumed, whether it is produced domestically or imported. In addition, standards not based upon science can be used, purposely or inadvertently, as a tool of protectionism. If confirmed, I will work to ensure that health and safety standards employed to ensure food safety are based upon scientific principles and evidence. Further, I will certainly work with other interested agencies in the U.S. to ensure that we effectively utilize all available resources to accomplish this task.

Question 2: China may join the WTO sometime this year. However, I am very concerned that China is insisting on developing country status with respect to domestic support commitments under Article 6.4 of the WTO Agreement on Agriculture. Specifically, China is seeking the higher 10-percent allowance for trade-distorting domestic support provided to developing nations. Given the vast size of China's agricultural sector, allowing China such a high limit for trade-distorting agricultural support might have large adverse effects on the ability of our farmers to compete with Chinese agricultural producers. I believe we have to resolve this satisfactorily, even if negotiations on China's accession take longer to conclude. What is your view on this?

Answer: From what I understand, this is a very complex and sensitive issue. I, too, believe we should not conclude negotiations for China's accession to the WTO until all outstanding issues are satisfactorily resolved, even if the negotiations take longer to conclude. Should I be confirmed, I will consult closely with U.S. agriculture interests, Members of Congress, and other interested parties so that I can fully understand our interests on this important issue.

Question 3: Last year, Congress passed provisions to expand trade with the Caribbean Basin and Sub-Saharan Africa. Although scheduled to take effect on 1 October, elements of the program have been delayed and not fully implemented. What is your assessment of the program so far? What are your plans to convene the various trade meetings that Congress directed in the legislation?

Answer: As I stated at the hearing, the Congress should be commended for the important steps it took last year to expand our trading relationship with Africa and the CBI countries. With regard to implementation of the Africa/CBI act, I understand that the process of reviewing eligibility requirements and implementing the benefits under the law has been completed for certain countries and is ongoing for others. To fully realize the benefits from this important legislation, it is essential that we move expeditiously to implement the law, consistent with ensuring that all of the requirements set out by Congress have been met.

I also understand that the Africa/CBI bill calls for certain trade meetings to further U.S. Sub-Saharan African cooperation, including meetings of heads of state where practicable. While I am not familiar with the details of the planning process to date, I certainly believe that such meetings will be important in advancing our mutual trade and economic interests. I will work to see that these meetings are productive and fulfill the purpose and spirit of the law.

Question 4: With respect to implementation of the CBI provisions, I am troubled by reports that some eligible goods, like goods knit-to-shape in the U.S. from U.S. yarn and sewn or otherwise completed in the CBI region, might be excluded from the program. Can you tell me whether you agree that these goods should be included in the CBI program?

Answer: Although I am not familiar with all of the details, I understand that the U.S. Customs Service is responsible for issuing the rules to which you are referring. Nevertheless, I will, if confirmed, examine your concerns and take any action that may be appropriate. In considering such issues, my approach will be to ensure that the intent of Congress is carried out and that the maximum benefits of the law are achieved.

Question 5: At the end of the last Congress, there was some discussion about enhancing the US/Colombian and US/Andean trade partnership, particularly as it relates to apparel, as a way of helping Andean countries develop stronger economies to help thwart the narcotics menace. The renewal of the ATPA later this year pro-

vides an opportunity to revisit the issue. What are the Administration's plans in this regard?

Answer: The Administration supports renewal of the Andean Trade Preference Act. It is important that alternative economic opportunities exist in the Andean region to stop the economic lure of drug trafficking. Should I be confirmed, I will closely consult with Members of Congress and other interested parties as to both the timing and scope of renewal.

RESPONSES TO QUESTIONS FROM SENATOR BAUCUS

(1) Agriculture

Question: With the 301 case on Canadian practices regarding wheat recently initiated, you now have the opportunity to take action to reach a solution that provides both short-term relief for U.S. farmers and a longer-term solution to the problem of government monopolies in international trade. Can we count on you to work with the Department of Commerce and Agriculture to investigate the offending practices in question and negotiate a remedy?

Answer: As I stated during the hearing, I support the continuation of the Section 301 investigation of the Canadian Wheat Board. I think it is important to obtain as much information as possible on how this entity operates so that we can better determine how to pursue this matter. In addition, as your question suggests, I plan to work closely with other agencies, including the Departments of Agriculture and Commerce, in pursuing this matter.

Question: The EU moratorium on any new biotech approvals, even for the importation of grains and food that their own scientific panels have found to be completely safe, is now a major problem for farmers here in America. In effect, it means the EU has veto power over what American farmers plant. In my opinion, this veto runs contrary to their international obligations and cannot be tolerated. From a USTR perspective, what are you prepared to do to get the EU to lift its moratorium and approve pending products? Will this be a high priority on your agenda?

Answer: Addressing our trade problems with the EU with respect to bio-engineered agricultural products will certainly be a high priority on my agenda. America's farmers should not continue to be the victims of the EU's failure to establish and operate a legitimate approval system for genetically engineered agricultural products. I will work closely with the Congress, as well as with U.S. agricultural interests and technology companies, and other interested stakeholders, to determine the best course of action to address this problem.

Question: For the past decade, we have been embroiled in a bitter trade dispute with the EU over beef and bananas. The core of our dispute settlement process has been affected, various forms of retaliation implemented, and yet no substantive progress in opening the European market has been achieved. What will you do to bring these long-overdue cases to resolution and further reinstate confidence in the dispute settlement process?

Answer: Resolving these cases with Europe will be a high priority. My first step in developing an effective plan will be to consult closely with Congress and the affected U.S. industries.

I do not want to prejudge what decisions we will reach, but I would like to make a few general comments. First, I agree that the importance of these cases goes beyond just beef and bananas. The EU's refusal to comply with its obligations threatens to undermine the credibility of the WTO dispute settlement system. Second, although I still have to study the exact requirements of the law, the carousel provision enacted by Congress could be an important tool in maximizing our leverage to resolve these disputes. I agree with the premise of the law that we should not just leave in place a retaliatory list that is not having the intended effect of inducing a WTO Member to comply with its obligations.

(2) Aircraft

Question: The United States has been discussing and negotiating on commercial aircraft subsidies for over a decade with the European Union. There are serious questions whether the EU has lived up to its commitments in the 1992 US-EU Large Civil Aircraft Agreement and the WTO Subsidies Agreement. It appears that huge non-commercial loans are still being made to Airbus, along with substantial R&D support. It appears that the activities of the European governments is increasing as they proceed to develop the super jumbo jet. How do you plan to deal with this?

Answer: I am well aware that the provision of commercial aircraft subsidies by EU Member State governments is a long-standing problem in the US-EU trading relationship. I also know that the launch of the Airbus A380 with financial support

from European governments is a matter of serious concern. If confirmed, I will carefully consider our trade policy response to any European subsidization of this aircraft and will work closely with U.S. industry to devise an appropriate strategy for addressing this important transatlantic trade issue. Ensuring strict compliance with existing agreements will be a matter of the highest priority for this Administration.

(3) Chile

Question: Last year some progress was made on negotiating a free trade agreement with Chile. I strongly support those negotiations, and I introduced a bill in the last Congress to authorize fast track negotiating authority for an FTA. What is your position on a free trade agreement with Chile?

Answer: As I mentioned during my testimony, I think a free trade agreement with Chile is long overdue. Such an agreement would send a strong signal to other countries in South America that the United States is truly committed to hemispheric trade integration. I look forward to continuing the work begun by USTR last year toward completing a free trade agreement with Chile.

(4) China & Taiwan WTO

Question: One important issue that arises in connection with China's WTO application regards Taiwan's application. Will the administration continue to push for Taiwan to join the WTO at the same time that China joins?

Answer: Yes.

Question: The WTO accession negotiations for China in Geneva seem to be stalled. We need to get these negotiations completed soon. At the same time, we certainly do not want to make concessions on issues of importance to U.S. business and agriculture just to speed up Chinese accession. I must point out that the President, in order to grant PNTR to China, must certify to Congress that the accession arrangement is at least as good as the U.S./China bilateral agreement. My question is whether you have any thoughts about how we can get these negotiations back on track and complete them quickly, while ensuring that our interests are protected?

Answer: It is important to move forward with negotiations on China's accession to the WTO, and to complete them in a timely manner. However, the pace of these negotiations is ultimately in the hands of the Chinese. I will press the Chinese to move expeditiously, but I can assure you that any final package on China's accession that I put before the President will be at least as good as the bilateral agreement that was reached with China in November 1999.

(5) Cuba

Question: Last year, an overwhelming majority of members of the Senate and the House voted to liberalize sanctions on food and medicine exports to Cuba. A small group in the House was able to take those liberalized sanctions and add financing restrictions that negated much of what the Congress was attempting to do. This year, there will be a strong attempt to eliminate those restrictions, allowing export of food and medicine to Cuba. I know that USTR does not focus on the Cuba embargo issues, but I would like to know whether the Administration will support us in removing these sanctions and helping our agriculture industry sell to Cuba.

Answer: As you stated, this is not an area that falls directly under the responsibility of the USTR. I can tell you, however, that President Bush opposes relaxation of sanctions against Cuba, unless the current regime frees all political prisoners, allows free expression, and commits to democratic elections.

(6) Competition Policy

Question: In some countries, and Japan comes to mind first of all, market access in a number of sectors is constrained by the lack of an effective competition policy. Should we look again at the extraterritorial application of our anti-trust laws? Should we look at creative ways that we can use our domestic laws to counter anti-competitive practices abroad that damage U.S. businesses? Is a global competition agreement feasible, or helpful?

Answer: Over the years, U.S. businesses have faced an array of market access barriers in Japan and elsewhere that have arisen out of government toleration or inaction with respect to anti-competitive conduct. I very much believe that this is an area that deserves creative yet careful thought as we set our trade policy agenda for the future, in both bilateral and multilateral contexts. It is a complex area, though, and as we consider our needs and objectives from a trade policy perspective, it will also be important to consider the potential impact upon our own antitrust laws and policies. I look forward to exploring this issue—and the issue of the feasibility of a global competition agreement with you and with other Members of the Congress, as well as with the private sector and other Administration officials with an interest in these matters.

(7) FSC

Question: Last year, I and many other members of this Committee worked very hard to secure the enactment of the FSC Repeal and Extraterritorial Income Exclusion Act. This was a bipartisan effort to bring the United States into compliance with a WTO decision by making a fundamental change in U.S. tax law. The European Commission has nevertheless sought the WTO's permission to retaliate against the United States to the tune of \$4 billion worth of trade. I believe the WTO panel should find that the ETI Act complies with U.S. obligations, and I hope they will do that. However, Mr. Zoellick, based on this case and many other developments since the Uruguay Round, I am worried about where our trade relationship with the European Union is going. What steps will USTR take to convince the Europeans to move toward a mutually acceptable outcome in this case?

Answer: The dispute with the European Union on the Foreign Sales Corporation is, of course, a tremendously important and sensitive issue. I am still learning about the details of this dispute, but I have to say that I have grave concerns regarding the European Commission's motivation for bringing this case. I am well aware of the implications for our industries if the Europeans choose to retaliate. The EU also has to understand that their actions in this case are threatening to undermine support for our participation in the WTO. After all, the WTO rules are not intended to dictate the fundamental structure of a country's tax or fiscal system. I would urge the EU to exercise great caution in deciding how to proceed with this case.

We have a large and complex trade and economic relationship with the European Union. It is inevitable that disputes will arise, but we must find ways to improve that relationship—consistent with our overriding trade policy goals—and to seek lasting and satisfactory solutions to our mutual problems.

(8) Intellectual Property Rights

Question: The continued success of America's software industry is dependent on strong intellectual property laws around the world. Despite a number of national and international laws protecting IP rights for software, the worldwide piracy rate for software still hovers around 35 percent. How much importance will you place on ensuring that existing IPR rights are respected and enforced around the world?

Answer: The protection of intellectual property is extremely important for the United States because it is one of our great comparative advantages. Ensuring implementation by member countries of their obligations under the TRIPS Agreement will be a high priority. In addition, if confirmed, I will make full use of WTO dispute settlement and the "Special 301" provisions of our trade law, as appropriate, to leverage improved IPR protections in other countries. I also intend to use the FTAA, Chile and Singapore FTA negotiations, and other negotiating opportunities, to seek further improvements in EP protection. Finally, if confirmed, I intend to ensure that these and existing agreements are carefully monitored to ensure that our trading partners honor their IPR commitments.

Question: My question deals with intellectual property protections for digital goods such as computer software, music and video. These goods are digital in nature and need strong IP protections in order to ward off illegal counterfeiting. The U.S. and European Union have been at the forefront of developing a strong set of intellectual property laws that apply consistent principles across the two regions. The US and EU have also led efforts in international organizations such as the WTO to champion a global trade regime that respects strong IP rights. Will you work to ensure that the EU continues to champion strong IP rights for digital goods that are consistent with the U.S.'s long held support for IP rights?

Answer: If confirmed, I will work to ensure strong intellectual property protection throughout the world for U.S. products, including increasingly important digital products. It is most important that the EU, which I understand is another major producer of digitized intellectual property, work with us on this important issue. If confirmed, I will work hard to maintain a cooperative relationship.

(9) Japan

Question: The U.S.-Japan auto agreement expired in December, and Japan refused to extend it or renegotiate it. This agreement deals with autos and, perhaps more importantly, auto parts. What do you plan to do about this sector?

Answer: I plan to consult at an early stage with Members of Congress and representatives from industry and labor on U.S.-Japan automotive issues, at which time I hope to gain a better understanding of the current dynamics in this sector and determine what steps should be taken to ensure that Japan's automotive market is as open as ours. In addition to these consultations, I intend to work with Commerce Secretary Evans and other Administration colleagues to make sure that U.S. industry has meaningful market access in this important sector.

Question: Presidential economic adviser Larry Lindsey was quoted by many sources as saying that the Bush Administration would tolerate a rise in America's trade deficit with Japan if Japan began to take policies that would help it emerge from its recession. Is this the view of the Bush Administration? Does this mean that market access and trade liberalization in Japan are not of concern?

Answer: Unfair trade barriers to U.S. exports are never acceptable. It is important for our exporters and for Japan's economic well-being that it open its markets and pursue trade liberalization. One of the major reasons Japan has been stumbling economically for a decade is that it has not deregulated and opened up its economy. Our focus should be on working with Japan to ensure that it deregulates, which would include improving transparency and securing strong enforcement of competition policy. Deregulation will help Japan grow and help us gain better market access, leading to growth in U.S. exports to that country.

Question: There has been talk recently about a free trade agreement with Japan. I am very skeptical. What is your view of this?

Answer: Free trade between the U.S. and Japan is a laudable objective, as truly open markets in that economy would provide significant benefits for producers of goods, services and agricultural products in both countries. In my view, however, a free trade agreement (FTA) negotiation with Japan would present enormous challenges. I am not convinced that Japan would be ready at this time to undertake the necessary market-opening and structural reforms necessary for a successful FTA.

Question: The 1995 Framework Agreement on Autos and Auto Parts between the U.S. and Japan was allowed by the Government of Japan to expire at the end of 2000. This is despite the Agreement's failure to accomplish its stated objective to significantly expand sales opportunities resulting in purchases of foreign parts by Japanese firms in Japan and through their transplants in the U.S. and to resolve market access problems for foreign autos and auto parts in Japan. The U.S. government, working closely with the American auto industry, organized labor and Members of Congress, developed and presented a significant proposal for extending and enhancing the 1995 Agreement. In the closing days of 2000, Japan was even unwilling to permit the extension of the existing Agreement which would have allowed time for the new Administration to pursue a more substantial 5-year agreement.

Is the Bush Administration committed to returning to the negotiating table to achieve a meaningful bilateral market access agreement with Japan in this vital manufacturing and exporting sector of the U.S. economy? Given that Japanese Prime Minister Mori is expected to visit the U.S. in early February, can you please detail any specific plans and timetable the Administration has developed for achieving a meaningful agreement?

Answer: As I noted in my previous answer, I plan to consult at an early stage with Members of Congress and other interested parties on how to ensure the openness of the Japanese automotive market. I am willing to consider all options. Our goal needs to be to devise the best ways to open up Japan's market and increase opportunities for U.S. sales.

(10) Korea

Question: Over the years, our trade negotiations with South Korea seem to have been done on an issue-by-issue basis, with little, if any, overarching framework. This process might have been all right when Korea was a tiny economy, but circumstances are different now. Despite their economic problems, Korean industry is increasingly operating at the cutting edge. Its auto industry is about to become a significant global player. It is a member of the OECD. Negotiations on a bilateral investment treaty, which would help give a framework to our trade relationship, have made no progress in over a year. In the last Congress, I introduced a bill to provide fast track negotiating authority for a free trade agreement with Korea. The Finance Committee, in December, requested that the U.S. International Trade Commission examine the impact on both our economies of a free trade agreement. What are your views on an FTA with Korea? What are your thoughts about taking a new approach to Korea, rather than the piecemeal, ad hoc negotiations over specific issues?

Answer: As the President has indicated, this Administration is committed to pursuing market-opening agreements throughout the world. I am open to considering new approaches in our trading relationship with Korea and will be interested to review the ITC's study on the impact of an FTA—which may give us a better understanding of the specific benefits of such an agreement. As you note, a useful first step in giving a framework to our trade relationship would be conclusion of our bilateral investment treaty.

Question: A serious area of concern in Korea is with the automotive sector. Last year, out of a market of 1.5 million vehicles, only 4,400 were imports. Contrast that

with Korean auto exports to the United States which increased in the year 2000 by 42.7 percent over 1999, that is, 470,000 exported vehicles to the United States in 2000 versus 330,000 in 1999. Through October of last year, the automotive trade imbalance with South Korea was \$4.2 billion.

This is not a sustainable situation, and increasing friction is inevitable. Although there have been two auto agreements with South Korea, the problem continues to worsen. Foreign companies have experienced serious instances of harassment. Consumers have been threatened with tax audits if they purchase foreign products. Multilateral rules do not address these problems. Traditional trade remedies have had no affect. How will you address these issues as U.S. Trade Representative?

Answer: The trade figures you cite are certainly of concern and it is clear that additional action is needed to open the Korean automotive market. If confirmed, I will want to gain a better understanding from the USTR staff of the current agreement and problems which exist and then to work closely with the U.S. automotive industry and Members of Congress to determine the best course of action to take.

(11) Labor Position at USTR

Question: There is an assistant USTR spot for labor that is funded but not yet filled. I would like your thoughts about whether and when you will fill this important position.

Answer: If confirmed, I plan to review how USTR is structured and how it allocates staff resources among the various bilateral, regional, sectoral and staff support offices. As part of my overall review of organizational structure and staffing needs, I will look closely at how USTR manages labor-related trade issues. My initial impression is that it is a good idea to have a position at USTR to help me deal with labor-related issues. At this early point in time, however, I would not want to prejudge the outcome of an overall review and how USTR would organize or deploy resources to address these important issues.

(12) Lamb 201

Question: A WTO panel recently overturned the ITC's decision in the lamb meat safeguard case. I am most concerned about the ramifications of this decision and am interested in the Administration's plans to appeal this panel decision to the WTO's appellate body promptly.

Answer: I understand that the United States filed a notice of appeal on January 31st, appealing all four of the findings that were adverse to the United States. From what I understand, the Appellate Body will issue its report by late spring, after briefing and oral argument.

(13) Legal Focus on Trade

Question: I am worried that our trade policy process has become too litigious. We have spent years litigating with the EU on beef and bananas, to no avail. They responded with litigation over the Foreign Sales Corporation. We are involved in dozens of cases at the WTO. The legal staff at USTR has grown in recent years, but I wonder if it is large enough to litigate everything. I recognize that we need to pursue trade cases at the WTO, playing both defense and offense. But, we need to have the proper balance between a policy focus and a legal focus on trade. How you feel about this and whether you believe the balance within USTR and in our approach to the WTO is the correct one?

Answer: I too believe that we must strike a proper balance, and I agree that litigation is not always the best approach for tackling our trade disputes. Our goal should be to try to reach a settlement that opens and works for both sides. Before we choose the path of litigation, we also need to consider the likely resolution or remedy that might result from engaging in the dispute settlement process, and assess whether winning a case will actually solve the trade problem at issue. Once we do embark upon litigation, however, we must be prepared to fight it all the way, and if I am confirmed I will work with Congress to ensure that USTR has sufficient resources to do so.

(14) Semiconductor Industry

Question: Antidumping Law—The semiconductor industry, which is a significant employer in my state, was nearly wiped out in the mid-1980's by foreign dumping in the U.S. market. After obtaining relief under the antidumping law, the industry was able to come back and is today the world market share leader, employing over 280,000 people in high-paying jobs in this country.

During the Uruguay Round negotiations, many of our trading partners tried to weaken the international antidumping rules, and thus undermine the effectiveness of the law. In the end, after years of hard bargaining, a balance was struck that

has allowed the law to continue to work, albeit sometimes less effectively than before. The United States accepted this deal, and has lived by it.

I am concerned about reports that many of the same countries that sought to weaken the antidumping remedy in the Uruguay Round are planning to try this again in any new round of WTO negotiations. I would like your assurance today that you will not let this happen—that you will defend the antidumping law and preserve its effectiveness in any new round.

Answer: I firmly support the retention and use of an effective antidumping law and, if confirmed, pledge to work with the Congress toward that end. As you know, the Department of Commerce has the lead responsibility for administration of the law, but I will work closely with Secretary Evans to ensure that U.S. industries continue to have access to full and expeditious relief from unfair import competition. As I indicated at my hearing, effective trade remedy laws are key to securing broad public support for an open trading system. That will be a guiding principle for us as we pursue new, market-opening initiatives in the WTO and elsewhere.

*Question: China WTO Negotiations—*China is currently the third-largest semiconductor market in the world, and is expected to become the second largest market in the near future. China's accession to the WTO is therefore critical to opening this market for U.S. chip exports. While significant progress in these negotiations was made under the last Administration, a final multilateral deal still has not been reached.

Among the issues that reportedly remain outstanding is China's commitment to grant "trading rights"—the ability to import and export to all foreign firms. I understand that China is insisting that only foreign firms with a legal presence in China will get such rights. This denies access to smaller U.S. firms that want to export from this country. In addition, I am concerned about reports that China is seeking to limit the ability of the United States to use its "non-market economy" anti-dumping rules with respect to Chinese goods, after agreeing in 1999 to allow these rules to stay in effect for 15 years from accession.

I would welcome your assurance that USTR will not give in to Chinese efforts to change the terms of its accession in the final stretch of the negotiations. It is very important that the final deal with China be consistent with the 1999 bilateral Agreement.

Answer: The legislation passed by Congress mandates, as a condition for extending PNTR to China, that the President certify that the commitments made by China as a part of its accession to the WTO are at least as good as those made in its bilateral agreement from November 1999. I can assure you that I will not tolerate any backtracking by China on its WTO commitments.

*Question: FTAA Negotiations—*I am very pleased by the reports that the new Administration is planning to make the Free Trade Area of the Americas (FTAA) a trade priority. I would like to urge you to put Information Technology (IT) tariffs at the top of the list of issues to be addressed in those negotiations, and recommend that you seek a commitment from Central and South American nations to join the Information Technology Agreement (ITA) now as a downpayment on future market access commitments under the FTAA.

Only a very few Latin American countries have joined the ITA—a 1997 WTO agreement which eliminates tariffs on semiconductors, PCs, software, telecom equipment and other IT products. Meanwhile, many developing countries in other regions of the world including India and Indonesia—have signed on to the ITA. Latin American countries should act now to join this agreement. It is in their interests to do so, as this will give them access to advanced information technology at the most competitive prices and will spur growth in their own economies.

I would welcome your assurances that IT tariff elimination will be part of your near-term negotiating strategy on the FTAA.

Answer: I share your view that maintaining tariffs in the IT sector is demonstrably not in the interest of the countries of the Hemisphere that have yet to sign on to the ITA. Tariffs on IT products both harm competitiveness in general and discourage investment. If confirmed, I look forward to working with interested Members of Congress and the high-tech industries as we formulate our detailed negotiating priorities for the FTAA.

(15) Singapore

Question: The Clinton Administration began negotiating late last year with Singapore on a bilateral free trade agreement. They had hoped to complete it by the end of December, but were unable to. Last year, I introduced a bill to authorize fast trade negotiating authority for an FTA with Singapore, so I am very interested in this. Do you intend to resume these negotiations? If so, when? What will be your

guiding principles in this agreement? Will you pursue labor and environment provisions?

Answer: The President has stressed the importance of negotiating market-opening agreements throughout the world. As such, this Administration supports the negotiation of bilateral free trade agreements with willing and ready partners. Singapore is clearly one such nation. I understand that some progress has been made in these negotiations. If confirmed, I will carefully review the status of the talks, including provisions relating to labor and the environment. As to the timing and manner of continuing the negotiations, such a decision will be made based on a variety of factors, including close consultation with Members of Congress. The guiding principle in negotiating this agreement, as with any FTA, will be to secure an agreement that is comprehensive, provides solid commercial benefits and garners broad support.

(16) Small and Medium Enterprises (SMEs)

Question: In view of the importance of building a new trade consensus in the U.S., it would seem most appropriate that USTR involve the largest trade group, small and medium enterprises (SMEs) in a pro-active dialogue. As a first step in this effort, would USTR reappoint an Assistant USTR to be the SME Advocate within the organization to lead in this process?

Answer: Small and medium size enterprises (SMEs) definitely are a critical part of the business community and play a major role in U.S. trade and economic growth. If confirmed, I will ensure that USTR works closely with SMEs—as I understand it has in the past. As I stated previously, I will also review the agency's resources to determine whether any additional staff changes are necessary to ensure that this important area is addressed. Based on the question I received at my confirmation hearing, I have already had a brief discussion of this issue with Secretary Evans.

Question: The SME private sector trade advisory committee (ISAC 14) has set forth a number of trade issues for USTR trade consideration, however, little action or follow-up effort has taken place. Would USTR more aggressively employ the legislated SME advisory system already in place to better address that constituency's trade concerns?

Answer: I agree that it is important to take account of the interests of SMEs in developing trade policy. SMEs are a major source of employment and exports in the U.S. economy, and it is important for the concerns of this constituency to be fully addressed. If confirmed, I will ensure that USTR takes full account of the trade priorities and objectives of SNIEs through the ISAC 14 committee and other venues, and also work to ensure coordination with the Department of Commerce to assist SMEs with export promotion objectives.

Question: In view of the trade and dialogue gaps with existing Less Developed Countries (LDCs), would USTR work to integrate development funding organizations (i.e., USAID, World Bank and regional banks) in a constructive technical assistance and training effort to aid LDCs to better understand and implement important trade discussions and agreements?

Answer: I agree that it is essential to help LDCs implement their trade commitments so that they can fully participate in and benefit from the international trading system. If confirmed, I will be looking at ways to achieve this goal by, among other things, furthering coordination among the relevant international institutions. I think the idea of technical assistance by the international financial institutions related to trade is a very good one.

(17) Softwood Lumber

Question: As a result of public comment, USTR has identified 6 issues that should be addressed in any new Softwood lumber negotiations: stumpage prices, tenure reform, mandatory cut requirements, appurtenance, environmental regulations and the enforcement of environmental regulations. Will you be supportive of those 6 issues as a basis of discussion, and if so, how would you prioritize those issues?

Answer: As I indicated at my hearing, I am concerned about this problem and, if confirmed, I intend to work diligently to find an effective solution. I have not had a chance to review the specific comments received by USTR, but will carefully consider all aspects of this issue if I am confirmed. While I am not at this point in a position to prioritize the individual items that you identified, I look forward to working with you and others in assessing the factors most pertinent to resolving this dispute.

Question: The Softwood lumber dispute raises issues about the implications of Canadian forest practices on the shared environment and transboundary species. Former President Clinton has issued Executive Order 13141, Environmental Review of Trade Agreements, in an attempt to address these concerns. Will you be sup-

portive of the Order and any attempts by Federal agencies to analyze those implications in this instance?

Answer: From my experience with the NAFTA, I am familiar with the role environmental reviews can play in identifying environmental issues—both concerns and opportunities—in trade negotiations. As for applying Executive Order 13141 to the softwood lumber issue, any decision would be premature. While I am not yet familiar with the details of this Executive Order, my understanding is that it deals specifically with the negotiation of trade agreements, and it is not yet clear whether the United States and Canada will be entering into negotiations when the current softwood lumber agreement expires. If confirmed, I will be looking closely at all alternatives for resolving the softwood lumber dispute including the question of a review. I look forward to working closely with Congress and all interested stakeholders, including those with environmental concerns, on these issues.

(18) Telecommunications & Mexico

Question: As you know, Mexico's failure to allow a fully open market in telecommunications, as required by its WTO commitments, is causing significant harm to U.S. telecommunications carriers, which have invested hundreds of millions in competitive Mexican carriers. Mexico's market barriers in telecommunications also harm U.S. consumers by keeping termination rates for international calls unreasonably high. Over the last year, USTR has spent significant time working with the government of Mexico to insure that its WTO telecommunications are fulfilled. As a result, there has been some progress, for which USTR deserves much credit. How do you plan on proceeding to insure Mexico comes into full compliance?

Answer: I understand that the Government of Mexico has taken positive steps in recent months to promote competition in its telecom market and that carriers affiliated with U.S. companies have resolved some key issues. However, I am also aware that serious concerns remain. If confirmed, I would hope to address remaining concerns with my Mexican counterpart, while maintaining all appropriate options, including moving forward with the pending WTO case.

Question: USTR has already requested the establishment of a WTO panel against Mexico on telecom issues. Will you support further action by USTR in the WTO to ensure that Mexico complies with its WTO obligations in telecommunications?

Answer: Yes. Please also see my response to the previous question.

Question: Would you recommend that President Bush raise telecom issues at his upcoming meeting with President Fox?

Answer: I recognize the importance of telecom issues to both countries and am committed to pursuing these issues vigorously. I do think that these issues are of sufficient significance to be raised at the Presidential level at the appropriate time, but it would be inappropriate to disclose the advice I would give the President on a specific matter.

(19) Trade and the Environment

Question: Much of the debate on trade and the environment has focused on the relationship between trade agreements and environmental laws and regulations—particularly whether trade rules should be allowed to override environmental protections. How would you address these concerns and ensure that important efforts to defend the environment are not undermined by trade agreement provisions?

Answer: I am committed to ensuring that our efforts to open markets and negotiate trade rules are done in a way that is compatible with our strong system of science-based environmental, health and safety regulations. I believe these need not be contradictory goals. If confirmed, I will encourage regulatory agencies to be active participants in USTR's trade policymaking process and will ensure that we consult broadly with Congress and the full range of interested stakeholders as we develop our negotiating positions.

I believe that we must strive for a balance that provides for legitimate regulations and, at the same time, ensures that protectionist measures will not find cover in an environmental rationale.

Question: Transparency in the trade policy process and trade institutions has become a central concern, especially in the wake of the questions raised about the openness of the WTO during the 1999 Ministerial in Seattle. However, many questions arise concerning the FTAA process.

The consolidated draft text of the agreement, which has just recently been completed by the 34 participating countries, has not been made public. Meanwhile, the United States has released only very limited summaries of its own negotiating proposals, but not the detailed proposals themselves. The Canadian Government, on the other hand, has made public all of its actual proposals. Would you as USTR make public the text of the U.S. negotiating proposals? In addition, would you con-

tinue our country's participation in the FTAA negotiations if the draft text of the agreement is not made public?

Answer: I share your view of the importance of transparency in the trade policy process and trade institutions. As I said in my testimony, the benefits of open trade can only be achieved if we build public support for trade at home. This will require frequent consultation with all stakeholders and the sharing of information, where appropriate and consistent with our ability to advocate effectively the interests of the United States.

With respect to the draft text of the FTAA, I understand both your concern and your goal. I would, however, need an opportunity to fully review this issue, and its implications for our negotiating interests, before I make any commitment.

Question: Do you believe that our trade agreements should give foreign investors the right to sue the U.S. government to restrict or overturn domestic environmental regulations, including state and local regulations? For example, should a foreign investor be able to sue a local government in a U.S. court to overturn its decision about where it wants or doesn't want a hazardous waste facility?

Answer: I believe that the United States should not undertake trade commitments that would prevent us from enacting and enforcing legitimate environmental regulations. If confirmed, I would work to ensure that our trade agreements are fully consistent with that objective. As for your question regarding access by foreigners to U.S. courts, I would note that foreign investors, like domestic investors, are able to avail themselves of the U.S. court system for whatever causes of action are provided under domestic law.

Question: Earlier this month, USTR filed with the Office of the Federal Register a Notice of Initiation of Environmental Review and Request for Comment on Scope of Environmental Review of Mandated Multilateral Trade Negotiations on Agriculture and Services in the World Trade Organization. In this Notice, USTR stated that its Trade Policy Staff Committee has determined that the built-in agenda negotiations in agriculture and services warrant an environmental review. They concluded that the volume of trade in both agriculture and services is significant; and that this trade may have implications for land resource use, the quantity and quality of America's water; and other environmental issues. This Notice was scheduled for publication on January 23rd. But on January 22, USTR's Associate General Counsel asked that the Notice be withdrawn from publication. Do you intend to overturn the decision of the Trade Policy Staff Committee that the potential environmental impact of the built-in agenda negotiations needs to be considered? Or will you let this process go forward and support the progress that has been made thus far in reconciling this country's trade policies with its interest in protecting its environment and natural resources?

Answer: It is my understanding that the Federal Register notice initiating an environmental review of the WTO built-in agenda negotiations was withdrawn as part of an automatic, across-the-board review of regulations and notices with policy implications sent to the Federal Register at the end of the last Administration but not yet published. I have not yet had a chance to review this notice but, if confirmed, I will look into this question carefully and consult with Congress and a wide range of interested stakeholders in deciding how to proceed. In fact, as I noted at my confirmation hearing, one of my first priorities will be to begin a dialogue with non-governmental organizations and other interested parties on their issues of concern. I am confident that the United States' trade policies and its environmental objectives can complement each other and look forward to working with you and your colleagues on the best way to accomplish this goal.

Question: Do you intend to conduct a comprehensive environmental review of the FTAA including extensive public notice and comment? Will you also conduct a comprehensive environmental review of the WTO built-in agenda?

Answer: As I indicated in my response to the previous question, I feel it is imperative to ensure that our trade negotiations and environmental goals are pursued in a complementary manner. If confirmed, I will work closely with Congress and interested stakeholders to achieve this objective. With regard to the specific negotiations to which you refer, I will want to carefully consider the environmental issues that have been raised, proposals to address them and the requirements of the existing Executive Order regarding environmental reviews of certain trade agreements.

(20) U.S. Trade Laws and the WTO

Question: This question relates to U.S. trade laws and the WTO. I start out with the proposition that we must enforce our trade laws aggressively. In any society, failure to enforce its laws and rules leads to a debasement of the functioning of that society. Similarly, in the international trading system, failure to enforce trade laws leads to a proliferation of the worst, most unfair, and damaging practices. We also

must aggressively counter the efforts of some of our trading partners at the WTO to undermine and overturn U.S. trade laws. Now, when one of our trade laws is challenged at the WTO, we simply send a defense team to fight that challenge. There is no cost to those trading partners when they make this attack. We look at this as litigation. We need to look at such an attack in a broader policy perspective and ensure that our trading partners think twice before making such attacks on our laws. This leads to several questions:

Question: Will you commit to the aggressive defense of U.S. trade laws when challenged?

Answer: As I said in my testimony, we must enforce, vigorously and with dispatch, our trade laws. And when our use of those laws is challenged in the WTO, we must mount an aggressive defense, both in terms of the particular application of those laws in a given case as well as in the broader context of defending our right to take action. I can assure you that I am firmly committed to enforcing and defending U.S. trade laws.

Question: Will you use trade policy mechanisms to raise the cost to our trading partners of attacking our trade laws at the WTO?

Answer: I will make it very clear to other WTO members that we fully intend to enforce our unfair trade laws and defend them when challenged. This is important for achieving a level playing field and also to sustain public support for the WTO.

Question: Will you support self-initiation of 201 cases when appropriate?

Answer: Yes.

(21) Vietnam

Question: The U.S.-Vietnam bilateral trade agreement has been signed by both countries. When will the Administration transmit it to the Congress so we can begin the approval process? I hope you will move on the Vietnam agreement simultaneously with the U.S.-Jordan FTA.

Answer: As I stated at the hearing, I am mindful that transmittal of the Vietnam agreement will set in motion certain deadlines for Congress's consideration of the proposal. As such, I will want to consult closely with the Finance Committee and the Ways and Means Committee, as well as the leadership in both bodies, to determine an appropriate time for submission of the agreement.

(22) WTO Ministerial

Question: I am concerned about the decision to hold the WTO Ministerial this year in Qatar. I recognize that many governments want to avoid a repeat of demonstrations in Seattle. That is precisely the wrong approach. The more institutions they are, and the more suspicious people become. In this era when the skepticism has grown so much regarding the benefits of globalization, hiding from those who question globalization is dangerous and puts the system in jeopardy. What are the Administration's views on this WTO decision? What steps will you take to ensure that those who want to be close to this process are able to enter Qatar, to speak freely, to observe this process.

Answer: I have not had the opportunity to examine carefully the decision made by WTO members to hold the next ministerial meeting in Qatar. In general, however, I do believe that the choice of sites to host ministerial meetings should be reflective of the diverse membership of the WTO.

As for the issue of access, I agree with you that it is essential that the public and members of nongovernmental groups have the opportunity to observe this process, to speak freely and to participate as appropriate. It is my understanding that it has been the practice in past ministerials to ensure such access. It is also my understanding that Qatar has assured WTO Members that it will follow this established practice when it hosts the ministerial meeting. If confirmed, I will look carefully into this issue, and work hard to ensure that appropriate accommodations are made for the public and interested groups.

(23) WTO Rights for Foreign Insurance Companies

Question: One of the provisions of the China PNTR legislation mandates that the President shall not accept China's WTO membership unless the terms of its accession are "equivalent" to the terms agreed in the November 1999 bilateral between the U.S. and China. I have been paying close attention to a specific provision of that agreement guaranteeing that U.S. insurance companies will have the right to establish sub-branches on the same equity basis as their existing operations. I have written Ambassador Li about this and I know Ambassador Barshefsky and her team were committed to making sure this right was preserved in the final WTO agreement. Yet we hear the Chinese are trying to backtrack on this commitment. Can you assure me that you will not agree to any agreement until this bilateral commit-

ment is clearly accepted by China in its final WTO accession package, and that the President will not send his report to Congress as required under H.R. 4444 until that right is absolutely clear?

Answer: I am well aware that H.R. 4444 mandates that the President certify that the commitments made by China as a part of its accession to the WTO are at least as good as those made in its bilateral agreement from November 1999. I can assure you that I will not tolerate any backtracking by China on its earlier commitments.

RESPONSE TO AN ADDITIONAL QUESTION FROM SENATOR BAUCUS

Question: Since the regular rotation of products referenced in Section 407 of the Trade and Development Act of 2000 has passed, will you consider removing lead-acid storage batteries (HTS #85072080) from the Harmonized Tariff Schedule?

Answer: If confirmed, one of my central objectives will be to bring the EU into compliance on both beef and bananas, thereby obviating the need for a retaliation list altogether. I will also examine closely the carousel legislation to understand its specific requirements. As I noted in my previous responses, I am mindful that we should not just leave in place a retaliatory list that is not having the intended effect of inducing a WTO Member to comply with its obligations.

As for your specific question regarding lead-acid batteries, I understand that USTR received many comments as part of the Federal Register process in support of removing this product from the retaliation list. If confirmed, I will certainly keep this in mind as I consider next steps in the beef and banana disputes.

RESPONSES TO QUESTIONS FROM SENATOR ROCKEFELLER

Question 1: Despite being home to some of the largest and most competitive automotive companies in the world, the United States runs an annual trade deficit of over \$100 billion in autos and auto parts. While the American economy—and the economy of West Virginia—have benefited from the competition created by an open U.S. automobile market, unfortunately our fine U.S. automobiles and auto parts do not have the same opportunities in some important foreign markets, particularly in Japan and Korea, which are two of the largest exporters to the United States. Are you committed to negotiate a new auto and auto parts agreement with Japan, since the last one lapsed at the end of 2000? Will you take steps to ensure that U.S. autos have fair access to the Korean market, where imports currently account for less than 1 percent of the market?

Answer: I agree with you that it is vitally important to open foreign markets for American autos and auto parts. If confirmed, I plan to consult at an early stage with Members of Congress and representatives from industry and labor on U.S.-Japan and U.S.-Korea automotive issues, at which time I hope to gain a better understanding of the current dynamics in this sector and determine what steps should be taken to ensure that both the Japanese and Korean automotive markets are as open as ours. I also intend to work with Commerce Secretary Evans and other Administration colleagues to achieve meaningful market access in this important sector. As to your specific question regarding the 1995 U.S.-Japan Automotive Agreement, I am willing to consider all options.

Question 2: Some have also mooted the notion of a bilateral free trade agreement with Japan. Inasmuch as the most important trade barriers U.S. products face in are informal and beyond the purview of most trade agreements—exclusionary business practices, anti-competitive behavior, excessive regulation, cross-ownership of corporate assets—its seems that our longstanding trade problems with Japan might not be particularly susceptible to the “fix” of a bilateral trade agreement. Moreover, this would saddle the United States (rather than the WTO) with the responsibility—and in Japan, the blame—for negotiating away Japan’s core protectionist practices, particularly in the agricultural area. In view of that, do you believe a bilateral free-trade agreement with Japan would be a productive option for the U.S. to explore?

Answer: Achieving free trade between the U.S. and Japan is certainly a laudable objective. Eliminating barriers to trade, including the ones you describe in your question, would provide significant benefits for producers of goods, services and agricultural products in both countries. In my view, however, a free trade agreement (FTA) negotiation with Japan would present enormous challenges. I am not convinced that Japan is ready at this time to undertake the market-opening and structural reforms necessary for a successful FTA.

Question 3: Bilateral (sectoral) trade agreements with Japan/flat glass: In recent years, Japan has refused to engage in bilateral discussions with the United States on some trade disputes (e.g. film); and in certain sectors, most notably flat glass, the Japanese Government has refused to consider the extension (or enhancement) of earlier bilateral trade agreements that failed to lead to an appreciable improve-

ment in market access for U.S. products. The multilateral WTO process can be useful, but is of limited value to address the informal or structural barriers U.S. products face in the Japanese market. Do you intend to continue pursuing bilateral remedies to our trade conflicts with Japan, where appropriate? If so, how will you overcome Japan's increasing reluctance to agree to bilateral solutions with the United States—Japan's largest trading partner and key security ally?

Answer: I agree with you regarding the problems associated with informal and structural barriers in Japan. It is important for our exporters and for Japan's economic well-being that it open its markets and pursue trade liberalization. One of the reasons Japan has been stumbling economically for a decade is that it has not deregulated and opened up its economy. Our focus should be on working with Japan to ensure that it deregulates, which would include improving transparency and securing strong enforcement of competition policy. Deregulation will help Japan grow and help us gain better market access, leading to growth in U.S. exports to that country.

As to your specific questions, I will continue to use both multilateral and bilateral approaches to open markets and resolve trade problems with Japan. I recognize the importance of the WTO in resolving disputes, but I also recognize that the nature of barriers faced by U.S. firms in Japan present unique challenges that often need to be addressed bilaterally.

Question 4: The United States is negotiating a free trade agreement with Singapore, has begun discussions on a free trade agreement with Chile, and apparently New Zealand has also requested that we begin negotiations on a bilateral free trade agreement. As a matter of priority and of policy preference, how do you see this emerging network of bilateral agreements fitting into the Administration's stated priorities for a Free Trade Area of the Americas and for a new round of WTO talks, as well as the revitalization of the APEC process? Do you envision the U.S. embarking upon bilateral agreements with other Asia-Pacific nations (e.g., Australia, Korea, ASEAN nations)?

Answer: As you noted, President Bush has stated that expanding free trade in the Western Hemisphere is a top priority, and if confirmed, I will vigorously pursue that goal. At the same time, America's trade and economic interests extend far beyond this hemisphere. We want to launch a new round of global trade negotiations, emphasizing a key role for agriculture. We will seek to negotiate regional and bilateral agreements to open markets around the world with nations ready and willing to implement faithfully the obligations of such agreements. I believe this would create a competitive dynamic among nations to endorse and implement free trade. There are opportunities in the Asia Pacific, including encouraging fulfillment of APEC's free trade goals.

With trade promotion authority, the United States can set the pace and lead the world. In the absence of this authority, other countries will continue to move forward with trade agreements without us. We cannot afford to cede U.S. leadership to others.

Question 5: Taiwan has successfully concluded all its bilateral negotiations on WTO accession and is now simply awaiting China to join the WTO before it does so as well. China has already tried, without success, to raise additional hurdles to Taiwan's membership. The last Administration, and your predecessor as USTR, did an excellent job of holding the line on China's efforts to attach conditions to or otherwise delay Taiwan's membership in the WTO. Are you prepared to re-affirm to China that the United States will permit China's membership in the WTO to go forward only on the understanding that Taiwan's membership will go into effect immediately thereafter and along the lines already negotiated by Taiwan and its trading partners?

Answer: Yes.

Question 6: The subsidy of the development of the A380 super-jumbo jet by European governments poses a serious anti-competitive threat to the United States aerospace industry, which doesn't enjoy this sort of development subsidy. Will you press for a full accounting of the payment terms and requirements of the A380 development subsidies? If those development subsidies are not being provided on commercial terms, as the European Commission maintains, will the Administration take the appropriate retaliatory action, either within the WTO or outside the WTO process?

Answer: I am well aware that the provision of commercial aircraft subsidies by EU Member State governments is a long-standing problem in the US-EU trading relationship. I also know that the launch of the Airbus A380 with financial support from European governments is a matter of serious concern. If confirmed, I will carefully consider our trade policy response to the European financing for this aircraft, and will work closely with U.S. industry to devise an appropriate strategy for ad-

addressing this important transatlantic trade issue. Ensuring strict compliance with existing agreements will be a matter of the highest priority for this Administration.

Question 7: There is increasing concern that the European Commission's merger review process—which is not subject to meaningful judicial review—is being manipulated by European companies and regulators to erect additional obstacles to acquisitions by U.S. companies (both in Europe and within the United States), even when those mergers are being fully reviewed by U.S. antitrust authorities. There is concern European merger authorities are holding U.S. mergers to a higher, more difficult standard than mergers involving European “champions.” This has been particularly apparent in recent mergers in the telecommunications, aerospace and aviation industries. Are you prepared to monitor closely the European Union's application of its antitrust law, and, in tandem with the Department of Justice and the Fair Trade Commission, ensure that European law designed to prevent anti-competitive behavior does not in practice become a trade and investment barrier against U.S. companies?

Answer: I appreciate the concerns you have expressed regarding the European Commission's merger review process. The removal of foreign trade and investment barriers is a leading responsibility at USTR—a role I take most seriously. If confirmed as USTR, I would expect to consult closely with my colleagues at the Department of Justice and the Federal Trade Commission on the most appropriate way to address this issue.

Question 8: In October the United States announced a free-trade agreement with Jordan that was ground-breaking in that it included, in the main body of the agreement, key provisions guaranteeing the rights of workers, committing to enforce national labor laws, and reaffirming the core labor standards adopted in 1998 by the International Labor Organization. The agreement also contained important provisions designed to ensure that environmental laws would not be relaxed in an effort to promote trade. Are you committed to the inclusion of similar labor and environmental provisions in the bilateral and regional (AND MULTILATERAL?) trade agreements you will negotiate with our trading partners?

Answer: As I stated in my testimony, I am committed to trying to restore the consensus on trade policy and to moving the trade agenda forward. If confirmed, I will work with you and other Members of Congress as well as all interested groups, including those representing labor and environment, with a very open mind, to try to mobilize broad support for freer trade. I would prefer not making a commitment regarding how I will proceed on these issues until I have engaged in a full process of consultation. But I am of the view that one size doesn't necessarily fit all, and that flexibility is important in how we approach these issues.

RESPONSES TO QUESTIONS FROM SENATOR NICKLES

Question 1: Since more American jobs depend on the use of lumber than there are jobs in domestic lumber production, my question is when you enter into negotiations on trade issues what factors will you consider more, domestic producers or domestic consumers?

Answer: If I am fortunate enough to be confirmed, my approach to trade negotiations will be to take into account the interests of all U.S. stakeholders, to consider U.S. rights and interests under international rules, and to do my best to formulate a position that is in the national interest. Regarding lumber issues with Canada, I will certainly want to continue to engage in consultations with all interested parties as we consider the appropriate next steps on this complex issue. I look forward to working with you and other interested Members.

Question 2: What assurance can you give me that the office of the USTR, under your leadership, will make protection of intellectual property rights for America's content industries a top priority and that you will use the full powers of the USTR and US trade law to persuade other nations to respect and enforce the intellectual property rights of America's entertainment industries, including the video and computer industries?

Answer: The protection of intellectual property—including the rights of America's entertainment, video and computer industries—is extremely important for the United States because it is one of our great comparative advantages. Ensuring implementation by member countries of their obligations under the WTO TRIPS Agreement must be a high priority. In addition, if confirmed, I will make full use of WTO dispute settlement and the “Special 301” provisions of our trade law, as appropriate, to leverage improved IPR protections in other countries. If confirmed, I will ensure that our trading partners implement IPR commitments made in existing agreements, and will use new market-opening initiatives, such as FTAA, Chile and Singapore negotiations, to seek further improvements in EP protection.

Question 3: One area of particular concern for all of these industries is the threat posed by the explosive growth of internet piracy of software. The U.S. has established a fairly effective legal regime to address illegal activity on the internet. Can you assure me that the office of the USTR will promote the adoption and implementation of similar measures by countries that are demonstrated to be allowing a disproportionate amount of internet activity that is infringing on intellectual property rights?

Answer: I can assure you that, if confirmed, I will press for strong protection against internet piracy of software and other products protected by copyright, focusing particularly on countries that are the most egregious violators. Again, this is an area where the United States has a tremendous competitive advantage and a clear interest in pushing for rigorous protection such as that provided in the United States.

Question 4: The EU moratorium on any new biotech approvals, even for the importation of grains and foods, that their own scientific panels have found to be completely safe is now a major problem for farmers in America. What are you prepared to do to get the EU to lift its moratorium and approve pending products? Will this be a high priority on your agenda? I would like you to send the Finance Committee a progress report on your efforts to address this serious problem by April 1.

Answer: Addressing our trade problems with the EU with respect to bio-engineered agricultural products will certainly be a high priority on my agenda. America's farmers should not be the victims of the EU's failure to establish and operate a timely, fair and effective approval system for genetically engineered agricultural products. If confirmed, I will work closely with the Congress, as well as with U.S. agricultural interests and technology companies, and other interested stakeholders, to determine the best course of action to address this problem.

Question 5: Despite biotech's widespread acceptance in the U.S. and many other countries, there has been consumer resistance in some markets, much of which comes from misinformation about the safety of biotech products. It is vital that the new administration undertakes an effort to promote and expand acceptance of biotech products. Are you prepared to rigorously defend the safety of scientifically tested and proven biotech products against unjustified attacks from those who are trying to exploit consumer fears in the EU and elsewhere?

Answer: Ensuring that consumers have accurate information regarding the safety of biotech products is essential. Both government and private groups have a responsibility in this regard. If confirmed, I will certainly be committed to defending the principle that health and safety regulations must be scientifically based and should not be used as disguised protectionism.

Question 6: I am concerned that certain EU member states are working through various international bodies to discourage the adoption of science-based systems for regulating biotech globally, and more are instead seeking to build an international framework that is biased against technology. Many nations throughout the world look to the U.S. for guidance on issues such as this, but in my view our government has not shown enough leadership. How do you propose to ensure U.S. leadership in crafting a sensible set of international rules regarding biotech trade—one that safeguards real risks, but does not reflect the hysteria and junk science inherent in many reactions to these products? Do you think that a more coordinated response from the various U.S. agencies involved in this issue could help in these efforts? What can you do to ensure such coordination?

Answer: The question of food safety is an important one, and efforts to ensure that food imports are safe will be a priority. Health and safety standards employed to ensure safety must be based on scientific principles and evidence. Otherwise, they will do little to ensure the actual safety of the food being consumed, whether it is produced domestically or imported. In addition, standards not based upon science can be used, purposely or inadvertently, as a tool of protectionism. If confirmed, I will work to ensure that health and safety standards employed to ensure food safety are based upon scientific principles and evidence. Further, I will certainly work with other interested agencies in the U.S. to ensure that we effectively utilize all available resources to accomplish this task.

Question 7: The previous administration pledged to push for further privatization of government-owned telecommunications companies. Would you agree that it would be desirable to encourage other countries to privatize further as part of upcoming trade negotiations?

Answer: Yes. Privatization of government-owned telecommunications companies is an important goal, and complements our efforts to open markets and encourage competition. Should I be confirmed, I will continue to press governments to privatize their telecommunications companies.

Question 8: What steps would you take as USTR to ensure that other countries fully and quickly open their telecommunications markets to competition?

Answer: U.S. law and our trade agreements provide a range of tools to ensure that competitive opportunities in telecommunications markets abroad are maintained and expanded. If confirmed, I would vigorously enforce our laws, such as section 1377 of the 1988 Trade Act, and trade agreements, such as the WTO Basic Telecom Agreement. I will also work to expand telecommunications market-opening commitments in the WTO, as well as in regional and bilateral negotiations.

RESPONSES TO QUESTIONS FROM SENATOR SNOWE

Question 1: Will you work with the [forest products] industry to advance this goal in the near term, either in bilateral or multilateral negotiations, and if so, how?

Answer: As with any product, tariff escalation can be a real problem. With respect to wood and paper products, I am aware that the forest products industry had sought tariff liberalization through the Accelerated Tariff Liberalization initiative. From what I understand, some progress had been made on this issue at the Asia Pacific Economic Cooperation forum and, later, at the Seattle Ministerial. If confirmed, I will work closely with the forest products industry to advance its trade agenda in both bilateral and multilateral negotiations.

Question: How do you plan to use [the Uruguay Round Agreements Act] authority to make ATL sectoral tariff agreements an “early deliverable” in our FTA negotiations with Chile, the Free Trade Area of the Americas (FTAA) and any other trade agreements the U.S. may negotiate?

Answer: The Bush Administration is committed to opening foreign markets to U.S. exports, and I am aware that the ATL sectors represent important U.S. exports. If confirmed, I will work closely with U.S. industry to develop priorities for the FTA negotiation with Chile, the FTAA, and other trade agreements. I will, in turn, work with my counterparts abroad to pursue U.S. interests. I know that it is important that we make progress on the ATL sectoral tariff agreement. However, it is also important not to take any action that could undermine our leverage for some of the more difficult issues in future negotiations, such as agriculture.

Question 2: How do you plan to get Japan to open its market to U.S. forest products?

Answer: Ensuring compliance with trade commitments will be a central priority of mine and of this Administration. I am not aware of a threat by the Government of Japan to initiate a safeguard action against wood products imports. If confirmed, however, I will certainly focus my attention on this specific issue and on the larger objective of opening the Japanese market to U.S. wood and paper products.

Question 3: Do you think it is appropriate for the U.S. to reach some understanding with our G-7 colleagues—and especially the EU—to avoid excessive volatility in our currencies? Should the maintenance of a strong, but competitive dollar exchange rate be a cornerstone of the Administration’s trade and economic policy?

Answer: As in any Administration, it is essential that comments regarding exchange rates and the value of the dollar be left to the President and the Secretary of the Treasury. If confirmed, I will, of course, be working closely with the President’s economic team in formulating and implementing our international economic policy. Nevertheless, I would defer to the President and the Secretary of the Treasury for any specific comments on the value of the dollar.

I do, however, want to make clear that I believe that trade policy does matter, even in light of currency fluctuations. Currencies fluctuate up and down over time in a flexible exchange rate system while, in the trade arena, we negotiate permanent changes to the conditions of trade. Negotiating the permanent elimination or reduction of a tariff against a U.S. export is meaningful, regardless of any changes in exchange rates.

Question 4: As USTR, what do you plan to do to protect these industries from a massive disruption in their exports to Europe?

Answer: The dispute with the European Union on the Foreign Sales Corporation is, of course, a tremendously important and sensitive issue. I am still learning about the details of this dispute, but I have to say that I have grave concerns regarding the European Commission’s motivation for bringing this case. I am well aware of the implications for our industries if the Europeans choose to retaliate. The EU also has to understand that their actions in this case are threatening to undermine support for our participation in the WTO. After all, the WTO rules are not intended to dictate the fundamental structure of a country’s tax or fiscal system. I would urge the EC to exercise great caution in deciding how to proceed with this case.

Question 5: Do you plan to make sure that China does not backtrack on these commitments [regarding potatoes]?

Answer: The PNTR legislation passed by Congress mandates that the President certify that the commitments made by China as a part of its accession to the WTO are at least as good as those made in its bilateral agreement from November 1999. I need to understand better the specifics of China's commitments regarding potatoes, but I can assure you that I will not tolerate any backtracking by China on its WTO commitments.

Question: The USTR must also deal quickly with remaining phytosanitary issues on fresh products. Do you plan to do this?

Answer: I am not aware of the specifics regarding negotiations with China on phytosanitary standards relating to fresh products. In general, however, I would emphasize that removal of unjustified technical barriers to imports of U.S. agricultural products will be an important objective during negotiations with China, as with any country. Duty reductions and tariff-rate quotas negotiated in any trade agreement will only be commercially meaningful if there are no other barriers to trade. If confirmed, I will certainly look into this carefully and pursue the matter as appropriate.

Question 6: Do you plan to negotiate with Mexico to open their markets to fresh and seed potatoes from the U.S.?

Answer: If confirmed, I will need to consult with the USTR staff and to hear from the potato industry to understand better the specific facts surrounding this issue. However, as I noted earlier, opening markets to our products will be my central mission as USTR. As for the specific issue that you are raising, this Administration will work hard to ensure that SPS standards in Mexico, and elsewhere, are based on sound science.

Regarding tariff elimination, it is my understanding that there are timetables set forth in NAFTA for the elimination of duties on these products. If confirmed, I will certainly look into the possibility of accelerating the elimination of duties on these products.

Question 7: Will the USTR look into leveling the playing field for U.S. potato exports to Canada?

Answer: Yes. I will certainly look into any restrictions that limit our access to other markets, with regard to potatoes or any other product. If confirmed, I will consult with the USTR staff, and with the potato industry, to find out more about the specific barriers to which you refer.

Question 8: Will you work to achieve unrestricted immediate duty free access for fresh and processed potatoes and support science-based provisions to assure sound science phytosanitary issues?

Answer: If confirmed, I will certainly work to achieve the maximum market access for American producers and farmers in any negotiation, including negotiations with Chile on a Free Trade Agreement. My understanding of the negotiations with Chile is that talks were initiated only recently, and the process of consultation with Congress and the private sector regarding priorities in the negotiations is not yet complete. If confirmed, I will make sure that the U.S. potato industry has every opportunity to participate fully in these consultations.

As for your question regarding SPS standards, it has long been the view of the United States, and it will continue to be the view of the Bush Administration, that SPS standards must be scientifically based. I will work toward this very important objective in any upcoming negotiation where these issues are being discussed.

Question 9: Will you support [full access for potatoes under the FTAA]?

Answer: President Bush strongly supports a hemispheric free trade initiative. This is essential to ensure that our workers and farmers, including potato farmers, have full access to the markets in our hemisphere. In addition, as I stated earlier, this Administration will work hard to ensure that SPS standards are based on sound science.

Question 10: Do you plan to implement the carousel retaliation law?

Answer: If confirmed, my intent will always be to apply the law. This is an obligation that I take very seriously.

As for your specific question regarding the carousel provision, I know that this is a matter of great sensitivity and importance to many members. That is why, as I stated during the hearing, I need to examine further the details of the legislation so that I can better understand its specific requirements.

It may be helpful, however, for me to give you a little bit of context as to how I view the carousel concept. I see this measure as potentially a valuable tool, insofar as it encourages compliance in a particular dispute. After all, it serves no one's interest to have a retaliation list remain in place for an extended period of time, if it is having no constructive effect. At the same time, it is important to maintain flexibility in how to deal with any trade dispute. Our goal should be to resolve the problem and open markets. My views, of course, will not bias my reading of the stat-

ute, but I thought it might be helpful to give you a sense of how I look at the provision in principle.

RESPONSES TO ADDITIONAL QUESTIONS FROM SENATOR SNOWE

Question 1: In my state of Maine, the domestic rubber footwear industry has been a vital part of the economy but has faced adverse effects due to low-cost imports over a period of years. Because of the import sensitivity of this labor-intensive industry, our government saw fit to exclude it from the Kennedy Round, the Tokyo Round, and the Uruguay Round. As you know, such exclusions have not been granted in free trade agreements.

If it has been determined that this import-sensitive domestic industry necessitates an exemption from trade agreements with other countries or regions, why then should it be viewed differently during free trade agreements?

Answer: The negotiating dynamics in the WTO are very different from those in the context of an FTA. The basic objective of a round is to reduce barriers to trade. The basic objective in a free trade agreement (FTA), on the other hand, is just that—free trade. If the United States were to begin exempting sectors in an FTA negotiation, the other countries involved in the talks would do the same on products of great interest to the U.S. In the end, the free trade objective would not be achieved and some of the most pernicious barriers to our exports would remain in place.

Having said that, I am very mindful of your concerns regarding the impact of free trade agreements on the domestic rubber footwear industry. The benefits of trade liberalization are real and widespread, but I understand that the competitive pressures on certain import-sensitive sectors can, at times, be severe. If confirmed, I hope that I can work with you to better understand the situation faced by Maine's rubber footwear industry.

Question 2: Under the WTO, free trade is understood to mean “a group of two or more customs territories in which duties and other restrictive regulations of commerce . . . are eliminated on *substantially* [emphasis added] all trade. . .” This understanding does not require an elimination of all duties. The 1994 Understanding does not preclude this interpretation.

Would you agree with the principle that the rules should be the same for all trade agreements, including FTAs, to determine whether an import-sensitive domestic industry such as rubber footwear should receive an exclusion?

Answer: As I noted in my previous response, the negotiating dynamics in FTAs and the WTO are very different.

This, however, does not diminish the significance of the impact felt by certain import-sensitive industries. If confirmed, my goal will be to ensure that we have a trade policy that truly levels the playing field so that competition can be open and fair.

RESPONSES TO QUESTIONS FROM SENATOR TORRICELLI

Question 1: A number of Members of Congress have joined me in complaining to the Government of China about the piracy in China of copyrighted standardized tests administered by the Educational Testing Service, headquartered in New Jersey. Can you assure me of your support in trying to end this piracy, and, if so, what actions are you prepared to take?

Answer: I need to understand better the specifics of this particular copyright piracy complaint, but I can assure you that I will not tolerate intellectual property rights violations of the type you describe in China or elsewhere. If confirmed, I will certainly look into this carefully and pursue the matter as appropriate.

Question 2: If this (trucking) decision goes against the U.S. will the U.S. abide by the result? What steps will the U.S. take to preserve the safety of America's roads by ensuring that any Mexican trucks operating in the U.S. are properly regulated?

Answer: The President has indicated that he believes the NAFTA trucking provision should be implemented. I will, of course, want to study the final report of the NAFTA Panel when it is issued.

My understanding is that nothing in the NAFTA prevents us from applying our own safety standards or from taking any necessary steps to enforce those standards. Should I be confirmed, I will consult closely with the Department of Transportation, Members of Congress, and other interested parties to ensure that Mexican trucks operate safely within the United States.

Question 3: During the past 4 years, the USTR enjoyed some notable success with the Enhanced Initiative on Deregulation and Competition, with its focus on sectors vital to U.S. international competitiveness. By doing that, they ensured U.S. indus-

try a place at the table in negotiations with the Japanese Government for the past 4 years. It is my understanding that the Japanese Government would like to reduce the importance of this Initiative by turning it into a monitoring arrangement with the U.S. I object to this and would hope the USTR continues to give the talks their full support.

Can we count on your support for continuing to press Japan to deregulate its economy and the various industry sectors that were the focus of the Enhanced Initiative?

Answer: One of the major reasons Japan has been stumbling economically for a decade is that it has not deregulated and opened up its economy. Our focus should be on working with Japan to ensure that it deregulates, which would include improving transparency and securing strong enforcement of competition policy. The Bush Administration places a high premium on working with Japan to achieve further meaningful deregulation of its economy.

RESPONSE TO A QUESTION FROM SENATOR KYL

Question: Will the Bush Administration support Taiwan's entry to the WTO and insist that China live up to its pledges not to try to block such an outcome?

Answer: Yes.

RESPONSES TO QUESTIONS FROM SENATOR LINCOLN

Question 1: Mr. Zoellick, will you make this pressing problem [regarding Canadian softwood lumber practices] your first priority immediately upon your confirmation?

Answer: As I indicated at my hearing, I am concerned about this problem and will make it a priority to both learn more about the intricacies involved and the potential avenues for resolution. I understand that there has been a long history to the dispute, including findings of subsidies in countervailing duty cases, the establishment of an export tax in the 1980's, and the negotiation of the current agreement establishing a tariff rate quota. It is also my understanding that there have been concerns expressed from differing sides regarding the current agreement, dealing with, among other things, Customs classification and circumvention issues. If confirmed, I will certainly want to consult closely with Members of Congress and interested stakeholders to explore possible solutions. This issue will be very high on my agenda. I know well the press of time given the expiration date of the current agreement.

Question 2: Will you contact your Canadian counterpart, and report back within 1 week of your being confirmed on whether Canada is willing to make the necessary reforms to their system or put in place a real and complete offset to their subsidies and dumping before the expiration of the U.S.-Canada Softwood Lumber Agreement on March 31?

Answer: If confirmed, my first task will be to learn more about this issue from our side, especially the USTR staff. I want to be able to sit down with my counterpart in Canada as soon as practicable to discuss avenues for a solution. As noted, I fully intend to consult closely with Congress throughout this process.

Question 3: What would you do to move Japan and our other trading partners to eliminate trade-distorting import barriers and allow substantial market access to U.S. rice?

Answer: While I need to learn more about the details of this issue, I am aware that U.S. rice producers face a number of market access barriers abroad. If confirmed, my intent would be to press for expanded access through monitoring and enforcement of our current trade agreements and, where possible, through further trade negotiations. Reducing trade barriers to agricultural products, including those facing rice in Japan and in other markets, will be one of the central trade priorities of this Administration. We need to pursue this priority through tariff reductions, expansion of tariff-rate quota quantities and reductions in trade-distorting support. I look forward to working with our agricultural industry and the Congress to identify barriers that should be reduced and negotiating approaches that create new market access opportunities.

Question 4: Can I have your assurance that you will give this important sector [i.e., retail companies such as Wal-Mart] a high priority in trade negotiations?

Answer: Efficient distribution is an essential feature in the infrastructure of modern economies, and I believe that retail distribution should be among our priorities for current and future services negotiations. I worked effectively with retail distribution companies to open markets in Japan through the Structural Impediments Initiative negotiations. If confirmed, I would welcome the opportunity to work with companies, such as Wal-Mart, that are highly competitive in world markets, to bet-

ter understand the avenues that are available to expand market access. I can assure you that, if I am confirmed as the USTR, our negotiators will continue to press these issues vigorously in international negotiations.

Question 5: If confirmed, what steps will you consider in the Office of the U.S. Trade Representative to increase the profile of retail in trade negotiations?

Answer: I agree with you regarding the importance of eliminating restrictions on retail trade. It is my understanding that the United States has submitted to the WTO a number of negotiating proposals as part of the on-going WTO services negotiations and that among the priorities in that document is addressing barriers to retail distribution services. If confirmed, I will press ahead with efforts to address such barriers, not only in the “built-in” WTO services negotiations, but in other multilateral and bilateral negotiations as well.

Question 6: What trade laws are you willing to use to discourage such anti-competitive activity [i.e., the creation of protectionist barriers against retail establishments] on the part of foreign countries?

Answer: I am concerned, in this context as well as others, about the practice of certain foreign governments to employ facially neutral regulatory measures as a means of erecting disguised barriers to U.S. goods, services and investments. If confirmed, I would certainly use all tools at my disposal to eliminate barriers of this kind, including, where appropriate, those trade remedy laws (such as Section 301) that have been provided by Congress. I would also forcefully advocate our rights under existing agreements, such as the WTO and NAFTA, that prohibit the creation of technical standards as unnecessary obstacles to trade.

Question 7: The Commerce Department chairs the inter-agency Committee for the Implementation of Textile Agreements (CITA). We need to make sure their procedures are open and fair to everyone concerned, including consumers, retailers and textile procedures.

Will you be an advocate to CITA for fair and open procedures for all interested parties?

Answer: If confirmed, I would look forward to working with the Commerce Department and other agencies represented on CITA to ensure that the Committee maintains and implements fair and open procedures.

Question 8: What do you see as the future role of the USDA/FAS Cooperator program [particularly in the context of the wood products industry]?

Answer: I look forward to learning more about the operation of this particular program, which I understand is organized and administered through the Department of Agriculture, including ways in which its mission can be best coordinated with the activities of USTR. If confirmed, I will certainly explore ways in which USTR and USDA can better utilize their collective resources—both with regard to the forestry industry in particular as well as agriculture more broadly—to further agricultural trade liberalization. Our wood products industry is extremely competitive internationally, and eliminating foreign trade barriers in this sector must be a key priority.

Question 9: How will you work with the [forest products] industry to advance this goal [of eliminating tariffs] in the near term, either in bilateral or multilateral negotiations?

Answer: Although I am not familiar with the details, I understand that the forest products industry sought tariff liberalization for wood and paper products through the Accelerated Tariff Liberalization initiatives. From what I understand, some progress had been made on this issue at the Asia Pacific Economic Cooperation forum and, later, in discussions with WTO trading partners. If confirmed, I will work closely with the forest products industry to advance their trade agenda in both bilateral and multilateral negotiations.

Question 10: Will your department stand firm behind its science-based decisions, and how will it approach [foreign] non-tariff barriers [disguised as sanitary and phytosanitary requirements]?

Answer: If confirmed, I will support the U.S. Government’s science-based decisions. I will also work closely with Members of Congress, agriculture interests, and U.S. regulatory agencies to eliminate non-tariff barriers in foreign markets that are not based on science.

Question 11: Will it [the administration] be willing to reopen discussion of the EU ban on poultry imports?

Answer: I am not currently aware of the specifics regarding the EU’s ban on poultry products that have been rinsed with chlorine. If confirmed, I will need to consult with USTR staff with the U.S. poultry industry to understand more fully the facts surrounding this issue before committing to a specific course of action. In general, however, I would emphasize that removal of unjustified barriers to imports of U.S. agricultural products will be an important objective of this Administration.

Question 12: How will you work to increase our worldwide market share [of agriculture trade] and secure the viability of our domestic agricultural industry?

Answer: Access to foreign markets is critical for the viability of our domestic agricultural industry. Simply put, our agricultural industry needs access to foreign consumers to thrive. U.S. exports have been limited well below their potential, both in total value and in market share, due to market access barriers in many foreign markets. The Bush Administration will make reducing these barriers a high priority. If confirmed, I will maximize all of our leverage to advance our agriculture negotiating objectives, including pursuing our WTO negotiations as a single undertaking.

Question 13: How do you intend to protect our agricultural interests during future WTO negotiations?

Answer: One of the best protections for U.S. agriculture is a vibrant and growing export market for U.S. products. I, as USTR, will make it a priority to reach a WTO agreement that opens markets to our exports and reduces foreign subsidy levels. To do this, this Administration must obtain Trade Promotion Authority from Congress. If confirmed, I will consult with agricultural interests and the Congress to obtain this authority and to ensure that any WTO agreement the United States negotiates protects U.S. agriculture interests.

Question 14: Over the last year, USTR has spent significant time working with the government of Mexico to insure that its WTO telecommunications are fulfilled. As a result, there has been some progress, for which USTR deserves much credit. How do you plan on proceeding to insure Mexico comes into full compliance?

Answer: Although I am not familiar with all of the details, I understand that the Government of Mexico has taken positive steps in recent months to promote competition in its telecommunications market and that carriers affiliated with U.S. companies have resolved some key issues. However, I understand that serious concerns remain. If confirmed, I would hope to address remaining concerns with my Mexican counterpart, while maintaining all appropriate options, including moving forward with a WTO case if warranted.

Question 15: Congress passed legislation last year requiring the USTR to rotate, or "carousel," the list of goods that it uses to retaliate against countries that fail to comply with a WTO ruling. This legislation is important to a number of American businesses and producers, including the beef and banana industries, that have been harmed by unfair trade practices on the part of the European Community. Delay in implementing carousel retaliation may cause permanent damage to American producers.

As USTR, will you seek to implement carousel retaliation as soon as possible?

Answer: If confirmed, my intent will always be to apply the law. This is an obligation that I take very seriously.

As for your specific question regarding the carousel provision, I know that this is a matter of great sensitivity and importance to many members. That is why, as I stated during the hearing, I need to examine further the details of the legislation so that I can better understand its specific requirements.

I believe the carousel concept is potentially a valuable tool, insofar as it encourages compliance in a particular dispute. It serves no one's interest to have a retaliation list remain in place without leading to compliance. At the same time, it is important to maintain flexibility in how to deal with any trade dispute. Our goal should be to resolve the problem and open markets. I will closely review the requirements of the statute and consult with Members of Congress in determining the best way to implement the requirements of this carousel provision.

Question 16: I am a strong supporter of biotechnology and believe that agriculture biotechnology holds great promise for American agriculture and for the consumers around the world. As a member of the bipartisan Senate Biotech Caucus, I am concerned about the EU moratorium on approval of new biotech products. This moratorium has prevented or delayed the introduction of promising new technologies and has eliminated the market for U.S. corn. Other countries, especially developing countries, have watched the EU developments and have decided to wait until the EU situation is clear before approving or adopting new technologies.

The New Administration could develop a coordinated plan with all relevant agencies including: USDA, Dept. of State, USTR, and the White House Office of Domestic Policy to resolve the EU moratorium on biotech product approvals. This plan needs to focus on implementing a trade policy which would encourage the EU to adopt a regulatory system based on scientific principles for agricultural products derived from modern biotechnology and to remove unfair barriers to U.S. produced foods or food ingredients produced through biotechnology.

How would you address this issue?

Answer: If confirmed, I will work closely with all stakeholders, including the Congress, U.S. agricultural interests, technology companies and other government agen-

cies to develop a coordinated plan to address impediments to our new technologies and our exports. By insisting on science-based regulation and by working with those in the EU who agree with this approach, I am hopeful we can assist the EU to move beyond the moratorium on approval of new biotech products.

Question 17: [Steel is a very important industry in my state of Arkansas]. Can we be confident that you will defend U.S. application of the dumping law at the WTO and work to maintain and enhance this law as an effective remedy in future trade negotiations?

Answer: The steel industry is an extremely important sector of our economy and I am well aware that it has been under extraordinary stress in recent years. Both the President and Vice President are committed to vigorously enforcing our trade laws and defending them against challenges at the WTO and elsewhere.

Question 18: Do you support some type of multilateral mechanism governing trade in steel—one that would address subsidies, overcapacity, dispute settlement and anticompetitive conduct?

Answer: Addressing the impact of the fundamental distortions in global steel trade on U.S. producers and workers is clearly a key policy challenge that merits consideration of innovative approaches. If confirmed, I will consider all appropriate policy options to address the current problems in global steel trade, including approaching this issue through multilateral mechanisms.

Question 19: We have the “GBT” agreement on basic telecommunications, another on financial services, and a sectoral agreement in the aluminum industry, but nothing in the steel sector. Do you see an opportunity here?

Answer: Sectoral agreements can be important tools to address problems that are unique to a particular industry. I understand that in 1989 the United States initiated the negotiation of a Multilateral Steel Agreement (MSA) to eliminate trade-distorting subsidies and non-tariff barriers in international steel trade, but that these negotiations ultimately failed. I will, if confirmed, consider the views of Members of Congress and the domestic steel industry on whether sufficient consensus exists at this time to explore the possibility of new multilateral negotiations on steel.

Question 20: As a member of the Trade Deficit Review Commission, you suggested the need to revamp Section 201, the “safeguards” provision of U.S. law, to make it more effective in combating import surges that injure U.S. industry and workers. You identified several advantages that Section 201 has over the dumping law, including the use of industry adjustment plans, and the ability to address trade problems on a global basis. In recent years, industries and importers have had to wait many weeks or months for the President to act in these cases. Additionally, recent WTO decisions have cut back on the scope of the 201 remedy. In addition to the need for legislative reform, will you work in the WTO to improve the safeguards agreement and preserve this remedy?

Answer: In my view, it is essential that the United States maintain strong trade remedy laws, including effective safeguard mechanisms. If confirmed, I will work hard to ensure that we fully protect the rights we secured in the Uruguay Round to grant import relief for domestic industries that have suffered, or are threatened with, serious injury as a result of a surge in imports.

Question 21: The farm-raised catfish industry in the United States is possibly the fastest growing agricultural enterprise in America during the past decade. This industry employs more than 25,000 people in rural regions of deep south states where the region is characterized by high unemployment, extreme poverty, and a great need for potential job development. The catfish industry has been built on nutritious, high-protein, quality products. Vietnam catfish imports have been increasing dramatically in recent years and I am concerned about the impact this will play on our domestic industry, as well as the well being of the consumer who may not be aware that they are purchasing a foreign product. Is your office aware of the increased catfish imports from Vietnam?

Answer: Your statements at the hearing and these questions have made me very aware of the importance and sensitivity of this issue for you and your state. I understand that increased volumes of catfish are being imported from Vietnam with effects on the domestic industry. If confirmed, you can be assured that I will look into this matter to understand the issue better. I will, at that time, be glad to work with you and the U.S. industry to determine whether any trade action is warranted.

Question 22: Is the Administration monitoring these imports, and if not, then will you work to insure that an adequate assessment is made of the amount of and relative safety of catfish imports arriving from Vietnam?

Answer: As a nominee, I have limited access to information regarding what specific actions the U.S. Government is taking on this issue. If confirmed, I will certainly look into this situation further and determine which agencies have responsibility for monitoring the volume and safety of catfish imports.

Question 23–25: Do you feel that our 40-year-old trade policy toward Cuba has been an effective tool in bringing about social/political changes within Cuba? If yes, then will you describe what specific successes this policy has brought about? If no, then will you work to change this policy during your tenure as the United States Trade Representative?

Answer: This is not an area that falls directly under the authority of the USTR, so I am reluctant to comment at length on this issue. I can tell you, however, that President Bush opposes relaxation of sanctions against Cuba, unless the current regime frees all political prisoners, allows free expression, and commits to democratic elections.

RESPONSES TO QUESTIONS FROM SENATOR DORGAN

Question 1: How can we promote “free trade” with trade agreements that permit the EU, China, and other nations to keep tariffs that are several times higher than America’s tariffs on their goods? How can we have free trade when the USTR’s Report on Foreign Trade Barriers is 430 pages long?

Answer: I agree that it is unfair to allow disparities to persist between U.S. tariffs and those of our competitors. In my view, we will never reap the full benefits of free trade until these disparities are eliminated and foreign tariffs are at or below U.S. levels. Should I be confirmed, I will work closely with you and other Members of Congress to achieve that goal.

With regard to the Report on Foreign Trade Barriers, I agree with you that the length of the document in many ways reflects the amount of work that remains to be done.

Question 2: In negotiations concerning the WTO and FTAA, will putting strict disciplines on the activities of State Trading Enterprises, such as the Canadian Wheat Board, be a high priority for you?

Answer: I believe that issues involving State Trading Enterprises should be an important part of the U.S. trade agenda. From what I understand, existing U.S. negotiating proposals in the WTO and FTAA call for disciplines on the activities of state trading enterprises, such as the Canadian Wheat Board. If confirmed, I intend to work with Congress and our agricultural community to find the best course of action to address long-standing concerns about State Trading Enterprises.

In addition, as I stated during the hearing, I support the continuation of the Section 301 investigation of the Canadian Wheat Board. I think it is important to obtain as much information as possible on how this entity operates so that we can better determine how to pursue this matter.

Question 3: You were a member of the Trade Deficit Review Commission which recently concluded that “large and growing trade deficits” are neither desirable nor likely to be sustainable. Do you agree with that conclusion? As America’s senior trade negotiator, what steps will you take to reduce our exploding \$450 billion dollar deficit?

Answer: As you may know, there were broad areas of agreement among members of the Commission, but some divergent views as well, particularly with respect to the causes and consequences of the trade deficit and recommended responses.

The recent rise of the current account deficit has largely reflected the stronger rates of economic growth in the United States than in our major trade partners, as well as the attractiveness of the U.S. economy to investors from around the world. While ever growing trade deficits could raise problems of sustainability at some point, we need to better understand this potential problem and how we could deal with it. Although I recognize that there is a possibility that there could be a disruptive adjustment—a scenario sometimes called a “hard landing”—I do not believe that this is likely. Nevertheless, I also believe it is prudent to prepare for contingencies.

While there may be disagreements as to the cause or the effect of the current account balance, I will certainly be committed to tearing down foreign barriers to goods and services, and to ensure we enforce U.S. laws against unfair trade.

Question 4: Your colleagues on the Trade Deficit Review Commission recommended that the President’s budget for fiscal year 2002 include additional staffing for the Department of Commerce and the U.S. Trade Representative for the task of monitoring and enforcing trade agreements. Do you believe USTR now has adequate staffing to do its job? If not, will you push for increased staffing?

Answer: The Bush Administration is committed to enforcing our trade agreements and to defending aggressively the rights of the United States in dispute settlement proceedings. I am very pleased that Congress recently approved additional funding for new compliance positions to strengthen USTR’s and the Department of Commerce’s monitoring and enforcement program. If confirmed, I plan to review USTR’s

enforcement efforts and how these new positions will be utilized. Until then, I would want to reserve judgment about the adequacy of our monitoring and enforcement resources. However, I will closely consult with you and other Members of Congress to determine the USTR's future needs and will certainly push for increased resources if USTR needs them.

Question 5: What is your thinking in regard to unilateral trade sanctions? How does this apply to Cuba?

Answer: In general, I am skeptical about the use of unilateral sanctions. Sanctions can be a significant foreign policy tool, but they must be used judiciously. If they are not used effectively, sanctions will hurt U.S. business, farmers, and workers. President Bush has also called for the exemption of food and medicine exports from new unilateral trade sanctions.

The question about removing unilateral trade sanctions against Cuba is not an area under the responsibility of the USTR. I can tell you, however, that President Bush opposes relaxation of sanctions against Cuba, until the current regime frees all political prisoners, allows free expression, and commits to democratic elections.

RESPONSES TO QUESTIONS FROM SENATOR BINGAMAN

Question 1: The U.S. Trade Deficit Commission, of which you were a member, explored in detail the causes and consequences of the ongoing and increasing U.S. trade deficit. As I mentioned in my opening statement, I am aware of the economic complexities and ideological differences involved in analyzing these figures. Although in the report the Commission addresses the question of whether or not the U.S. trade deficit is sustainable in economic terms, my question to you involves the political sustainability of the trade deficit. Specifically, do you feel that the trade deficit must be addressed if the Bush Administration is to achieve its stated desire to obtain fast-track authority, expand NAFTA and create a Free Trade Agreement of the Americas?

Answer: I agree with you that there are political concerns associated with maintaining a large trade deficit. Addressing these concerns is part of the challenge of rebuilding support for further trade liberalization. I take this challenge very seriously and consider my work on the Trade Deficit Review Commission as very helpful in preparing me for this task.

As for the economics of the issue, I firmly believe that the gains from more open and expanded trade, measured in terms of faster productivity growth, better paying jobs and higher standards of living, occur irrespective of the aggregate balance of trade. This does not mean that we should be complacent in the face of trade barriers. Far from it. It does mean, however, that we need to communicate the importance of these benefits more clearly to the public so that this Administration can obtain the trade promotion authority necessary to maintain an open trading system and eliminate barriers to our exports.

Question 2: Concerns about a lack of consensus on trade policy in the United States and the renewal of fast track authority for the President should direct attention to Federal programs that are specifically designed to assist U.S. workers adversely affected by foreign trade or who lost their job as a result of a shift in production overseas. All of these programs fall under the jurisdiction of the Department of Labor. Over the last year, several analyses have indicated significant problems in the delivery of assistance to these workers. Of specific concern are the (1) the incompatibility of the various programs designed to assist workers; (2) the lack of coordination between Federal and state governmental agencies in the delivery of benefits; (3) the lack of speed and coherence in providing benefits, and; (4) the lack of performance measures and internal oversight at the Department of Labor in tracking the efficacy of program outcomes. One recent GAO report, entitled Trade Adjustment Assistance: Trends, Outcomes, and Management Issues in Dislocated Worker Programs@ (GAO/GAO-01-59), outlined these problems in specific detail. Can you assure me that this is an issue that will be raised by you with the President as you discuss the U.S. trade policy agenda? What specific recommendations would you make in this regard?

Answer: As you noted, the worker adjustment programs are not under the jurisdiction of the USTR. I do, however, definitely agree that they are an important part of the trade policy agenda, and that it is essential that these programs operate effectively and efficiently. I also agree that this is a matter, worthy of the President's attention. If confirmed, I certainly hope to work with you and the Secretary of Labor to look carefully at the effectiveness of these programs and to identify the steps necessary to improve their performance.

Question 3: As the U.S. Trade Representative, do you intend to advocate and pursue a U.S. trade policy designed to further integrate the United States with Mexico

and Canada? If so, from your perspective, what should the specific components of such a plan be? In your view, what would be a realistic timeframe for the implementation of such a plan?

Answer: The economies of Canada, Mexico and the United States are more integrated now than ever before, and this process is continuing. The NAFTA, for example, will not be fully phased in for trade between Mexico and its two North American partners until January 1, 2008. Therefore, the questions are whether, and how, to go beyond what NAFTA has already set in motion.

A part of the answer is the work program set out in the NAFTA itself. As I understand it, there are 25 different working groups, committees and subcommittees that are charged with implementing agreed NAFTA provisions and, in many cases, exploring new initiatives that can further facilitate trade and investment. I intend to review this undertaking and, working with Mexico and Canada, explore new or accelerated initiatives that can be begun over the coming months.

All three NAFTA partners are participants in the WTO, the FTAA and APEC, all of which have an agenda for further liberalization. And while these efforts obviously include many more economies than the three NAFTA members, we must recognize that we share a trade advantage that can never be diluted—geographic proximity and peaceful borders. We should focus some attention on what can be done to facilitate trade in goods at our borders, which is increasingly important as tariffs and quotas disappear. We should also work to spread the benefits of North American integration to more firms and to more workers, especially small and medium-sized enterprises that are less likely to be exporters or importers. In addition, we should also encourage greater dialogue at the state and regional level on trade, since farmers, manufacturers and service providers will increasingly focus on such rules as Federal trade barriers disappear.

Question 4: As the U.S. Trade Representative, do you intend to advocate and pursue a U.S. trade policy designed to integrate the United States with the countries of Latin America through a Free Trade Agreement of the Americas (FTAA)? If so, from your perspective, what should the specific components of such a plan be? In your view, what would be a realistic timeframe for the implementation of such a plan? Given your participation in drafting the environmental and labor side agreement for NAFTA, would you advise the President that a FTAA should contain an environmental and labor component?

Furthermore, only a very few Latin American countries have joined the ITA—a 1997 WTO agreement which eliminates tariffs on semiconductors, PCs, software, telecom equipment and other IT products. Meanwhile, many developing countries in other regional of the world—including India and Indonesia—have signed on to the ITA. Latin American countries should act now to join this agreement. It is in their interests to do so, as this will give them access to advanced information technology at the most competitive prices and will spur growth in their own economies. Can you assure me that IT tariff elimination will be part of your near-term negotiating strategy on the FTAA?

Answer: The objective of free trade in the Western Hemisphere has been identified by President Bush as a high priority. If confirmed, I look forward to exploring the most effective ways to advance the objective of trade integration within this Hemisphere. I understand that a preliminary FTAA text has been prepared, and this will be an important starting point as we consider the best next steps. The guiding principle in negotiating this agreement, as with any FTA, will be to secure an agreement that is comprehensive, provides solid economic and commercial benefits, and garners broad support. If confirmed, I look forward to consulting closely with Members of Congress as we further refine negotiating objectives. As I stated at my confirmation hearing, I believe we should keep our options open in terms of other agreements beyond the FTAA, such as a U.S.-Chile Free Trade Agreement. Reflecting the President's sense of priority in this area, I hope we can move forward with these regional initiatives expeditiously. With regard to incorporation of labor and environmental provisions in the FTAA or other regional trade agreements, this is an area in which I would intend, if confirmed, to consult closely with Members of Congress and other interested parties as we move forward.

I share your view that maintaining tariffs in the IT sector is demonstrably not in the interest of the countries of the Hemisphere that have yet to sign on to the ITA. Tariffs on IT products both harm competitiveness in general and discourage investment. If confirmed, I look forward to working with interested Members of Congress and the high-tech industries as we formulate our detailed negotiating priorities for the FTAA.

Question 5: Your speeches and articles indicate that you are very aware of the strategic importance of the East Asia region to the United States. They also indicate that you are receptive to the possibility that regional trade blocs may be an accept-

able and positive alternative for U.S. trade policy at this time. In light of the failure of the World Trade Organization (WTO) conference in Seattle and the apparent difficulty involved in negotiating a new global trade agreement, do you feel the United States should pursue regional trade agreements in the East Asia region, especially under but not limited to the Asia-Pacific Economic Cooperation forum? As U.S. Trade Representative, would you advise the President that this is a priority equal to that of the Free Trade Agreement of the Americas?

Answer: President Bush has stated that expanding free trade in the Western Hemisphere is a top priority, and if confirmed I will vigorously pursue that goal. At the same time, America's trade and economic interests extend far beyond this hemisphere. We want to launch a new round of global trade negotiations, emphasizing a key role for agriculture. We will seek to negotiate regional and bilateral agreements to open markets around the world with nations ready and willing to implement faithfully the obligations of such agreements. I believe this would create a competitive dynamic among nations to endorse and implement free trade. There are opportunities in the Asia Pacific, including encouraging fulfillment of the Asia-Pacific Economic Cooperation forum's free trade goals. I would add that I do not see these multiple liberalization efforts as leading to "blocs", but rather to an open and competitive regionalism—with the United States integrated economically in all key regions.

With trade promotion authority, the United States can set the pace and lead the world. In the absence of this authority, other countries will continue to move forward with trade agreements without us. We cannot afford to cede U.S. leadership to others.

Question 6: The North American Free Trade Agreement (NAFTA) committed the United States to opening the U.S.-Mexico border to trucks in 1995, but thus far the United States government has refused to allow Mexican commercial trucks to operate on U.S. roads. After several years of negotiations, Mexico finally took the case to a NAFTA dispute panel, and that panel has signaled an intention to rule in favor of Mexico in the coming weeks. What is the position of the Bush Administration on the commercial trucking component of the NAFTA agreement?

Answer: The President has indicated that he believes the NAFTA trucking provision should be implemented. I will, of course, want to study the final report of the NAFTA Panel when it is issued.

My understanding is that nothing in the NAFTA prevents us from applying our own safety standards or from taking any necessary steps to enforce those standards. Should I be confirmed, I will consult closely with the Department of Transportation, Members of Congress, and other interested parties to ensure that Mexican trucks operate safely within the United States.

Question 7: Congress passed legislation last year requiring USTR to rotate (i.e., "carousel") the list of goods it uses to retaliate against a country that fails to comply with a WTO ruling. Carousel retaliation is vital to a number of American businesses, including cattle ranching and other agricultural interests in New Mexico, that have been harmed by unfair trade practices conducted by certain EU members. Delay in implementing carousel retaliation leaves American agriculture interests suffering serious economic damage with no real redress. Can you assure me that, as U.S. Trade Representative, you will implement carousel retaliation as quickly as possible?

Answer: If confirmed, my intent will always be to apply the law. This is an obligation that I take very seriously. As for your specific question regarding the carousel provision, I know that this is a matter of great sensitivity and importance to many members. That is why, as I stated during the hearing, I need to examine further the details of the legislation so that I can better understand its specific requirements.

It may be helpful, however, for me to give you a little bit of context as to how I view the carousel concept. I see this measure as potentially a valuable tool, insofar as it encourages compliance in a particular dispute. After all, it serves no one's interest to have a retaliation list remain in place for an extended period of time, if it is having no constructive effect. At the same time, it is important to maintain flexibility in how to deal with any trade dispute. Our goal should be to resolve the problem and open markets. My views, of course, will not bias my reading of the statute, but I thought it might be helpful to give you a sense of how I look at the provision in principle.

Question 8: Last year, Senator Hollings introduced S. 2793, a bill that amended the Communications Act of 1934 to strengthen the limitation on holding and transfer of broadcast licenses to foreign persons, and to apply a similar limitation to holding and transfer of other telecommunications media by or to foreign governments. Although this bill very likely runs counter to our WTO obligations, it has gained

support in the Senate because certain countries obtain competitive advantage in the international market through the collection of domestic monopoly rents. Furthermore, they remain unwilling to liberalize and privatize their telecommunications market. As such, the bill raises several important questions concerning international telecommunications policy as pursued by the United States.

First, should corporations that are owned entirely or significantly by foreign governments be allowed to purchase or merge with U.S. corporations that are already fully privatized?

Answer: I am reluctant to make a categorical statement because an answer to your question would depend on the unique facts of a particular foreign investment. In my view, while there may be exceptions, I do not think that government ownership alone should be a disqualifying factor. In general, foreign investment in U.S. telecommunications companies is an important source of capital that allows U.S. companies to expand their networks and offer new, more competitive services that benefit U.S. users and the overall U.S. economy.

Question: Second, in your view might such an arrangement raise competitive or national security concerns, or are sufficient review mechanisms in place already?

Answer: As I understand it, investment in the telecommunications sector by foreign entities would in most instances fall under the purview of the Federal Communications Commission, the Department of Justice, and possibly the Interagency Committee on Foreign Investment in the United States. My understanding is that the Federal agencies that have examined this issue have concluded that the U.S. Government has effective mechanisms to address the competition and national security concerns raised by any foreign government-owned carrier wishing to participate in the U.S. telecom market. If confirmed, I look forward to working with you to explore this matter further.

Question: Third, what steps would you take as USTR to ensure that other countries fully and quickly open their telecommunications markets to competition, and do you agree that it would be desirable during upcoming telecommunications trade negotiations to encourage other countries to fully privatize?

Answer: U.S. law and our trade agreements provide a range of tools to ensure that competitive opportunities in telecommunications markets abroad are maintained and expanded. If confirmed, I would vigorously enforce our laws, such as section 1377 of the 1988 Trade Act, and trade agreements, such as the WTO Basic Telecom Agreement. Looking forward, we now have a valuable opportunity to expand telecommunications commitments in the WTO, and in regional and bilateral initiatives. Privatization of government-owned telecommunications companies is an important goal and complements our efforts to open markets and encourage competition. Should I be confirmed, I will continue to press governments to privatize their telecommunications companies.

Question 9: The primary U.S. objective in agreeing to the establishment of the World Trade Organization was to achieve a dispute resolution system that promised to resolve international trade disputes and obtain enforceable judgments quickly, efficiently, and fairly. Although the United States has clearly enjoyed some successes under the current arrangement, a more comprehensive look reveals grounds for serious concern. As U.S. Trade Representative, what priority would you place on reforming the WTO dispute resolution process, and what specific recommendations would you suggest for reform of the WTO as you pursue U.S. trade policy?

Answer: If confirmed, I intend to take a careful look at the WTO dispute resolution process, and the various proposals that have been made for reforming the system. I also intend to take a close look at the United States' approach to the dispute settlement process, in order to determine whether there are more effective ways to achieve the results we want in future trade disputes. A well-functioning dispute settlement system is clearly essential to the viability of the multilateral system and support for our participation in the WTO here at home. I will, of course, consult closely with Members of Congress and other interested parties to determine how the process might be strengthened.

Question 10: The semiconductor industry, which is a significant employer in my state, was nearly wiped out in the mid-1980's by foreign dumping in the U.S. market. After obtaining relief under the antidumping law, the industry was able to come back and is today the world market share leader, employing over 280,000 people in high-paying jobs in this country. During the Uruguay Round negotiations, many of our trading partners tried to weaken the international antidumping rules, and thus undermine the effectiveness of the law. In the end, after years of hard bargaining, a balance was struck that has allowed the law to continue to work, albeit sometimes less effectively than before. The United States accepted this deal, and has lived by it. I am concerned about reports that many of the same countries that sought to weaken the antidumping remedy in the Uruguay Round are planning to

try this again in any new round of WTO negotiations. I would like your assurance today that you will not let this happen—that you will defend the antidumping law and preserve its effectiveness in any new round.

Answer: I firmly support the retention and use of an effective antidumping law and, if confirmed, pledge to work with the Congress toward that end. As you know, the Department of Commerce has the lead responsibility for administration of the law, but I will work closely with Secretary Evans to ensure that U.S. industries continue to have access to full and expeditious relief from unfair import competition. As I indicated at my hearing, effective trade remedy laws are key to securing broad public support for an open trading system. That will be a guiding principle for us as we pursue new, market-opening initiatives in the WTO and elsewhere.

Question 11: China is currently the third-largest semiconductor market in the world, and is expected to become the second largest market in the near future. China's accession to the WTO is therefore critical to opening this market for U.S. chip exports. While significant progress in these negotiations was made under the last Administration, a final multilateral deal still has not been reached.

Among the issues that reportedly remain outstanding is China's commitment to grant "trading rights"—the ability to import and export—to all foreign firms. I understand that China is insisting that only foreign firms with a legal presence in China will get such rights. This denies access to smaller U.S. firms that want to export from this country. In addition, I am concerned about reports that China is seeking to limit the ability of the United States to use its "non-market economy" antidumping rules with respect to Chinese goods, after agreeing in 1999 to allow these rules to stay in effect for 15 years from accession.

I would welcome your assurance that USTR will not give in to Chinese efforts to change the terms of its accession in the final stretch of the negotiations. It is very important that the final deal with China be consistent with the 1999 bilateral Agreement.

Answer: The legislation passed by Congress mandates, as a condition for extending PNTR to China, that the President certify that the commitments made by China as a part of its access to the WTO are at least as good as those made in its bilateral agreement from November 1999. I can assure you that I will not tolerate any backtracking by China on its WTO commitments.

United States Senate

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 (202) 224-6885
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February 7, 2001

Hon. Robert B. Zoellick
 United States Trade Representative
 600 17th Street, N.W.
 Washington, DC 20508

Re: Short Supply of Certain Steel Pipe Products Subject to Import Quota

Dear Mr. Zoellick,

Congratulations on your confirmation as USTR. I am confident you are the right person for the job, and look forward to working with you.

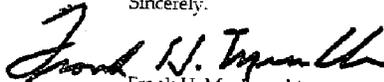
I noted after reviewing your responses to written questions submitted by Members of the Senate Finance Committee that one question I intended for submission had not yet received a response. As I noted during your confirmation hearing, I am particularly concerned with the ability of this country to provide our citizens with an adequate supply of energy. Domestic energy production is an important aspect of this concern, and unnecessary or unintended restrictions on domestic production should be eliminated whenever possible.

Domestic producers of oil and gas, particularly independent producers, suffer from intermittent and unacceptable shortages of drilling pipe which are subject to quota fixed by antidumping orders issued with respect to steel products. In some cases, producers have had to wait as long as 18-months for steel drill pipe, because an inadequate supply is available from the single domestic manufacturer -- Grant Pride Co.

The intention of the quota was to allow domestic competitiveness. Yet domestic producers of drill pipe cannot meet demand. I understand that domestic pipe manufacturers are now attempting to restrict importation of steel pipe used in natural gas production. At a time when California is experiencing rolling blackouts due to short energy supplies and gas prices have risen by nearly four times over the past year, I believe efforts of the steel industry which have the unintended consequence of restricting domestic energy production should be questioned.

I would appreciate your comments on the appropriate role in anti-dumping and countervailing duty disputes of domestic industries which utilize imported materials generally, and steel products such as drill pipe specifically.

Sincerely,



Frank H. Murkowski
 United States Senator

EXECUTIVE OFFICE OF THE PRESIDENT
THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D. C. 20508

MAR 19 2001

The Honorable Frank H. Murkowski
United States Senate
Washington, DC 20515

Dear Senator Murkowski:

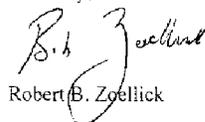
Thank you for your letter regarding antidumping duties and their effect on the supply of products in the domestic market. In your letter you express concern that antidumping orders on drill pipe can make it more difficult for domestic energy producers to obtain sufficient quantities of drill pipe in a timely fashion.

As you know, the purpose of the antidumping and countervailing duty law is to provide U.S. industries with a remedy for injury suffered due to dumped or subsidized competition. These remedies result in the imposition of higher import duties to offset the amount of dumping or subsidization found in the proceedings. There are no quotas or quantitative limits enforced under these remedies. Importers are able to import any quantity of product subject to these duties. Nevertheless, in recent years the Commerce Department has taken steps to ensure that concerns of domestic consumers are considered in situations when the products subject to trade remedies are allegedly not available from domestic producers.

In new antidumping and countervailing duty investigations, the Commerce Department has set aside a period soon after initiation of an investigation for the purpose of receiving input from industrial users and consumers on supply concerns, and when appropriate, certain products may be excluded from the scope of an investigation. For existing antidumping orders, the Department has established procedures to address the concerns of both domestic producers and domestic users when requests are made to exclude certain products from within the scope of an antidumping duty order on the grounds that those products are allegedly not available from domestic producers.

I have taken the liberty of sharing your concerns about the administration of the antidumping and countervailing duty laws with Secretary of Commerce Evans.

Sincerely,



Robert B. Zoellick

cc: Secretary Evans

PREPARED STATEMENT OF HON. JOHN WARNER

Chairman Grassley, and my other distinguished colleagues on the Senate Finance Committee, I am pleased to come before the Committee today and introduce Robert Zoellick to serve as United States Trade Representative.

Mr. Zoellick has an extensive career at Treasury and the State Department, and in the private sector.

His broad experience in the trade arena makes him well qualified to handle the delicate and complex trade policy challenges that will come before the new Administration over the next several months.

His distinguished career includes a key role in negotiations of several pivotal U.S. trade initiatives. Notable among them are his significant contributions to the labor and environmental provisions of the historic North American Free Trade Agreement.

More recently, his work in the private sector provided counsel to U.S. Administration officials during consideration of China PNTR.

Mr. Zoellick is also well known and respected by his international colleagues. He has served as a representative for the United States in various capacities and worked to develop favorable relationships with his foreign counterparts throughout Europe, Asia and the Americas.

I commend his qualifications to you and urge the Committee's favorable consideration of his nomination.

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