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**Before the Senate Finance Committee  
Subcommittee on International Trade**

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**Introduction**

Senator Thomas, I appreciate the opportunity to come to this beautiful state and speak to you and American soda ash industry representatives about the Administration's trade strategy for industrial exports and the success and challenges faced by Wyoming's soda ash industry in foreign markets. I also want to express my appreciation for the energy and dedication with which your congressional delegation works with the Administration to achieve a fair playing field internationally for the farmers, workers and industries in Wyoming.

Before I get into specifics on barriers to industrial exports and how President Bush and Ambassador Zoellick are working to break them down, I thought it might be helpful to give you a sense of how trade benefits U.S. industry and the broader economy.

**Benefits of Trade for Industrial Products and the Broader Economy**

Economic growth and job creation for American workers are among President Bush's top priorities. Because 95 percent of the world's consumers live outside U.S. borders, the President believes that ensuring that our country can compete globally helps maintain a dynamic and strong economy here at home.

As you may know, U.S. exports accounted for about 25% of U.S. economic growth during the last decade and supported an estimated 12 million American jobs. Jobs supported by U.S. goods exports pay wages that are 13 to 18 percent higher than the U.S. national average. High-tech industry jobs supported by exports have average hourly earnings 34 percent higher than the national figures.

To create more jobs in our country, President Bush believes we need to pursue reinforcing trade initiatives globally, regionally and bilaterally, establishing what Ambassador Zoellick has called "competition for liberalization." Free trade invigorates the global economy, leading to higher living standards and incomes in the United States and overseas. As our trading partners become more prosperous, their growing middle classes buy more of America's high-quality exports, in turn spurring U.S. economic

growth. While consumption for soda ash and other key inputs to consumer products is stagnant in the United States, in developing countries demand is burgeoning.

As the United States and the world become increasingly interdependent with respect to international trade, U.S. soda ash producers have an advantage. A leading American exporting industry for over 20 years, U.S. soda ash producers are more familiar than many other U.S. industries with both the challenges and the opportunities presented by changing global markets. While the U.S. chemical sector in general faces strong import competition, the soda ash industry continues to enjoy a trade surplus. The unique natural deposits in America give U.S. production of high-quality soda ash a solid edge in international markets. Last year, exports of soda ash were valued at \$515 million, making soda ash producers the largest U.S. exporters of inorganic chemicals. We want to continue to work with you to open markets for soda ash and all U.S. exports.

### **Status of U.S. Trade with China**

An issue we know that is of growing concern to U.S. soda ash exporters is the growth of production in China. To put the changes in China in context, by the most conservative measure, China is now the world's seventh largest economy. China, along with the United States, has served in recent years as one of the world economy's few engines of growth. Total U.S.-China trade in 2003 topped \$180 billion, with imports from China exceeding U.S. exports by \$124 billion. China has become our second largest source of imports, with most of the increase displacing imports from other sources, including economies in Asia and Latin America.

China's economic expansion means it has become a massive consumer, rivaling the United States in its consumption of oil, steel, cement and dozens of other commodities. China is already the sixth largest market for U.S. exports, and it is currently the fastest growing export market for U.S. goods. While U.S. exports to the world decreased by 9 percent over the last three years, exports to China rocketed up by 76 percent. China is now a major importer of U.S. manufactured exports, such as electrical machinery and numerous types of components and equipment. China is also a major importer of agricultural products from the United States, and U.S. service suppliers in many sectors have been able to increase their share of China's market.

While China continues to enjoy wide access to the U.S. market, we are also working to ensure that China lives up to its commitments in the provision of market access to the Chinese market. With 1.3 billion people who are just now beginning to be able to buy consumer goods such as glassware, autos and detergents, China is an essential current and future market for U.S. soda ash producers and, for that matter, all U.S. manufacturers.

Since China's WTO accession, we have been working hard to make sure China plays by fair, consistent international rules. We have constantly engaged China, at all levels of

government, in an effort to ensure that China lives up to its WTO obligations. When bilateral engagement does not produce results, we are prepared to take other action. For example, the United States on March 18, brought its first case against China in the WTO, against a Chinese tax policy for integrated circuits which discriminates against U.S. products and distorts international investment in the integrated circuit sector.

While the United States continues to export soda ash to China's expanding market, the growth of soda ash production there and China's increasing exports to third markets raise industry concerns about increased competition. Together with the Department of Commerce, we are gathering information on potential subsidies being provided to Chinese soda ash producers, including reports of preferential financing for capacity expansion. As we obtain further information on whether preferential lending is being provided to industries in China, we will work with the American Natural Soda Ash Corporation, "ANSAC," and concerned members of Congress to identify steps that can be taken to level the playing field.

### **U.S. Agenda to Open Markets in the WTO**

On the multilateral front, the United States has played a critical leadership role in launching, advancing and re energizing the Doha Development Agenda, the global trade negotiations at the WTO.

Recognizing the opportunity offered by the Doha negotiations to significantly liberalize trade, the United States was the only country to put forward ambitious proposals in all three core areas of the negotiations. We called for the elimination of global tariffs on consumer and industrial goods by 2015, substantial cuts in farm tariffs and trade-distorting subsidies, and broad opening of services markets. These proposals reflect extensive consultations with Congress and the private sector.

The Cancun WTO meeting in September broke down because some countries wanted to pocket our offers on agriculture, goods and services without opening their own protected markets. That's a position we will not accept. But unlike the breakdown in Seattle in 1999, the problems in Cancun did not result in a total collapse. After a hiatus of seven months, there are signs that many countries are now prepared to negotiate more seriously and WTO members have taken recent steps to get talks back on track. A majority are looking at the draft "Derbez" text developed at Cancun as a useful basis upon which to develop an agreed framework by July that could guide negotiations.

At April discussions in Geneva, Switzerland, we found a more cooperative atmosphere, although many hurdles remain before we are likely to see much progress in the core market access areas: agriculture, services and industrial goods.

A key element for the United States is an agreement to launch trade facilitation negotiations which would aim to address -- through new binding commitments --

Customs procedural issues. Onerous and burdensome Customs procedures in other countries are often a crippling hindrance for U.S. exporters, particularly small and medium-sized enterprises that lack the resources to deal with endless red tape.

### **Tariffs in the Doha Negotiations**

The United States has been pursuing an ambitious tariff-cutting formula for the Doha negotiations, complemented by sectoral agreements. We believe we appreciate the broad range of impediments the soda ash industry is facing in multiple markets around the world, and have factored these concerns into our objectives and strategy.

In addition to the formula, we agree that sectoral zero-tariff initiatives need to be an integral part of the negotiations, perhaps using a “critical mass” approach to define participation – as in the successful Information Technology Agreement.

You may know that, in the Uruguay Round, we successfully negotiated the Chemical Tariff Harmonization Agreement (CTHA). Under this sectoral agreement, signatory countries agreed to bring their tariff levels down to specified rates. The rate for soda ash is 5.5% -- which is the rate for all products in Harmonized System chapter 28. (Note: soda ash is 2836.20.)

In 1994, when the Uruguay Round was concluded, CTHA signatories accounted for 70% of global chemical trade. Since then, CTHA has been a priority request in all of our WTO accession negotiations. Today, more than 40 countries apply the CTHA rates.

Moreover, while we were not successful in the Uruguay Round in getting Brazil to agree to the CTHA, we were able to convince them to commit to a bound tariff rate of 15% for soda ash specifically. Brazil is always free to apply a lower rate, but this binding provides certainty that Brazil cannot raise its soda ash rate above 15%. We negotiated this agreement at the express request of the soda ash industry, which was then faced with a situation in which Brazil was unpredictably raising and lowering its tariffs on soda ash.

The U.S. chemical industry, working with the International Coalition of Chemical Associations (ICCA) which includes representatives from the United States, Europe, Japan, Canada, Mexico, Australia, and Mercosur is advocating that chemical tariffs, including soda ash be brought to zero in key markets through the Doha negotiations.

Under your leadership, zero tariffs are an objective that was specifically endorsed by Congress, in the Uruguay Round implementing legislation. A zero-for-zero agreement in the Doha Round would have the effect of eliminating duties in key markets for U.S. exporters of soda ash, including China 5.5%, Korea 8%, Indonesia 5%, Taiwan 5%, Brazil 10%, South Africa 5.5%, the European Union 5.5%, and India 20%.

## **Non-tariff Barriers**

Many industries have told us that foreign non-tariff barriers are as important as tariff barriers.

There are several modalities under consideration for the NTB negotiations: request/offer to take care of individual concerns, a “horizontal” approach to cover issues that affect a broad range of industries, and a “vertical” approach to deal with NTBs affecting a single industry. The general view among all WTO Members last year was that we should maintain flexibility to use whichever of the three methods will yield the best results.

In late 2002, the U.S. Government issued a Federal Register announcement asking for public comments on Doha priorities. We received several hundred responses from U.S. industries listing non-tariff barriers they are interested in having the government pursue through the Doha negotiations.

To pursue NTBs successfully, we need very detailed information on the barriers and on what solutions we should pursue. We have been working closely with industry to prioritize their requests and ensure we have sufficient information to pursue them effectively, to identify possible allies on individual barriers, and determine the best way to pursue the requests.

We have not received any submissions from U.S. industry regarding soda ash NTBs.

If there are barriers out there, the U.S. Government ought to pursue them as part of the Doha negotiations – for example if there are countries where you seek the elimination of licensing requirements (which I understand is an issue for the soda ash industry in Brazil, China and elsewhere), we want to incorporate them into our negotiating objectives.

We have also been talking to the American Chemistry Council and other advisors about their interest in pursuing chemical NTBs through the vertical approach. Some NTB issues that the chemical industry broadly is interested in include regulatory procedures and protection of confidential business data. We would be interested to know if these are important issues for the soda ash industry.

The chemical industry has also identified five customs issues -- common data elements, risk management, customs integrity, customs-business partnerships, and smuggling – as important priorities. The launch of trade facilitation negotiations could help to address such issues multilaterally.

## **Other Doha Round Issues**

An additional area of concern for U.S. exporters in the Doha Round has been the increased use and possible misuse of antidumping and countervailing duty remedies by

other countries. In the first half of 2003, India was tied for first with 21 new AD measures and Thailand was a close third with 20 new AD measures; China and Brazil are also major users of AD. By contrast, the U.S. imposed only four new AD measures in the same period.

The Doha Ministerial Declaration provides for a two-phase process for the rules negotiations for antidumping and subsidies. In the first phase, parties may identify provisions in the antidumping and subsidies agreements that they would like to clarify or improve. A core issue for the United States is transparency and due process in antidumping proceedings to ensure U.S. exporters are treated fairly in foreign antidumping cases. The pace of the rules negotiations will obviously be tied to moving forward on the full range of issues in the Doha agenda. We welcome any comments you may have about your experience with AD regimes in other countries and suggestions for improving rules on procedures for unfair trade remedies.

### **Compliance and Enforcement Issues**

While we are pressing ahead in the Doha round to improve market access around the world for U.S. exporters, we are also working to ensure that current WTO rules and agreements are enforced. The soda ash industry has been very active in identifying problem areas for ANSAC and we have been actively working with you to resolve foreign unfair trade practices.

One success story is the case where ANSAC was blocked from exporting to India after an accusation of anti competitive practices. After close consultations with you and others in Congress, Ambassador Zoellick intervened repeatedly with the Indian government to ensure that U.S. exporters were treated in a transparent and fair manner. As a result, the allegation was overturned by the Indian Supreme Court in 2002. U.S. soda ash exporters have since had the opportunity to sell to this important growing market restored.

Another key issue still in play is a state excise tax imposed on imported soda ash in Brazil, giving an advantage to the sole Brazilian producer and discriminating against imports from the United States and other countries. Deputy USTR Peter Allgeier raised this issue with Brazil's trade minister during their meeting in Brazil in October 2003. The Brazilian federal government has suggested that this state tax issue would be resolved by pending Brazilian tax reform, but that is a slow process. On April 8, we sent a detailed official presentation to the U.S. Embassy in Brasilia about the effects of the tax and our concerns about its consistency with Brazil's WTO obligations. U.S. Embassy officials will use this presentation to press our concerns about this tax with Brazilian government officials. We will report to you as soon as we hear the outcome of the meeting. We have reviewed the draft Section 301 petition your industry submitted on the excise tax in October 2003 and will continue to work with you to take the most appropriate and effective measures to ensure optimal market access for the U.S. soda ash industry.

## **Free Trade Agreements**

In bilateral negotiations, USTR is moving forward to liberalize trade by negotiating free trade agreements with a broad range of countries so that U.S. exporters can reap the benefits of more open markets more immediately. The recently completed U.S.-Australia Free Trade Agreement contained an important win – immediate duty-free treatment for U.S. exports of soda ash. I commend you, Senator Thomas and Representative Cubin, for your role in raising the important issue of Australian tariffs on soda ash in a timely way so that USTR could negotiate to eliminate them in the FTA. The January 20, 2004 letter from the Wyoming Congressional delegation and Oregon Senatorial delegation was key to drawing USTR's attention to the export potential for soda ash in Australia's market and how increased exports will help support the U.S. jobs related to the soda ash industry.

While the tariff on soda ash in Australia was not high (5 %), Australia grants China a preferential benefit for developing countries that cuts the duty for Chinese exports to Australia in half. Under the FTA U.S. exporters will have an important tariff advantage over Chinese exports to Australia and an enhanced opportunity to participate in the boom being enjoyed by the Australian wine and beer industry.

Regionally in the Free Trade Area of the Americas (FTAA), our position is that all tariffs should be subject to negotiation and that a final agreement should achieve progress in accessing markets in Brazil and Argentina in particular. Negotiations have also begun on a free trade agreement with SACU – the Southern Africa Customs Union. An agreement will help to level the playing field in areas where U.S. exporters are disadvantaged by the European Union's free trade agreement with South Africa. External chemical tariffs in SACU are high - 9% - and a regional FTA will dramatically lower them. This could establish an advantage to U.S. soda ash exporters vis-à-vis exports to SACU from Kenya where new production is planned. Moreover, the SACU free trade agreement is an opportunity to address other problems ANSAC may be facing in southern Africa, including possible discriminatory treatment of ANSAC based on South African competition policy concerns.

## **Conclusion**

As we move forward in the WTO, FTAA, and other bilateral and sub-regional talks, we welcome and encourage your input. The fact that American soda ash exporters have ventured with great success into so many international markets over the years means you have a wealth of experience to draw on. We will rely on that experience as we work to ensure increased opportunities for American industries in international trade.