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Good afternoon. Today I'd like to begin by telling you a tale of two economies. Their peoples speak a common language, yet in many ways, these economies could not be more different. One is far bigger than the other, with a gross economic product ten to fifteen times larger than its smaller trading partner. The larger economy is truly globalized, trading with almost every nation in the world and producing nearly everything under the sun, from heavy industrial goods to farm products, from high-tech software to financial services.

In the smaller economy, nearly one-third of the population works in agriculture, which is the largest component of the economy, as it has been for decades. Recently, foreign investors have become interested in the smaller economy, some say because of its lower-cost, non-unionized workforce. Average annual pay in the smaller economy is only two thirds as high as in the larger trading partner.

It is not difficult to imagine the political dialogue on trade in the bigger economy: "we can't compete with those low-paid foreign workers," politicians might say. "They don't pay our high salaries, or comply with our stringent environmental standards. Not only are their wages lower, but they don't provide the same protections to unions."

Indeed, you could argue that the conditions of trade between these two economies are "unfair". One can imagine politicians arguing that trade cannot be opened up until the smaller economy adopts the same environmental, labor and social standards as its larger neighbor.

Does all this sound familiar? Perhaps even persuasive? If so, then you've just made the case for establishing trade barriers… between Massachusetts and Mississippi.

The economy of Massachusetts, one of the largest in the nation, is more than ten times bigger than that of Mississippi. Per capita personal income in Massachusetts is 33% higher than in Mississippi. Residents of Massachusetts tend to have higher levels of education and are much more likely to belong to a labor union. Mississippi is a right to work state and a mostly agricultural economy, though it has recently been successful in attracting new foreign investment, such as a Nissan factory in Canton that will employ 5,300 people.

Yet despite these significant inequalities, few Americans would question that both Massachusetts and Mississippi benefit from free trade. In Massachusetts you write software and manage mutual funds… in Mississippi they raise chickens and build Nissans, and people in both places benefit.

Between Massachusetts and Mississippi, trade seems beneficial. But to some people, trade between Massachusetts and Malaysia seems terrifying. Why the difference? Yes, certainly Massachusetts and Mississippi are both part of the United States and subject to common federal laws. But that only explains part of it. Another part of the answer—the part we don't much talk about—is that trade that seems okay when it's with our own countrymen suddenly sounds a lot scarier when it's with foreigners, especially poor foreigners.

Let me read you the words of a prominent American. He said, "with America's high standard of living, we cannot successfully compete against foreign producers because of lower foreign wages and a lower cost of production… [lowering tariffs] would force Americans to compete with laborers whose wages are sufficient to buy only one-eighth to one-third of [what you] can buy."

Maybe you're thinking you heard someone say this recently… perhaps a labor union leader, or maybe you heard it on "Lou Dobbs". But in fact these words were written by President Herbert Hoover to justify the Smoot-Hawley Tariff Act of 1930. Here we are, at the dawn of the 21st Century, having the same debate about trade that we had in this country more than seventy years ago. In the 1930s, Hoover and the protectionists won the argument, and the world paid a horrible price. Tariff walls were raised, America isolated itself, and the misery of the Great Depression was deepened and prolonged.

Today, as in the 1930s, trade can be a contentious subject. But as we learned 75 years ago, isolating America from the world is not the answer. We need to open markets for American companies to compete in the world economy, so we can create new jobs and build economic strength at home. When we work with the world effectively, America is economically stronger. Ninety-five percent of the world's customers live outside our borders, and we need to open those markets for our manufacturers, our farmers and ranchers, and our service companies. Americans can compete with anybody — and succeed — when we have a fair chance to compete. Our goal is to open new markets and enforce existing agreements so that businesses, workers, and farmers can sell their goods and services around the world and consumers have good choices at lower prices.

Opening foreign markets to U.S. products and services is vital to economic growth, and an expanding economy is the key to better-paying jobs. U.S. exports accounted for about 25 percent of U.S. economic growth during the last decade and supported an estimated 12 million American jobs.

When the world's consumers fly in an airplane, boot up a computer or watch a movie, they are helping to employ Americans. And 6.4 million Americans have jobs working for foreign companies, building cars in Ohio, Kentucky, Tennessee, Alabama and South Carolina -- or processing mortgages in Minnesota or engineering software in California.

Although we have opened many markets, too many foreign countries still will not let us compete on an equal footing. They keep our products out, they illegally copy our technology, and they block us from providing services. We want to make sure our products and services get a fair chance to compete, and to be vigilant and active in enforcing our trade agreements so that American workers have a level playing field.

Recent U.S. trade agreements have cut hidden import taxes and saved every working family in America as much as $2,000 a year, and our newest agreements could add more to these savings. Arguing for trade barriers is like arguing for a tax on single working moms, because that's who pays the most in import taxes as a percentage of household income. Our goal is to cut those hidden import taxes—while other countries cut theirs too—to give working families a boost.

At the same time, we need to help people manage change – particularly when it concerns jobs. Jobs not only provide for our families, they give us hope for a better tomorrow. Losing a job is hard, whether it is because of a recession, changing technology, or competition from another state or overseas. No matter the cause, it is important to help someone who loses a job to get back on his or her feet.

That's why Congress and the President tripled Trade Adjustment Assistance in the Trade Act of 2002. In 2003, this program provided some $1.3 billion in support and retraining, with nearly 200,000 workers eligible for assistance.

That's why the President is focused on helping workers to learn new skills for the jobs of the future. His Jobs for the 21st Century initiative provides over $500 million in new funding for education and job training, including $250 for community colleges to provide workers job training and skill development.

And that's why the private sector has an important role too: Today American companies spend $70 billion a year on worker education and training, and they will need to expand this investment in people for the future.

In a challenging environment, President Bush took office in 2001 and worked to open markets and strengthen our economy. With bipartisan support in Congress, he pressed hard to get passage of Trade Promotion Authority in 2002. That Trade Act of 2002 also renewed and expanded trade preferences covering an estimated $20 billion of business with developing countries in Africa, Latin America, and Asia. And it tripled the levels of trade adjustment assistance available to those who lose their jobs to foreign competition.

The U.S. played a key role in defining and launching a new round of global trade talks at the WTO at Doha in 2001, erasing the stain of Seattle. That same year we completed the unfinished business of China and Taiwan's entry to the WTO, moving the promise of access to China's markets closer to reality.

In 2001, the Free Trade Agreement with Jordan and a basic trade accord with Vietnam were passed by Congress. After the 2000 election, President Clinton had announced an interest in FTAs with Singapore and Chile, and this Administration followed up by negotiating the accords and gaining Congressional approval in 2003. The United States set new standards for 21st Century trade with these ground-breaking agreements.

On the global front, no country is showing more leadership than the United States. Having played a strong role in launching the Doha Development Agenda, the United States followed up by proposing the elimination of all global tariffs on consumer and industrial goods by 2015, massive cuts in farm tariffs and trade-distorting subsidies, and broad opening of services markets. In addition to laying this groundwork for bold market opening, the U.S. took the lead in resolving the contentious access-to-medicines issue in August 2003. But at the Cancun WTO meeting in September, some major developing economies wanted to pocket our offers on agriculture, goods and services without opening their own markets, a position we will not accept.

This clash should be viewed not as a sign of failure, but rather as a necessary step toward recognizing the scope of a possible deal. Only a few weeks after Cancun, some twenty diverse APEC economies joined the United States in calling for a resumption of WTO negotiations, using the last Cancun text as a point of departure.

With signs that countries are now prepared to negotiate more seriously, the Administration in early 2004 put forward a number of "common sense" suggestions to move the Doha negotiations forward before the end of the year. In a letter to all WTO ministers responsible for trade, the United States offered a realistic assessment that progress this year will depend on the willingness of Members to focus on the core agenda of market access for agriculture, manufactured goods, and services.

We suggested common-sense flexibility, such as proposing to eliminate agricultural export subsidies by a date certain, pursuing ambitious reduction and elimination of tariffs on manufactured goods, opening up services markets, and launching a negotiation on trade facilitation… making it easier, cheaper and faster to ship goods across borders. We also suggested further exploring interest in negotiations on transparency in government procurement, and dropping the issues of competition and investment.

The initial response to this initiative has been very positive both overseas and among domestic constituencies, suggesting that 2004 will not be a lost year for the Doha WTO negotiations.

In Latin America, the Administration transformed a decade of meandering FTAA talks into a real market-opening initiative, with a focus on first removing the barriers that most affect trade. And through parallel bilateral initiatives recently announced in Miami with the Andean countries and Panama, the United States is on track to have free trade with two-thirds of the Western Hemisphere.

On the FTAA, we'll build on the Miami Declaration to put more meat on the bones of a common set of rights and obligations, covering all key areas of the negotiations. It will not be a "diet menu" agreement, but it won't be an overstuffed sandwich either.

Bilaterally, it's going to be a very busy year. Using the Chile and Singapore agreements as a model, the Administration just concluded an agreement with five Central American countries, and we're working to add the Dominican Republic as a participant in CAFTA. And if we succeed, the CAFTA would be the second-largest U.S. export market in Latin America, behind Mexico but larger than Brazil. We've just finished the negotiations on an Australia FTA, which many have called "the manufacturing FTA" because it opens so much trade for our manufactured exports. And we just this week finished a trade agreement with Morocco, putting another brick in the foundation of the President's plan for a Middle East Free Trade Area by 2013.

We've launched negotiations with Bahrain, a moderate Arab state in the heart of the Persian Gulf. We'll take another step forward in Southeast Asia by launching negotiations in the second quarter of this year with Thailand. And in Latin America, we'll start negotiations with Colombia, Peru, and Panama, and with Ecuador and Bolivia when they're ready. We'll also work to push forward our agreement with the Southern African Customs Union.

We'll also work hard to enforce our trade laws and our existing trade agreements, especially with large economies like China. Since China joined the WTO, that country has become our sixth-largest export market, and U.S. exports to China have grown by 75 percent, even as exports to the rest of the world declined. China has become a major consumer of U.S. manufactured exports, such as electrical machinery and numerous types of components and equipment. The market share of U.S. service providers in China has also been increasing rapidly in many sectors. Meanwhile, growth in exports to China of agricultural products has been robust, and China's large installment purchases of soybeans and cotton near the end of 2003 bode well for this year.

But in 2003, China's progress in implementing its WTO market-opening commitments slowed. In 2004, the Administration will work hard to ensure that American intellectual property rights are protected, that U.S. firms are not subject to discriminatory taxation, that market access commitments in areas such as agriculture and financial services are fully met, that China's trading regime operates transparently, and that promises to grant trading and distribution rights are implemented fully and on time.

Last year, senior Administration officials met frequently with Chinese counterparts to deliver a clear and consistent message: China must increase the openness of its market and treat U.S. goods and services fairly if support in the United States for an open market with China is to be maintained. In 2004, the Administration will consult closely with Congress and interested U.S. stakeholders in pressing China for full WTO compliance, taking further action when appropriate.

Even in challenging economic times, the Bush Administration successfully made the case for free trade and built a solid record of accomplishment. But even as the economy recovers and exports expand, the opponents of trade are turning up the heat. They plan full-fledged battles in 2004 to defeat free-trade initiatives, in the halls of Congress and in the court of public opinion.

That's where you come in. People in this state depend on free trade and open markets for jobs, for exports, for low prices and choice for consumers, and for investment to create growth. Fewer states are more globalized. Yet sadly, many members of the Massachusetts congressional delegation did not vote in favor of Trade Promotion Authority in 2002.

We need to talk about trade in new ways, and remind people that free trade is an everyday good thing. Free trade is the trip to the Safeway to buy fresh vegetables in the dead of winter, and it's the low prices you find every day at the Wal-Mart. Free trade means cutting the hidden import taxes that cost every working family in America $1,100 a year, hitting poor families the hardest. Free trade means lowering tariffs so that everyday Jockey shorts aren't taxed at a rate eight times higher than expensive lacey things from Victoria's Secret. The face of free trade is the face of a worker at the Nissan factory in Mississippi, who has a better job than before because our market is open to foreign investment and imports. The story of free trade is the story of the workers in South Carolina that nobody writes about: those who get the better jobs of tomorrow in new biotech plants, moving away from yesterday's economy.

To me, opponents of trade sound like defeatists. They don't think Americans can compete and win in the world economy. They would treat the pain of a few with hocus-pocus medicine that would sicken an entire country. Trade opponents will claim they will support trade… "If only" and then give a long list of unachievable conditions that usually punish poor countries for being poor. We've seen this bad movie before: whether the debate is about trade with Mexico, with China, or with Central America, trade opponents will propose conditions that may sound reasonable, but when you strip away all the rhetoric, their proposals <u>always</u> have the same result: trade stops.

Some of today's opponents of trade, like those of yesteryear, want to retreat, to cut America off from the world. But we need to remember that what goes around, comes around: If we close America's markets, others will close their markets to America. And the price of closing markets is larger than economic isolationists recognize. Over the last decade, trade helped to raise 140 million people out of poverty, spreading prosperity and peace to parts of the world that have seen too little of both. Americans will not prosper in a world where lives of destitution lead to societies without hope.

That's why President Bush's vision is of "a world that trades in freedom." I hope you will agree it's a vision worth working for.