

DEVELOPING THE U.S. TRADE STRATEGY FOR
LATIN AMERICA AND THE CARIBBEAN IN
PREPARATION FOR THE SUMMIT OF THE AMERICAS
BY

AMBASSADOR CHARLENE BARSHEFSKY

DELIVERED BEFORE THE PRE-SUMMIT ROUNDTABLE
COUNCIL OF THE AMERICAS

SEPTEMBER 13, 1994

INTRODUCTION

Thank you for this opportunity to address this "Pre-Summit Roundtable Discussion," which is intended to give the Clinton Administration a private sector perspective on the Summit of the Americas. I can see just by looking over the "Dialogue" topics on your agenda that today's discussion will provide us very important information and guidance.

Those of you who have been involved in Latin America and the Caribbean for many years are well aware of the tremendous changes that have been occurring in the hemisphere. The points

Speech

you make in your "White Paper" demonstrate that you understand well the historic opportunity the United States -- in partnership with other countries in the hemisphere -- should seize.

SUMMIT OF THE AMERICAS

Trade Is Central

Recognizing this opportunity, President Clinton decided to call for a summit of democratically elected leaders of the hemisphere. The "Summit of the Americas" will be the largest gathering of heads of state and government ever hosted by the United States, with 34 nations represented.

As you are aware, the Administration has proposed three broad mutually reinforcing themes:

- o Making Democracy Work;
Reinventing Government;
- o Making Democracy Prosperous;
Hemispheric Economic
Integration;
- o Making Democracy Endure;
Sustainable Development.

We have also proposed a total of 14 specific initiatives to support these themes.

While consultations with other countries on our proposals have been favorable, almost all countries want to hear more from us about our ideas concerning trade. It is clear that trade will be a key element of the Summit.

The emphasis on trade will mark a major departure from our past relationship with Latin America and the Caribbean, which

was based largely on political considerations. The driving factor in our present policy towards the region is our collective economic future. Hence, expansion of hemispheric free trade is the centerpiece for the Summit theme of "Making Democracy Prosperous; Hemispheric Economic Integration."

President Clinton recognizes the importance of trade to the Summit and to our relations with other countries in the hemisphere. He has repeatedly expressed his desire to "expand the NAFTA" to include other nations in the hemisphere. And, in a recent speech in Miami, he said, "we have to expand the frontiers of trade and investment. That's what NAFTA was all about; that's what the GATT agreement is all about; that surely is what the Summit

of the Americas is about."

Trade Policy Meets a New World

We in USTR recognize the need to develop further the President's broad vision. Let me share with you where we stand in that process.

The Administration's overall trade policy is clear. The President remains committed to open markets and expanding trade. This bipartisan policy has served the United States well for over half a century.

However, the context in which this policy is applied has changed dramatically. In a post-Cold War world, more attention is focussed on relative economic strength. And virtually every country in the world -- developed and developing alike -- recognizes

the existence of, and need to, compete in a global market.

Unlike other major economic and political powers, the United States had never before seen its future tied so closely to the economic futures of others. In the 1970s exports and imports accounted for about 14 percent of our economic life. Now, however, trade as a proportion of gross domestic product exceeds 28 percent and is projected to be 36 percent in 2010.

While the economic importance of trade is becoming increasingly clear, the political support for open markets among the American people and in Congress needs to be strengthened. This can be achieved by providing greater economic security -- for example, through improved health

care -- and by promoting a better understanding of the importance of trade to the economic prosperity of our citizens.

Furthermore, the issues related to trade policy are becoming more complex. The role trade can play in promoting improved environmental protection and labor standards is under discussion in the Congress, in the private sector, and among environmental NGOs.

Congress Has the Stage

Indeed, right now Congress has in its hands trade measures which, if passed, would greatly enhance U.S. leadership at the Summit. We expect a House-Senate conference to convene this week to consider the Uruguay Round implementing legislation.

Implementation of the Uruguay Round

Congressional action on the Uruguay Round is critically important. Other countries are waiting for us.

Early implementation of the Uruguay Round sets in motion a range of actions unprecedented in global economic history -- expanding jobs, enhancing productivity and increasing real wages. Economists estimate that the increased trade will pump between \$100 and \$200 billion into the U.S. economy every year after the Round is fully implemented.

Entry into force of the Uruguay Round will build the foundations for a tremendous expansion of trade and prosperity for the 21st century. It will also set down a common

set of rules that will guide international trading nations. Therefore, we want to set an example for all the countries to implement these commitments by January 1, 1995.

Fast-track

In addition to implementing our multilateral commitments, the Administration wants to conclude trade agreements with other nations in the hemisphere. There are many sound political and economic reasons for doing so.

- o Recent studies -- such as the one just released by the Institute for International Economics -- have shown that the United States can increase its prosperity and create jobs by concluding free trade agreements in the region.

- o Likewise, other countries in the region can realize substantial economic benefits from opening markets and expanding trade.
- o Increased economic growth promotes political stability in the democratically elected governments in the hemisphere.

As your "White Paper" indicates, you understand well these relationships between open trade, economic growth and political development. Your "White Paper" also recognizes the implications of Congressional authorization of the fast-track procedure. The Administration's ability to begin soon pursuing additional free trade agreements depends on Congressional approval of this procedure.

The private sector has much to

gain from trade agreements in the region. There are tremendous opportunities for expanding market access for goods and services available in the rapidly growing economies of Latin America and the Caribbean. For example, U.S. exports to this region are projected to exceed U.S. combined exports to Western Europe and Japan by the year 2010.

We need fast-track to maximize these opportunities by negotiating trade agreements with countries in the hemisphere. Chile is our first priority. But, as other countries become ready and interested in a trade agreement, we would like to be in a strong position to negotiate.

Failing to do so will place the United States at a competitive disadvantage with

other nations. Already, many nations in the region are forming subregional blocs, which could over time erode U.S. exports. Furthermore, the European Union and Japan are showing a greater interest than ever before in expanding their shares of the Latin American and Caribbean markets.

We want to continue to work with Congress to gain expeditious approval of fast-track authority.

Interim Trade Program

We are also continuing to press Congress for legislation to implement the "Interim Trade Program" (ITP). The ITP would expand the current Caribbean Basin Initiative (CBI) to provide interested countries NAFTA-type treatment in textiles and apparel, in exchange for

improved protection of investment and intellectual property rights. We believe this program, like the CBI, would provide benefits to both the United States and the countries that chose to take part.

We do not see the ITP as a replacement for an enhanced trade relationship between the United States and countries in the Caribbean Basin. Indeed, we deliberately chose the name "Interim Trade Program," instead of the more commonly known phrase, "NAFTA parity." We want to convey the idea that this new program would be a transitional arrangement between the current situation under the CBI and some later date when we have worked out a fully reciprocal NAFTA-type arrangement with Central America.

We Will Refine the Policy

Consultations

During the time we have been working with the Congress, we have also been carefully considering refinements to our overall trade and investment policy for Latin America and the Caribbean.

USTR officials have consulted with virtually every country in the hemisphere on the direction our trade policy should take. We took the very unusual step for USTR of visiting the region **not**, as we normally do, to press for resolution of a specific problem, but to listen to the views of other countries. We plan to use the results of these consultations in refining our trade policy for the hemisphere.

We also have been seeking the

views of the private sector. There are many people in this town who are very eager to share with us their thinking.

The "White Paper"

But, there is no forum more important than the Council of the Americas for obtaining informed and clear guidance. Your "White Paper," which I have referred to several times, is an excellent example of what I mean.

I believe this "White Paper" has much to commend it. This document establishes clear principles and policy recommendations advocated by a group of private sector advisors. Knowing how difficult such a process can be, that alone is a real feat.

There is much in the "White

Paper" the Administration can use in its own deliberations. Indeed, the basic thrust of the "White Paper's" principles and recommendations appear to be largely consistent with the direction the Administration is headed. In particular, we want to move toward a hemispheric free trade area and believe that the NAFTA obligations are the right ones to use in that process.

Status of USTR's Thinking on U.S. Policy

Let me share with you some of the other ideas we at USTR have been considering.

The issue of whether the United States uses NAFTA accession or bilateral FTAs as the means to open markets is very important. We recognize that the most economically

effective means of expanding the NAFTA is by accession. Your "White Paper" lists several reasons in favor of accession.

We are examining the compatibility of the NAFTA's provisions for accession. We are also considering the adaptability of the NAFTA's institutional arrangements to other members.

At the same time, we believe every country -- including the United States -- should preserve the flexibility to conclude bilateral GATT-consistent trade expansion agreements. We do not want the formation of trading blocs to prevent opportunities to open up markets and expand trade.

We have been consulting with Chile, our next FTA partner, on

the most appropriate arrangement. The presidents of both countries asked that Ambassador Kantor and Chilean Finance Minister Aninat recommend to them whether a separate FTA or NAFTA accession would be the better approach.

The NAFTA will set the U.S. standard for whatever free trade arrangements we negotiate and conclude.

For negotiations on such a comprehensive and complex agreement to be successful, countries need to be ready. We are examining appropriate "readiness" criteria that would serve as "building blocks" for a NAFTA-compatible free trade arrangement.

Areas under consideration for such criteria include democracy, macroeconomic

conditions, commercial benefits, and trade and investment. These "building blocks" would be designed to allow us to use our negotiating resources most effectively and to better ensure negotiations, once begun, are successful.

We also understand the varying views in Congress, the private sector and NGOs about the areas of labor and the environment.

We need to refine further our ideas on these "building blocks" so that countries understand clearly the road to a free trade arrangement.

U.S. policy would be designed to be inclusive. We would work with all countries to the extent both parties find it mutually advantageous.

- o Countries that have met all of the criteria would be most ready for an FTA.
- o With other countries we might seek an intensified approach leading up to FTA negotiations.
- o And, with other countries, we would work on steps that would expand trade and enhance cooperation.

THE SUMMIT'S ROLE

We expect the Summit of the Americas to provide the setting for defining fully a post-NAFTA strategy in Latin America and the Caribbean. We would like the leaders to endorse the construction of a hemispheric free trade area (HFTA) and to adopt concrete measures that would move the hemisphere toward that objective.

Hemisphere would realize tremendous economic benefits.

CONCLUSION

Thank you very much for the opportunity to address your Roundtable. I look forward to continuing to work with you on our trade policy for Latin America and the Caribbean.

Talbot
Mantz

REMARKS OF THE
HONORABLE CHARLENE BARSHEFSKY
DEPUTY U.S. TRADE REPRESENTATIVE
BEFORE THE
ASIA SOCIETY
October 17, 1994

This is my first visit to the Asia Society in New York and I have looked forward to this opportunity to speak to you for a long time. The Asia Society has a reputation for excellence and influence not only on political and strategic issues but also on economic issues which have been the most dynamic force for change throughout Asia and the Pacific region.

The Asia region is as diverse as it is dynamic.

- o The largest country -- China -- has a population of 1.2 billion while the population of the smallest -- Brunei -- is less than half a million.
- o The gross national products of the largest economy -- Japan -- is one thousand times larger than the smallest economy -- Brunei.
- o In the APEC region the per capita income ranges from \$380 to \$28,000.
- o On the trade side, one country -- Singapore -- has a foreign trade value that is more than double its gross national product, while for another -- China -- foreign trade is merely 10 percent of its GNP.

Before I address the recent trade issues that have and will dominate the news media -- the Japan Framework discussions, China's GATT accession, and APEC, the AsiaPacific Economic Cooperation forum, I would like to give you a short perspective of the Clinton Administration's trade policy toward Asia. Trade policy toward the Asia-Pacific region is not a "Japan" policy or a "China" policy. The region is far too economically diverse and culturally rich to permit such a simplistic approach. The other countries of Asia are equally significant and present varying challenges. For example, ASEAN collectively is our fourth largest trading partner and we export 40 percent more to the rest of Asia than we do to Japan and China.

From a trade policy perspective, the Clinton Administration has turned the corner on resolving many of the larger trade issues with a number of the countries in Asia. The highly contentious

criteria to assess progress under the agreements and to achieve, over the medium term, significant increases in market access and sales.

Japan also announced that it will make important macroeconomic reforms, marking progress towards meeting additional commitments under the Framework Agreement. The Government of Japan recently announced a comprehensive tax reform package which will extend a \$55 billion cut in personal income taxes, and has decided to delay any offset of the lost revenues until April, 1997. This, along with a sustained increase in Japan's public expenditures, and a commitment to consider new expenditures in October, will help stimulate growth in domestic demand and should translate into substantial new opportunities for American exporters.

Let me give you some specifics about the four trade agreements that I mentioned a moment ago.

We concluded two telecommunications agreements -- one in public procurement by Japanese government agencies and one covering Nippon Telephone and Telegraph (NTT), the largest telephone company in Japan, which is 65% government owned. With respect to the public procurement agreement, government agencies already buy more than \$2 billion of telecom equipment per year. How the government treats what is directly under its control often sets the tone for foreign purchases in the rest of the country. This market will expand dramatically as Japan modernizes its government communications systems in the coming years.

Under the agreement, the Government of Japan has committed to provide more detailed information, earlier in the process for each year's procurements. Suppliers will be invited to comment on all aspects of the planned purchases, including the technical specification, technology, and budgets for the systems to be purchased -- all before the request for proposals is finalized. For technical specifications, the Government of Japan will ensure that products and standards widely used worldwide will have a fair chance in Japan. The Government of Japan will institute a modern "overall best value" bid evaluation system, to ensure that contracts are awarded to the best suppliers and products, and that everyone knows the basis for the decision. The Government of Japan will also reduce the number of sole-source contracts, which in the past have tended to go only to Japanese firms.

With respect to the NTT agreement, U.S. and foreign companies can count on:

- o Better information earlier in the process;
- o Multiple opportunities to shape the requests for proposals before they are issued; and

INSURANCE

We have reached a landmark agreement to open Japan's \$320 billion insurance market -- the world's second largest -- which has been mired in a secretive and arbitrary regulatory system and exclusionary purchasing practices among interconnected firms. Under the insurance agreement, the Government of Japan committed, among other things, to enhance the transparency of its regulatory system, provide important procedural protection, introduce specific liberalization measures, and strengthen its antitrust policy. The agreement enables non-Japanese insurance companies already active in Japan to build on the progress made to date, as well as allow current players and newcomers to take advantage of new business opportunities created by the agreement.

The Government of Japan agreed to compile, publish, and make publicly available standards for approval of licenses and new products, and put administrative guidance in writing. In addition, in order to ease the strong hold of its regulatory officials, the Government of Japan agreed to introduce a simplified notification system for large commercial insurance. Japan further agreed to implement a three stage deregulation plan on insurance products and rate approval which includes, among other things, easing insurance rate restrictions applicable to large commercial fire insurance, and expanding the approval system for key products. The Government of Japan also agreed to introduce the broker system to diversify and to promote competition in insurance distribution channels. In order to make certain that competition rules are followed, the Government of Japan agreed to strictly enforce the Anti-Monopoly Act (AMA) in the insurance sector and review AMA exemptions stipulated in the Insurance Business Law by fiscal year 1995. The Japan Fair Trade Commission, which oversees competition, will also conduct a study of the Japanese insurance market.

Here again, the agreement provides for a set of qualitative and quantitative criteria to assess implementation.

OTHER AREAS

Finally, we agreed on principles to open Japan's highly cartelized \$4.5 billion market for flat glass. We expect a full agreement in this sector to follow by the end of this month. The results of this agreement will be direct and immediate, as our companies move into this market which has been closed for fifty years. We expect that this new agreement will incorporate, among other things: voluntary statements from Japanese consumers and distributors pledging a willingness to use competitive foreign glass; procurement by the Government of Japan of competitive foreign glass products; and the ability to assess results in this sector. Negotiations to finalize this agreement are now underway in Tokyo and will continue through this month.

The United States has global and bilateral objectives that it wishes to pursue with China and we believe that we can do so in a mutually advantageous manner. We have a global interest in seeing China better integrated into the world trading system, in continuing to reform its system, and in growing its economy. We have a bilateral interest in creating a more reciprocal trade relationship that brings substantially greater benefits to the United States. These interests are intertwined. We are working with China to establish a trade framework that is based on the rule of law. We are therefore pursuing a number of trade initiatives in both multilateral and bilateral contexts.

GATT/WTO Accession

In the 1992 Market Access Agreement, the United States committed to staunchly support China's accession to the GATT on the basis of an acceptable protocol of accession. Our commitment is to work constructively with China and the other GATT Contracting Parties. With the conclusion of the Uruguay Round, we are now talking about the protocol package that needs to be completed, including the conditions of market access and the schedules of concessions in goods, services and agriculture.

China's accession to the GATT/WTO is important for several reasons. First, accession on acceptable terms will help catalyze and cement the current reform process. The structure of China's economic reforms and the overall direction must be compatible with the GATT/WTO. Second, accession will assist China in following international trade rules and norms, and will keep China engaged in crafting new rules for opening markets in the years ahead. Of course, all trading nations will benefit. And third, a good protocol package for China will lead to substantial, additional market opening and a much improved trade and investment regime.

Precisely because its foreign trade regime is so strong -- averaging 25 percent growth a year over the past five years -- China and the United States, as well as the other Contracting Parties, have a responsibility to ensure that China's accession is based on solid economic commitments. Maintaining multilateral disciplines that are applied uniformly to imports and domestically produced goods is the bedrock of the GATT system. This is as true for China as for every nation that has acceded or has applied to accede to the GATT/WTO.

We have accelerated our work bilaterally with China and multilaterally with other Contracting Parties to develop a protocol package for accession to the GATT/WTO. We have made as much progress as we have because of the hard work of our and China's negotiators. Indeed, the market access MOU and achievements thus far in our bilateral trade relations with China have established a basis for moving ahead.

partners will be hurt over time. Nor will our goal of seeing China better integrated into the world trade system be achieved. In negotiating China's protocol, we intend to identify each issue that needs to be addressed and with mutual benefit in mind, work to achieve realistic, pragmatic solutions.

I would like to leave you with three thoughts on China's pending accession. First, we are working closely with China and other Contracting Parties on China's accession. Second, we have intensified our bilateral and multilateral efforts. And third, we must get China's protocol package right precisely because we are committed to ensuring that the GATT/WTO System remains strong and viable.

Bilateral Initiatives

Our bilateral initiatives with China complement and further our GATT/WTO accession process. We are currently engaged in negotiations and consultations on market access for goods, based on the 1992 Market Access MOU, market access for services, and intellectual property rights protection. Successful conclusion of these bilateral negotiations, and faithful implementation of the existing Agreements, will benefit the bilateral relationship and will also improve the climate for China's GATT/WTO accession.

China's implementation of the 1992 Market Access Agreement has been commendable, although some important exceptions remain. In the Agreement itself, China committed over a five year period to a major reform of its import regime. That includes elimination of 90 percent of all non-tariff barriers -- such as import licensing requirements and quotas, increased transparency along the lines of GATT Article X, elimination of the use of import substitution as a policy or practice, and an end to the use of sanitary and phytosanitary standards as barriers to agricultural imports.

China has taken important strides toward making its trade regime more transparent. China has published a large number of trade rules and regulations in the past year, so many that it has become difficult to keep track of them all. China nonetheless has a long way to go before its trade regime, and its trade institutions, are truly transparent. We are particularly concerned that China's provinces apply Beijing's trade laws and regulations uniformly and that the provinces' trade regimes are transparent.

China has made a major commitment to eliminate non-tariff barriers, and since the end of 1993, has reduced to 400, from the several thousand that existed, the number of GATT-inconsistent barriers. That is a major achievement. China's actions will open markets for computers, medical equipment, heavy machinery, textiles, steel products, chemicals, pharmaceutical, and other

intentions reality.

IPR

Protection of intellectual property rights (IPR) is an area of major concern for the United States. Failure to protect IPR harms China's legitimate research and business interests, as it does those of foreign countries. Through implementation of the 1992 IPR Agreement, China has dramatically improved the legal basis for IPR protection. China has taken important steps in implementing its legal regime for IPR, including strengthening copyright protection by joining the Berne Convention, amending the patent law to include product patent protection for agricultural chemicals and pharmaceuticals and so on.

In principle, the Chinese government recognizes that protection of intellectual property is important. While the legal regime attests to this recognition, in practice, there is virtually no effective enforcement of IPR in China. Piracy has escalated in recent years and reached crisis proportions over the past year. Theft of copyrighted products is omnipresent, with a 90-100 percent piracy rate in computer software, motion pictures, videos, sound recordings, and books and periodicals. Twenty six CD factories, 15 in Guangdong province alone, have a production capacity of 75 million CDs, laser disks and CD-ROMs, which are now being exported throughout Southeast Asia and North America.

Piracy constitutes a significant market barrier to computer software producers and others who would like to invest and trade with China but dare not do so now. And, piracy thwarts the development of China's own domestic industries. China will never be a major center for the development of software, for example, if it cannot protect the inventions of its most creative people.

Many months of discussions with China on protection for intellectual property products in 1993 and 1994 produced limited results, with the major producers and distributors of pirated products continuing in operation despite China's many promises to take action and some limited raids. As a result, The Administration initiated a Special 301 investigation into China's IPR enforcement practices. I believe it is in our mutual interest to reach agreement on this issue, but time is limited. We are looking to three key elements in any agreement negotiated:

- o effective measures to curb piracy;
- o the creation of an effective enforcement regime; and,
- o market access for U.S. audiovisual works.

Without access for legitimate works, the environment for piracy will remain unchanged.

for the growth of our economies and jobs. The APEC Eminent Persons Group has sketched out its vision of free trade in the region by the year 2020, including ideas on how to get there. Others in the region have equally provocative ideas. APEC does not need to adopt completely any one plan, but we need to consider boldly and creatively how this organization can best support achievement of the freest possible flow of goods and services in the region -- in a manner designed to strengthen and expand the multilateral trading system.

CONCLUSION

In conclusion, the United States is committed to a policy of active engagement in Asia through bilateral, regional and multilateral means. We intend to continue to address issues creatively and flexibly and in a manner designed to foster global growth.



THE
ASIA
SOCIETY

725 PARK AVENUE, NEW YORK, NY 10021-5088

October 26, 1994

rawe

Ambassador Charlene Barshefsky
Deputy United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20506

Dear Ambassador Barshefsky:

On behalf of The Asia Society, thank you very much for addressing our corporate audience on October 17. It was a pleasure to welcome you to The Asia Society. It was very kind of you to make the trip to New York, in spite of your last minute meeting with the President and your laryngitis. We greatly appreciate your efforts to go on with the program as scheduled.

Our corporate audience enjoyed the opportunity to learn more about the Clinton Administration's trade agenda in Asia, and welcome your efforts to further open Asia's markets to American business. The lively question and answer session indicated the New York business community's high level of interest in trade developments in Asia.

As you know, the Society is committed to ongoing coverage of economic and political developments in Asia, and your participation in this process is greatly appreciated. It was a pleasure to have you join us, and I look forward to welcoming you back to the Society in the future.

Sincerely,

Marshall

Marshall M. Bouton
Executive Vice President

MMB:jw

REMARKS OF AMBASSADOR CHARLENE BARSHEFSKY
BEFORE THE ATLANTIC COUNCIL OF THE
UNITED STATES
NOVEMBER 17, 1994
"DEVELOPMENTS IN TAIWAN TO 2020:
IMPLICATIONS FOR U. S. TRADE INTERESTS"

INTRODUCTION

- o My focus today is an examination of U.S. global and regional trade policy; of current and prospective trade negotiations with Taiwan; and the continuing U.S. trade relationship with one of East Asia's success stories -- the prosperous, more pluralistic society we see in Taiwan today.

Administration Trade Policy

- o The Administration's overall trade policy is clear. The President remains committed to open markets and expanding trade. This bipartisan policy has served the United States well for over half a century.
- o However, the context in which this policy is applied has changed dramatically. In a post-Cold War world, more attention is focused on relative economic strength. And virtually, every country in the world -- developed and developing alike -- recognizes the existence of, and need to, compete in a global market.
- o Unlike other major economic and political powers, the United States had never before seen its future tied so closely to the economic futures of others. In the 1970s

exports and imports accounted for about 14 percent of our economic life. Now, however, trade as a proportion of gross domestic product exceeds 28 percent and is projected to be 36 percent in 2010.

- o While the economic importance of trade is becoming increasingly clear, the political support for open markets among the American people and in Congress needs to be strengthened.
- o In the short run of course, the most important objective of the Administration is Congressional enactment of GATT legislation.
- o Rapid implementation of the Uruguay Round sets in motion a range of actions unprecedented in global economic history -- expanding jobs, enhancing productivity, and increasing real wages.
 - Economists estimate that the increased trade will pump between \$100 and \$200 million into the U.S. economy every year after the Round is fully implemented.
- o The Uruguay Round's entry into force will build the foundations for a tremendous expansion of trade and prosperity for the 21st century. It will also set down a common set of rules that will guide international trading nations. Therefore, we want to set an example for all countries to implement these commitments by January 1, 1995.
- o In the context of our trade policy with Asia, of course, in

addition to the GATT, our ^{multilateral} key initiative has been in advancing APEC -- Asia Pacific Economic Cooperation.

- o Leaders from 18 Asian and Pacific countries, including President Clinton, have just returned from Jakarta. As many of you have read, the meetings resulted in an endorsement of a plan proposed by Indonesian President Soeharto, to have open and free markets in the region by the year 2020.
- o We consider the APEC process important to our overall efforts to break down barriers and expand trade in the dynamic Asia-Pacific region. APEC is a forum for beginning cooperation toward this end now, with the aim of achieving fully open markets in the longer run.

The U.S. and Taiwan: What Guides U.S. Interests

- o I'd like to now turn specifically to our policy toward Taiwan. Although my focus is on trade policy, I want to begin by discussing the the overall context of U. S. relations with Taiwan, and what governs our interests there.
- o The Administration has carefully examined every facet of our unofficial ties with Taiwan. The lengthy, detailed interagency policy review that we have conducted is the first of its kind launched by any administration of either political party since we shifted recognition to Beijing in 1979.
- o The foundation of our approach has been to advance U.S.

national objectives in our relations with Taiwan and the P.R.C., as well as in the Asia-Pacific area generally. The results, we believe, strike the right balance between Taipei and Beijing, laying the basis for further expanding relations with both while ensuring continued peace and stability in the Taiwan Strait.

- o The basic framework of our policies toward the P.R.C. and Taiwan remains unchanged. U.S. policy toward Taiwan is governed, of course, by the Taiwan Relations Act of 1979. Three communiques with the People's Republic of China -- the Shanghai Communique of 1972, the Normalization Communique of 1979, and the Joint Communique of 1982 -- also constitute part of the foundation.
- o In the joint communique shifting diplomatic relations to the P.R.C. 15 years ago, the United States recognized "the Government of the People's Republic of China as the sole legal Government of China." The document further states that "Within this context, the people of the United States will maintain cultural, commercial, and other unofficial relations with the people of Taiwan."
- o The United States also acknowledged "the Chinese position, there is but one China and Taiwan is part of China." These formulations were repeated in the 1982 communique. Since 1978, each administration has reaffirmed this policy.
- o Within this framework, the President has decided to enhance our unofficial ties with Taiwan. Our goal is to reinforce the success of our fundamental policy approach, which has promoted peace and growth in the region, while

accommodating changing circumstances in ways that advance U.S. interests.

- o We believe it would be a serious mistake to derail this basic policy of several administrations by introducing what China would undoubtedly perceive as officiality in our relations with Taiwan. This is why the Administration strongly opposes Congressional attempts to legislate visits by top leaders of the "Republic of China" to the U.S.

Let me give you the highlights of our changes.

- o We are now prepared to send high-level officials from U.S. economic and technical agencies to visit Taiwan. We will make judgments as to what level of visitor best serves our interests. They will have meetings at whatever levels necessary to accomplish our objectives. We are also prepared to establish a sub-cabinet economic dialogue with Taiwan.
- o We also are making some changes in the ways we promote our commercial and technical interests in Washington, including where meetings can be held.

Taiwan: The Trade and Economic Setting

- o As I mentioned in my remarks on APEC, building economic cooperation in the dynamic markets of east Asia is a key focus of the Administration. Taiwan is a vital part of this focus. Let me explain why.

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- o Only four decades ago, Taiwan was largely an agricultural-based economy; was a recipient of American aid; and was in need of special access to our market. Half of its industry was in the public sector. In 1955 Taiwan's total trade was \$324 million and per capita income \$192.
 - o Taiwan's trade today is in excess of \$150 billion, and per capita income is more than \$10,500. Taiwan's growth rate in 1993 was a respectable 6.1%, and while below the 7.8% growth of the 1985-92 period, it was a statistic that would be highly prized by any other developed economy.
 - o U.S. trade with Taiwan in 1955 totaled \$101 million; last year it was \$40 billion, making it our sixth largest trading partner.
 - With a \$40 billion two-way trade relationship, inevitably problems arise. Trade negotiations of some kind occur frequently between our two sides and they have been at times quite tough.
 - But in fact, the large surplus Taiwan enjoyed in its trade with us, and the pressures this was bringing to bear on the relationship, have led them to pursue a vigorous program to address the issue in the late 1980's. This has worked to the benefit of both countries.
 - o The task before us is to shape our trading relation to the greatest possible mutual benefit. The breadth of our relationship, and our common interest in preserving it, offer the means to preserve a friendly and cooperative

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atmosphere despite the sometimes complex and difficult issues to be resolved.

- o Let me now discuss some of these specific issues in our bilateral trading relationship.

Protection of Intellectual Property Rights

- o We have engaged for over two years beginning in early 1992 in an intensive effort to provide for the protection of intellectual property rights.
- o The result of our, at times difficult, bilateral work is a climate of measurably improved IPR protection on Taiwan; significant progress in the copyright area and important steps in the trademark and patent areas.
- o Since early 1993, the Executive Yuan and Legislative Yuan in Taiwan have taken a number of important steps, including statutory and administrative improvements as well as the enhancement of enforcement efforts, that have brought the IPR regime close to TRIPS (the new GATT IPR agreement) standards. In recognition of these efforts Ambassador Kantor decided last spring to move Taiwan to the IPR Watch List.
- o We believe that Taiwan has taken these steps to protect IPR for several good reasons:
 - Taiwan, having benefitted from the rules-based discipline of the international trading system, realized the need to contribute to the system by meeting its

obligations, which include the protection of IPR.

- Taiwan realized that failure to protect IPR would hamper foreign investment and technology transfer, and thus cripple Taiwan efforts to make the necessary transition to a high tech economy.
- Taiwan's ^{own} creators and inventors began to suffer the consequences of minimal IPR as their intellectual work was liable to theft by others. ^{protection}
- o We aim to build on our past success in the IPR area in our ongoing GATT/WTO accession negotiations. We would like Taiwan to achieve complete consistency with the TRIPs agreement as soon as possible, as appropriate for a country at its stage of economic development.

GATT/WTO Accession

- o This brings me to the subject of our ongoing negotiations with Taiwan on GATT/WTO accession. Let me first discuss our policy in this area, and then briefly recap where the talks are on a substantive level.
- o In general, we continue to support GATT/WTO membership for Taiwan, as well as China, when substantive requirements are met.
- o The issue of which how accession proceeds, and who proceeds first, is not for resolution by the United States alone. GATT/WTO accessions are multilateral affairs.

- o GATT decisions are by consensus, and we will require a consensus among GATT members on the timing of both Taiwan's and China's accession.
- o But clearly, as Taiwan's importance in international trade grows daily, the opportunity to include this major trading entity is of great significance to the newly established WTO and its members.
- o For Taiwan, GATT accession will establish a framework for Taiwan's commercial interaction with members of the WTO, and will secure benefits and privileges for Taiwan's trade that are established by international obligation.
- o With respect to the progress of accession talks with Taiwan, substantive negotiations on accession have been taking place since April 1993.
- o In November 1993 we tabled an ambitious GATT accession tariff request of Taiwan and most recently held bilateral consultations in late September as well as this week.
- o Talks with Taiwan are ongoing to develop a strong "protocol package." That is the protocol setting out the terms and conditions of membership, and schedules of concessions for industrial products, services and agriculture.
- o Taiwan's GATT accession will clearly require changes in its current trade regime, and commitments to operate its trade policy within the GATT/WTO framework in the future. This will, in some cases, present a challenge to the

Taiwan authorities in dealing with some of their more entrenched economic interests.

o In the tariff area, earlier this year, Taiwan offered politically and commercially significant cuts during our "pre-GATT" tariff negotiations.

-- Taiwan made tariff offers on 89% of our top priority requests and agreed to reduce tariffs on 483 U.S. export items valued at \$889 million with an average depth of cut of 21%.

o Although the Legislative Yuan failed to enact these "immediate" tariff cuts into law by the end of its last session, prompt action this session will help to restore Taiwan's credibility, while also being seen as a political "good will" gesture ~~and a form of GATT accession down-payment.~~

o A successful outcome to accession talks overall should be well worth Taiwan's effort, as it will greatly strengthen and broaden Taiwan's economy and its commercial opportunities.

o The United States intends to continue to be a major participant in the negotiation. This is a good opportunity for establishing access for our exports to Taiwan, as well as to address some long-standing trade problems.

PELLY AMENDMENT TRADE SANCTIONS:

o The third bilateral trade issue important to note is our action under the Pelly Amendment last year.

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- o Pelly Amendment sanctions were imposed on select wildlife products from Taiwan in August because of Taiwan's continued failure to enforce prohibitions on trade in parts of endangered species of tiger and rhino.
 - o The value of the trade is estimated to be \$22.4 million. President Clinton has committed to review his decision to impose sanctions in December.
 - o The sanctions that were imposed in August originated with a September 7, 1993, certification under the Pelly Amendment by the Secretary of the Interior, based on a recommendation of a CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) standing committee, that residents of Taiwan were trading in rhinoceros and tiger parts and products, and thereby diminishing the effectiveness of the Convention.
 - o In November of 1993, President Clinton reported to Congress that if "measurable, verifiable and substantial" progress to end this trade was not made by Taiwan by March of 1994, import prohibitions would be necessary.
 - o In April the President reported again to Congress that although Taiwan had made some progress, its efforts were insufficient in several key areas. At that time the President directed that imports of wildlife specimens and products from Taiwan be prohibited, but committed to review this decision in December.
 - o The prohibitions took effect in August, and apply to some wildlife products from Taiwan (mainly coral and shells).

- o A list of specific criteria for evaluating Taiwan's progress has been sent to Taiwan, and there have been communications with Taiwanese officials on the subject.
 - Criteria include passage and implementation amendments to the Wildlife Conservation Law (enacted by the Legislative Yuan in late October) that will effectively allow Taiwan to deter trade in CITES-listed species, and effective control of privately-held stocks of rhino horn and tiger bone.
- o In addition, Taiwan is being asked to demonstrate effective enforcement under existing and new legislation, and to improve public awareness of the threat to CITES-listed species posed by illegal trade. We are currently evaluating the content of the recently passed amendments to the Wildlife Conservation Law.

TRADE AND INVESTMENT FRAMEWORK AGREEMENT (TIFA):

- o One final area worth noting is the recent Trade and Investment Framework Agreement, or TIFA, with Taiwan.
- o A TIFA was signed on September 19, 1994. We are now initiating steps to begin to use it as a foundation for advancing the U.S.-Taiwan dialogue on trade and investment liberalization.
- o The TIFA could be a logical commencement point for any longer term efforts of additional opening of Taiwan's trade and investment regime. Once the outlines of Taiwan's

GATT/WTO Protocol of Accession have taken shape, we will have the contours of the map upon which to build further through the mechanism of the TIFA.

Conclusion

- o Despite the complexity of our bilateral interactions, the United States and Taiwan have consistently maintained a comprehensive --although unofficial-- economic relationship.
- o While we will insist that Taiwan conduct its trade relations with us according to our bilateral agreements and the accepted norms of the international trading system, American business must still be prepared for stiffened competition.
- o And given the more open atmosphere and dispersal of power among institutions and interest groups, trade disputes, bilateral actions and agreements will all come under closer scrutiny, and will be more complex and difficult to resolve.
- o Likewise the political changes occurring on Taiwan have a direct effect on the conduct of affairs with that island. Both public and private sector relationships must deal with a far more diverse entity that is seeking to define its international identity.
- o Political power is being redistributed giving more of a

share of it to legislative bodies and local governments than has previously been the case. Interest groups, in this atmosphere, can yield more influence.

- o However, while the relationship is becoming more complex, it is in an atmosphere that is increasingly like the one we are accustomed to working in here in America. Furthermore, we must not overlook our advantages.
- o Our economic aid and our market were instrumental in Taiwan's rise to economic prominence.
- o More recently we supported Taiwan's entrance into APEC^{✓ have} and ~~and alone among the major economies,~~ we worked actively to support Taiwan's entrance into GATT, again demonstrating American commitment to this relationship.
- o Nonetheless, it remains for both sides of this relationship to continue to bring to it the hard work and determination necessary to make it successful.

< CONFIRMATION REPORT >

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Free Trade: the Bridge to Asia

- o Increasingly, Americans are realizing that economic prosperity at home depends critically on growing markets abroad.
- o Trade is now the primary generator of economic growth. Trade as a share of GDP has risen from 13 percent in 1970 to 26 percent in 1993.
- o Trade will be the fastest growing component of our GDP throughout the rest of the decade.
- o Wages in the exporting sector are 15-17 percent higher than in the rest of the economy.
- o We can no longer look to Europe as our partner in trade liberalization. Europe found it difficult to support and conclude a larger Uruguay Round package and is now looking inward as it expands its internal market by enlarging the European Union.
- o The United States needs to look to the Asian and Latin American markets as the generators of growth. Latin America presents enormous opportunities for growth but the Asian economies are not only far larger but also Asia is the most dynamic economic region of the world.

o By any measure Asia Pacific region is booming and growing in importance:

- over the past three decades, Asia's share of the world's GDP has grown from 8% to more than 25%;
- the dynamic Asian economies continue to grow at three times the rate of the established industrial countries;

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insurance.

- o These agreements were the result of a firm, consistent and resolute trade policy pursued by the Clinton Administration over the past 15 months. These agreements will produce real, tangible change and bring concrete results in our trade relationship with Japan.
- o For the first time, consistent with the underlying Framework Agreement of July 1993, Japan has committed to using objective quantitative and qualitative criteria to assess progress under the agreements and to achieve, over the medium term, significant increases in market access and sales.
- o Japan also announced that it will make important macroeconomic reforms, marking progress towards meeting additional commitments under the Framework Agreement.
- o The Government of Japan recently announced a comprehensive tax reform package which will extend a \$55 billion cut in personal income taxes, and has decided to delay any offset of the lost revenues until April, 1997. This, along with a sustained increase in Japan's public expenditures, and a commitment to consider new expenditures in October, will help stimulate growth in domestic demand and should translate into substantial new opportunities for American exporters.
- o Negotiations will continue next week on glass

CHINA

- o The United States has both an economic and political stake in developing productive, healthy and stable relationships with all countries in Asia, including China.
- o We recognize the enormous achievements that

China's reform policies have brought.

- o China is now the fastest growing major economy in the world.
- o Up and down China's east coast and now extending to China's inland provinces, economic development is proceeding at a breathtaking pace.
- o I have been overwhelmed by the magnitude of the change that has taken place in Beijing alone, much less in Guangdong and the booming provinces in central and south China.
- o As a trading regime, China has also undergone a remarkable transformation.
- o China is now the 11th largest trader in the world, with two-way trade last year approaching \$200 billion.
- o China's trade with the United States has experienced a similarly rapid growth. Beginning from a minuscule base in the late 1970s, U.S.-China trade grew to \$40 billion in 1993 and could reach \$50 billion by the end of the year.
- o However, our trade is now badly out of balance.
- o China exports vast quantities of goods to the United States, but still buys relatively little from us.
- o We have a projected trade deficit of \$28 billion in 1994. No other major trading partner has a deficit in goods of that size with China -- and no other major trading partner's market is as open to Chinese goods and services as the United States.
- o The United States has global and bilateral objectives that it wishes to pursue with China and we believe that we can do so in a mutually

advantageous manner.

- o We have a global interest in seeing China better integrated into the world trading system, in continuing to reform its system, and in growing its economy.
- o We have a bilateral interest in creating a more reciprocal trade relationship that brings substantially greater benefits to the United States.
- o These interests are intertwined. We are working with China to establish a trade framework that is based on the rule of law. Whether through negotiations on GATT accession or through bilateral negotiations on market access or IPR, we are seeking to establish a trading system for China that will be predictable and in conformity with international rules.

APEC

- o While much has been accomplished bilaterally, the resolution of bilateral trade disputes are not likely to yield the gains that are necessary to propel economic growth into the next century. And while the benefits of the Uruguay Round certainly are substantial, we must begin to look beyond those accomplishments and build the links to Asia and Latin America that will determine our own economic destiny.
- o In this dynamic environment **flexibility** is the key to survival for companies and must also be the basis of our trade policy efforts. We need to take advantage of opportunities to support open trade and investment wherever they arise -- at the bilateral, global, or **regional** levels.
- o In the most dynamic regions of the world, e.g. Asia and Latin America, regional integration will move ahead with or without us. Our economic well-being requires that we remain major economic

participants in key regions.

- o ~~Aside from addressing individual trade problems through the use of the punitive tools provided us by US trade legislation, e.g. Section 301, Title VII, etc., we must also forge a web of cooperative relationships with our trading partners in key regions.~~
- o These relationships must be shaped to support open business environments which increase access for US goods, services, and capital and promote economic growth and job creation, ~~for all parties.~~ APEC is an example of our pursuit of these goals in the world's fastest growing region.
- o On November 15, the Leaders of the 18 APEC economies set forth a goal of free and open trade and investment in the region by the year 2020, with the industrialized members of APEC to achieve this goal by 2010. This achievement is a tribute to the process President Clinton launched in Seattle and to Indonesian President Soeharto's efforts to further define the Seattle vision.
- o The Declaration of Common Resolve issued by the Leaders is a striking reflection of the extent to which Asian countries have accepted the basic ideas of market-driven economic growth, e.g., that freer trade is a key element in job creation and economic growth.
- o The Declaration is also an historic opportunity to lock-in the benefits of that philosophy -- by dismantling obstacles to trade and investment -- for the US and all APEC members.
- o In addition, the Declaration provides an unprecedented opportunity for development of a regional arrangement which helps insure the two sides of the Pacific are drawn further together, rather than drift apart, in both economic and broader strategic terms.
- o However, the Declaration represents the beginning

only

of a process, not its end. The detailed plan for reaching the Leaders goal will be developed over the course of the coming year by APEC Ministers and presented to the Leaders for their review when they next meeting in Osaka in November, 1995.

- o We don't yet know what that plan will look like, but I can offer you some preliminary thoughts which I think can help place APEC's move toward free and open trade on a sound footing:
 - First, any APEC arrangement must be developed in close coordination with the business community; the Administration is committed to close coordination with US companies and the Congress;
 - as emphasized by the Leaders in their Declaration, APEC's efforts must be consistent with the GATT/WTO and should strengthen the multilateral trading system;
 - ④ -- in moving APEC toward open trade, we must find a way to handle the problem of "free riders", within APEC and between APEC members and other countries in other regions;
 - any APEC arrangement should include the free flow of goods, services, and capital and should address all barriers, i.e., tariffs, non-tariff measures, and ~~and~~ structural issues.
- o { The APEC process will not consist of 18 members sitting at a table for a Nafta-like FTA negotiation; it will most likely be structured as a set of building blocks toward open trade.
- o For example, the process could emphasize over the next few years acceleration of APEC's trade facilitation agenda -- e.g., harmonization and simplification of Customs procedures, increased transparency in rules and rule-making, reduction in redundant testing procedures through mutual recognition of conformance procedures, etc.; these

are important practical steps that can improve the business environment and lay a foundation for broader efforts toward open trade.

- o As a follow-on to these initial building blocks APEC can move to address issues such as tariff cuts, elimination of non-tariff measures, and post-UR issues such as environment.
- o In addition, there are a number of planned or existing linkages in the region:
 - The ASEAN countries have accelerated their efforts to create an ASEAN Free Trade Agreement;
 - The US is committed to negotiating an FTA with Chile, possibly expanding NAFTA;
 - New Zealand has begun preliminary discussions with Chile on an FTA;
 - Australia and New Zealand will begin a dialogue on linkages between their FTA -- the Closer Economic Relations Act -- and the ASEAN FTA.
- o These arrangements pose interesting options for APEC and raise questions we will need to explore, including how APEC can incorporate or build upon these linkages, and how future bilateral or sub-regional efforts toward open trade can best be incorporated in the APEC process.

Conclusion

- o This Administration has much to be proud of in the trade arena. The conclusion of the NAFTA, the conclusion of the Uruguay Round and passage of implementing legislation, and now the decision by APEC leaders to conclude an FTA by 2020. To be sure, our bilateral agenda will be full but the building of this bridge to the dynamic and diverse Asian marketplace will set the direction for trade liberalization around the globe.

④ Lat Am Summary

agreement, we will look at trade issues in a broader context rather than solely through a trade action looking-glass.

- o With the ASEAN countries, we have established the Alliance for Mutual Growth (AMG), an approach dedicated to expanding trade and commercial ties which, for the first time, will mobilized government resources -- both human and financial -- along with private sector resources.
- o Even on the sensitive GSP worker rights issues, we have undertaken a cooperative approach -- one aimed at achieving deeper and longer-lasting progress -- which is yielding results.
 - o In Malaysia, we have initiated a dialogue under which we will examine ways to resolve longstanding issues involving the right of workers to organize and bargain collectively in pioneer industries and in the electronics sector.
 - o In Thailand, the Government has submitted legislation to reform its laws which now prohibit public sector employees from the right to strike.
 - o In Indonesia, prior to the APEC meeting, the Government announced a comprehensive program to bring worker rights standards up to international norms. They have requested the assistance of other countries in reaching that goal.
- o Although much has been achieved in the region, the yardstick of success will largely focus on Japan and China.

Japan

- o On October 1, the United States and Japan achieved four significant trade agreements in the areas of telecommunications, medical technology, and

economy -- Japan -- is one thousand times larger than the smallest economy -- Brunei.

- o In the APEC region the per capita income ranges from \$380 to \$28,000.
- o On the trade side, one country -- Singapore - - has a foreign trade value that is more than double its gross national product, while for another -- China -- foreign trade is merely 10 percent of its GNP.
- o The combination of dynamism and diversity create some of the most important challenges for the United States for the remainder of this century and well into the next. And increasingly, the bridge with the dynamic and the diverse will be made through regional approaches. The emergence and development of APEC is the regional bridge to Asia.
- o Let me not leave you with the impression that bilateral approaches will cease. To the contrary, the United States has been successful in resolving many of the bilateral trade disputes that have colored the trading environment.
- o The highly contentious intellectual property rights (IPR) issues that in years past characterized our trade relations with Korea, Taiwan, Thailand, and the Philippines are in varying stages of being resolved.
- o These accomplishments have permitted this Administration to establish other -- more constructive -- approaches to addressing remaining trade concerns.
- o In Korea, we set up the Dialogue for Economic Cooperation which has examined trade issues in terms of President Kim's Five-Year Program of investment and regulatory reform.
- o In Taiwan, we have entered into a Trade and Investment Framework Agreement. Under this

- projections show that by the year 2000 the East Asian economies will form the largest market in the world, surpassing Western Europe and North America;
- o It is also of growing importance to the US:
 - our trade across the Pacific is more than 50% greater than across the Atlantic; US merchandise exports to Asia have grown nearly 60% over the last five years;
 - our exports to Asia account for 2.5 million jobs in the US; increasing our market share in Asia by 1% would add 300,000 jobs to the American economy;
 - in 1993 APEC members took almost 60% of US merchandise exports and accounted for two-thirds of our imports;
 - on projection shows that Asia, excluding Japan, will be our largest export market by the year 2010, to the tune of \$248 billion, if we maintain our current market share;
 - but this is not just a question of economics; our historic and cultural ties across the Pacific are broad and deep; there are over 7 million American citizens of Asian descent;
- o It's vital to our economic future that we remain a partner in the future growth of this region and that we work to eliminate remaining barriers to trade and investment; APEC is a key element of our efforts.
- o The Asia region is as diverse as it is dynamic.
 - o The largest country -- China -- has a population of 1.2 billion while the population of the smallest -- Brunei -- is less than half a million.
 - o The gross national products of the largest