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# Remarks of Ambassador Miriam Sapiro at the Eleventh Annual Herzliya Conference

**Remarks of Ambassador Miriam Sapiro  
Deputy U.S. Trade Representative**

**"Challenges to Global Economic Governance: Trade and Monetary Aspects"  
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**\*As Prepared for Delivery\***

"Thank you, Danny Rothschild, Tommy Steiner and everyone at IDC Herzliya, IPS and the Lauder School for organizing this terrific conference. Professor Fischer has started us off with a thoughtful keynote address discussing the monetary aspects of challenges to the global economic order. I will focus my remarks on the trade dimension.

"This topic is all the more salient today as the established order is being changed by the emergence of a number of developing countries as regional and global economic powers. The responsibilities of governing trade and the tools we use to facilitate global commerce are being redefined against this backdrop.

"In addition, our global integration – from innovations like the Internet, to investment and infrastructure – means that what happens in one city or country can quickly have broader repercussions. We have seen this phenomenon most recently as the actions of a single fruit vendor in Tunisia have been cited as a trigger for much larger events across the entire region.

"And, around the world, we are still grappling with the continuing effects of the global economic recession. Acting quickly to shore up confidence helped avert a potential worldwide depression, but serious challenges remain. The need to grow our economies, create more jobs and resist the temptation to retreat into protectionism is more important than ever before. The modern G-20 was born of this crisis, but global economic governance is no longer the purview of any one organization, or in the hands of just a few countries. Rather, we have a joint responsibility to work together in different fora – globally, regionally and bilaterally – to find ways to enable all of our economies to grow and prosper, and to ensure that we have the right tools to do that.

"One aspect that is unchanging is our belief in the benefits of trade liberalization. The Obama Administration is firmly committed to opening global markets and reducing barriers to the free flow of goods and services – steps that will benefit developed and developing countries alike. We also believe in the importance of enforcing our agreements – that trade is a two-way street.

"Historically, eliminating tariff and non-tariff barriers has proven to be a powerful means for countries to boost growth, promote development and reduce poverty. Trade grew, on average, almost twice as fast as GDP in the last 20 years. Global trade is expected to hit about \$22 trillion in 2011, equal to 35 percent of world GDP. Not surprisingly, the World Bank reports that per capita real income in the last decade grew nearly three times faster for developing countries that lowered trade barriers than those that did not. Increased integration into the global economy has raised living standards around the world.

"Despite these gains, the risks of backsliding remain high. Retaliatory anti-dumping measures are on the rise, even as traditional tariff protection and import quotas decline. Onerous technical and sanitary standards, not based on sound science, are emerging on a daily basis. In this time of fiscal austerity, neither developed nor developing countries can afford to resort to protectionist measures. Indeed, the Peterson Institute has estimated that the potential annual gain to global GDP from eliminating all barriers to be \$280

billion.

"Trade liberalization can also spur the implementation of important domestic reforms. Openness linked to macroeconomic and governance policies promotes transparency, improves access to finance and encourages commercial legal reform. This, in turn, spurs competition, reduces regulatory uncertainty and improves the investment climate. In addition, opening services trade to foreign investors heightens competition, and can generate important improvements in productivity.

"These linkages and potential benefits are highly relevant to the U.S.-Israeli trade relationship. Twenty-five years ago our countries launched the United States – Israel Free Trade Agreement. Since its entry into force, the flow of trade has increased, investment has grown, and both our economies have become more competitive. The benefits of expanding trade have flowed to U.S. and Israeli businesses, farmers, workers, and consumers. In 1985, Israel's \$42.7 million in exports to the United States was barely half the value of American economic and military aid to Israel. Today, Israel's \$25 billion in goods and services exports to the United States are now seven times military and economic aid. Each day we conduct nearly \$80 million in bilateral trade.

"But the agreement is showing its age. Most of its tariff content is outdated, overtaken in the mid-1990s by rules set globally through the WTO. Nor does the government address the sophisticated issues of a modern economy such as e-commerce and services. Its relevance is thus fading as the agreement now applies to only a small slice of actual trade. It is for this reason that last fall our two governments pledged to lay a new course for the future and reinvigorate our trade relationship. We both committed to create a workplan to address remaining barriers to bilateral trade, including seeking liberalized trade in agriculture and services. We also want to address regulatory differences that impede the free movement of goods, services and capital. Yesterday I met with Minister Simhon and I look forward to working closely with him and his team to achieve these goals.

"Our economic partnership is as critical as ever. In his State of the Union address, President Obama challenged Americans to "out-innovate, out-educate and out-build" so as to bolster America's competitiveness. I believe this has been one of Israel's guiding pillars since its founding. Israelis are among the most highly educated, innovative, and entrepreneurial of any people in the world. Last year Israeli innovators submitted over 4,500 patent applications to the United States Patent Office. Israel also invests nearly 4.8 percent of its GDP in research and development and boasts the world's highest number of engineers and scientists per capita in the world. It is thus no surprise that Israel is viewed as a vital hub for technological innovation and partnership.

"Nurturing innovation, however, requires assurances that years of painstaking investment in research and development will be protected. Otherwise, entrepreneurial efforts will be inevitably limited by the risk of intellectual property theft. That is why the Obama Administration is committed to working with America's trading partners to secure adequate and effective protection of intellectual property rights. These measures will benefit not just Americans, but inventors and creators around the world.

"We can, and should, do this together. With the right cooperation, entrepreneurs, innovators, and investors – as well as farmers and ranchers – from both of our countries will benefit.

"For the United States, Israel and many other countries, the multilateral trading system embodied in the World Trade Organization (WTO) remains a key driver of trade liberalization, and a critical tool of global governance. Today, WTO members account for more than 90 percent of world trade in goods.

"The WTO promotes liberalization in several significant ways:

"First, trade rules help lock in progress, thereby guarding against protectionist urges later.

"Second, the rules are non-discriminatory. This principle, which lies at the heart of the system, ensures that new trade opportunities arising from tariff reductions in the WTO are available to all countries participating in the system, not just to a favored few.

"Third, the system is predictable and transparent. Member states understand the parameters and terms within which their trading partners operate.

"Fourth, economic reforms are an important part of a country's accession. China's accession in 2001, for example, underpinned far-reaching domestic reforms, both before entry to the WTO and on a continuing basis.

"Finally, all countries have legal recourse. The WTO's dispute-settlement mechanism has enabled countries of all sizes and at all levels of economic development to achieve changes to trade policies in much larger and more powerful countries. More than 300

disputes have been resolved, about one-third of them brought by developing countries.

"Our commitment to the WTO is the reason why we are so resolved to achieving an ambitious and balanced outcome to the Doha Round. President Obama and the other G-20 leaders have recognized 2011 as a "critical window of opportunity." A successful conclusion would provide a significant boost to global trade, growth and economic confidence. But to achieve that we will need to see – relatively quickly – greater willingness from China, India and Brazil to act like the global players that they are and provide more access to their markets for goods and services. As President Obama stated at the G-20 in Seoul in November, "just as emerging economies have gained a greater voice at international financial institutions . . . so, too, must they embrace their responsibilities to open markets to the trade and investment that creates jobs in all our countries." It is not just countries like Israel and the United States that would benefit from conclusion of the Doha Round. Access to emerging economies is also vital for the poorest countries that have been a particular focus of the Doha negotiations, and that would be the largest beneficiaries of an agreement.

"In addition to our global and bilateral efforts to deepen trade relationships, we also focus on key regions and other groupings. For example, the United States and Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore and Vietnam are currently negotiating the Trans-Pacific Partnership (TPP) in order to foster greater economic integration in this economically vibrant region. The goal is a high-standard, 21st century agreement containing commitments to enhance competitiveness, business facilitation and regulatory coherence that will link some of the fastest growing economies in the world.

"In addition, USTR has led efforts to finalize the text of the Anti-Counterfeiting Trade Agreement (ACTA), developed to fight the global scourge of counterfeiting and piracy. Current ACTA partners represent more than half of global trade in goods, and we hope more countries will join us.

"The United States looks forward to working closely with Israel to enhance our trade partnership and make certain we are realizing its full potential. That means we have work to do, which is why I am here. We will also look to work together to explore and expand regional and multilateral opportunities to broaden and deepen trade ties. Through these and other initiatives, we will seek to share the benefits of trade liberalization – benefits that will help all economies grow and support better jobs for our people."