

**Remarks Prepared for Delivery  
Semiconductor Industry Association's  
Awards Dinner  
Ambassador Charlene Barshefsky  
March 29, 1995**

I'd like to first thank Pat Weber for his kind introduction. His support, and that of the rest of Texas Instruments, has been invaluable to this Administration. I'd also like to thank Andy Procassini for his leadership of the Semiconductor Industry Association.

It is a great pleasure and honor to receive the 1995 Trade Leadership award tonight. I am particularly honored because I am receiving this award in the company of three other Americans who I admire and respect for their contributions in helping keep America's high-tech industries -- especially the semiconductor industry -- the strongest in the world.

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*Sandy* in all aspects of int'l trade.

Congressman Levin has worked doggedly to ensure a level playing field for American workers. Deputy Secretary Deutch has worked throughout his career, both in public service and in the private sector, to ensuring that America maintains its competitive edge as the leader in high-tech industries. Senator Dole has worked tirelessly in the Senate in bipartisan support of the Administration's efforts to open markets and expand trade. His leadership was critical to the approval of the Uruguay Round agreements, as well as our efforts in Japan, China, and elsewhere. ~~And I look forward to working with Senator Dole for -- in the Senate -- for the next six years.~~

*on the admin we*

*his distinguished role*

~~At a time in Washington when bipartisanship is a rare and precious commodity, we have been able to keep trade policy on a firm, bipartisan footing. That is important for our efforts to foster growth, and create jobs, and it is critical in a negotiation that the other party know we have united support at home.~~

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*entire US leadership in the global economy*

So, although the United States has enjoyed a momentous two years in trade, and I am honored that you have commended me, this award is really a tribute to a host of forces that made our successes possible: the hard work of my staff on issues of importance to your industry, especially, Don Phillips and Barbara Norton; the consultations and partnership between industry and government; the bipartisan coalition in Congress; and finally, and most importantly, President Clinton's leadership.

*Under the leadership of*

*this Admin. has*

President Clinton understands, as all of you in this room do, that the future prosperity of the United States depends on our ability open foreign markets, compete and win in the global economy. This has been a high priority for the Clinton Administration as we have concluded 73 trade agreements, of which NAFTA and the Uruguay Round were only two, including 14 agreements to open markets in Japan, 11 bilateral investment treaties, a

Ten years ago your industry was in serious decline due to unfair Japanese competition in the U.S. market and lack of access to the critically important Japanese market. In 1986, foreign market share of Japan's semiconductor was less than 9 percent.

Today, the U.S. semiconductor industry has over 55 percent of the world market outside Japan and over 23 percent of the Japanese market. This change occurred because of actions both by the government and industry.

On the government side, the U.S.-Japan Semiconductor Arrangement demonstrates the success that can be achieved by a results-oriented agreement coupled with the vigorous, sustained efforts of the United States and Japanese industries and governments to implement that agreement.

In 1994, we achieved an average foreign share of 22.4 percent into the Japanese semiconductor market, up 3 full percentage points from 1993. This is the first time that foreign market share has exceeded the 20 percent expectation contained in the agreement for an entire year.

On the industry side, you are to be commended for the efforts you have made to take advantage of the opportunities provided under the agreement.

The U.S. industry has made real efforts to be responsive to Japanese concerns about quality, service, and delivery time. Your companies have participated in trade missions, opened design and R&D centers in Japan, and entered into numerous joint ventures with Japanese users. The results are reflected in the growing foreign market share and the interdependence that is being fostered between U.S. suppliers and Japanese users.

**Dallas Chamber of Commerce  
Ambassador Charlene Barshefsky  
March 29, 1995**

**Introduction**

- It is a great pleasure to speak to you today. I know that Ambassador Kantor was looking forward to speaking to you today, but the President requested that he help out in the economic conference in Atlanta today. I know that your help has been absolutely critical to our success and I would like to thank you for that help on behalf of the Administration. Today, I will just talk a little about where we are, why we got here, and where we are going.
- President Clinton's trade policy is part of an economic strategy to keep the American dream alive as we move into the 21st century. His Presidency is dedicated to policies which promote capital formation,

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foster growth, create jobs and raise standards of living for working Americans.

- President Clinton understands that future prosperity in the United States depends on our ability to compete and win in the global economy.
- He understands that expanding trade is critical to our effort to create good, high-wage jobs. Twenty-seven percent of our economy is now dependent on trade. Over 11 million workers in this country owe their jobs to exports. These jobs pay higher wages, on average, <sup>13-19% higher</sup> than jobs not related to trade. ~~Every billion dollars of exports supports 17,000 jobs.~~
- He understands that with the end of the Cold War, and the growing importance of trade to our economy, economic concerns are now as evident in our foreign policy as strategic, or political concerns.

→ organizing tool for broader concerns for policy strategy.

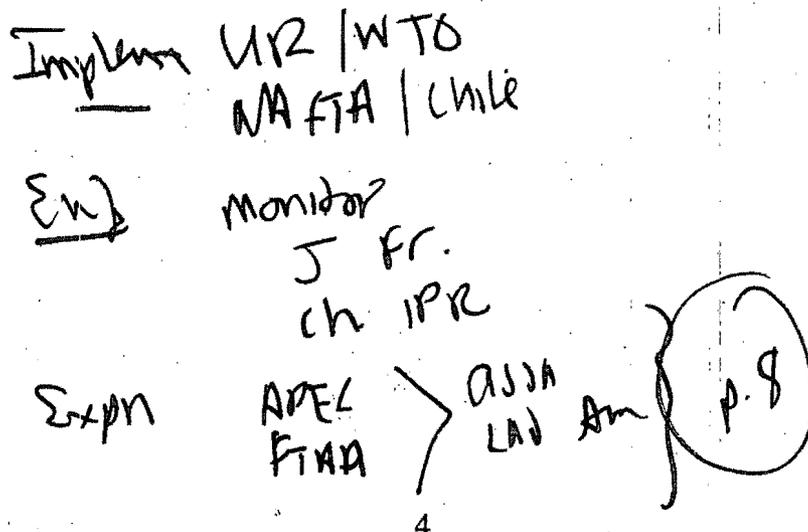
- <sup>of course</sup> ~~Finally, he understands that~~ our nation's economic strength begins at home and that we must work to give the American people the tools to prosper in the new economy -- tools like a decent education, safe streets, and a government that creates opportunity, not bureaucracy.

- <sup>the</sup> President's ~~Clinton's~~ vision of how we face the today's challenges has fueled the most important period in trade in U.S. history. <sup>we have concluded 75 major tr. agreements</sup> In just over two years, President Clinton and his administration advanced and then ensured the passage of the North American Free Trade Agreement; set our negotiations with Japan on a new course under the Framework Agreement; concluded and obtained approval of the broadest trade agreement in history, the Uruguay Round; set the stage for trade expansion in Asia through the Asia Pacific Economic Cooperation forum with the Bogor Declaration; and announced creation

of a Free Trade Area of the Americas by 2005 at the historic Summit of the Americas. We <sup>have</sup> concluded the largest procurement agreement in history with the European Union, 14 agreements with Japan, and an agreement covering 80 percent of global shipbuilding. In addition, <sup>this</sup> ~~his~~ Administration <sup>has</sup> completed scores of other bilateral trade agreements, including textile agreements.

## Future Trade Agenda

- Our trade agenda is now entering a new phase. We characterize it our trade agenda with three words: implementation, enforcement, and expansion.



## Implementation

- Our first priority is to implement the Uruguay Round, and begin building a World Trade Organization that works as conceived, with discipline, ~~by consensus~~, with all countries living up to their commitments.
- We will also continue to implement the North American Free Trade Agreement. Mexico's recent economic troubles has not lessened our commitment to the NAFTA. In fact, it has reinforced the importance of the agreement. Mexico's economic partnership with the United States is critical to their recovery and our own future prospects for job creation. Chile's accession to NAFTA is a high priority for us. We will launch negotiations with Chile by May of this year.

## Enforcement

- We will closely monitor the agreements we have reached, as well as those negotiated in previous administrations, to ensure that other countries live up to their commitments.
- This approach characterizes our recent agreement with China to protect intellectual property rights, as well as our negotiations with Japan under the Framework agreement. When countries are not living up to their commitments we will work to open their markets using all tools at our disposal.

## Expansion

- The <sup>third</sup> ~~other~~ area of focus in the coming months is <sup>the</sup> expansion, that is, to build on the trade agreements we have reached so far, and to open markets further, ~~and~~ ~~expand trade~~. In particular, we will pursue the process started by the Bogor Declaration, the commitment made in Indonesia to eliminate barriers to trade and investment in Asia, as well as the Free Trade Area of the Americas.
- We are dedicated to moving forward with these commitments because of the immense future opportunities for growth and new job creation lie in Latin America and Asia.

- These regions will become the number one and two export markets for the United States by the year 2010. The Asia Pacific region has the fastest growth in the world - three times the rate of the established industrial countries. Over the past three decades, Asia's share of the world's GDP has grown from 8 percent to more than 25 percent. By the year 2000, the East Asian economies will form the largest market in the world, surpassing Western Europe and North America.
- This growth has led to an explosion of trade with the United States. East Asia is the number one export market for U.S. products. US merchandise exports to Asia have grown nearly 60 percent over the last five years. U.S. trans-Pacific trade was 50 percent more than our trans-Atlantic trade in 1992. Our exports to Asia account for over 2 million jobs in the United States. One projection shows that Asia, excluding

Japan, will be our largest export market by the year 2010, amounting to \$248 billion.

- Latin America is the second fastest growing economic region. U.S. exports to Latin America jumped from \$30 billion in the mid-1980s to over \$90 billion in 1994, creating over 600,000 new U.S. jobs. U.S. exports to Latin America now approximate our exports to the European Union, and, if trends continue, may reach \$232 billion by 2010, greater than our *combined* exports to the E.U. and Japan (\$216 billion). Latin Americans spend 40 cents of every dollar spent on trade on U.S. goods. We supply over 70 percent of some countries' imports and often three to four times as much as a country's next largest trading partner.

- We have a historic opportunity. People in these developing nations in Latin America and Asia are in need of everything from capital goods, hospital equipment, computers to consumer goods. *And,* ~~Furthermore~~, we can lock in economic and political reforms in developing countries and the former communist world through trade agreements.
- So it is critical that we move forward with the commitments we made to expand trade ~~in Indonesia with the Bogor Declaration~~ and ~~in Miami~~ with the Free Trade Area of the Americas.

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- As far as APEC is concerned, we believe the APEC trade process is off to a good start this year in developing a concrete, credible and comprehensive action plan to implement the Bogor mandate. This plan must be completed for approval by leaders at their next meeting to be held in Osaka this coming November.
- With regards to the FTAA, in June, the trade ministers of the region will meet in Denver to adopt specific recommendations for both immediate action and long-term work towards the FTAA. Chile's accession to the NAFTA will be a first strategic step in creating the FTAA. This is a long road. But we must remain focused and move forward with determination and optimism. We intend to press the attention of the hemisphere on making concrete progress over the next year and beyond.

## Trade and Texas

- What does all this mean for real people? What does it mean for the small or large business in Dallas? What does it mean for the worker in Fort Worth? It means more jobs and more opportunities. It means Texas will continue to compete and prosper in the global economy. It means Texas Instruments will continue to be a world leader in high tech exports. It means Lone Star Steel in Dallas, ~~which sells speciality tubular goods for the oil industry~~ will continue to see their exports rise.

- ↘ ● [Texas is the nation's third largest exporter of merchandise. In 1993, the state sold exports of \$35.6 billion -- slightly under 8 percent of total U.S. exports. Those exports have doubled since 1987.

*doubled  
since 1987*

- The Dallas-Fort Worth area had export sales of \$6.8 billion. The areas top exports were electric and electronic equipment (\$2.0 billion), transportation equipment (\$1.1 billion) and industry machinery and computers (\$1.1 billion).
- Take electric equipment. This industry will gain by a reduction of tariffs of 64 percent to the EU, and an elimination of tariffs to Japan, under the Uruguay Round. That translates into more jobs and opportunities in Dallas.

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→ growth for  
 Dallas  
 → jobs & wages

- Or take the other two major exports from Dallas-Fort Worth: transportation equipment and industry machinery and computers. These are precisely the items that developing countries will need as they grow. As we create the FTAA and ~~the free trade zone in the Pacific~~, we can expect these exports to grow. And they are precisely the items we will be able to sell to them, ensure intellectual property is protected under the Uruguay Round.

*injust*

*open markets in Asia*

- Some of you may have concerns about the impact of the peso crisis on trade with Mexico. We are confident that Mexico is on the road to long term growth, and that this is a short term problem. Certainly, there will be some short-term impact on U.S. exports, but the long-term looks good. We will continue to be Mexico's largest exporter. We have received the January export figures which show a decline in U.S. exports -- but a decline

only to the January 1994 level. The long term prospects of Mexico are good, and NAFTA is the key to a strong partnership and keeping Mexico open to U.S. exports.

## **Conclusion**

- Trade policy is a little like riding a bike. If you stop pedaling, you may coast for a while, but sooner or later you will stop and fall off. So this is no time to rest on our laurels.
- We must continue to work together to open markets and expand trade. Your help has been critical in the past and I thank you for that. I look forward to working with you in the future.

**SACRAMENTO  
CHAMBER OF COMMERCE  
AMBASSADOR  
CHARLENE BARSHEFSKY  
APRIL 4, 1995**

**INTRODUCTION**

- It is a great pleasure to speak to you today. Today, I will just talk a little about what this Administration has accomplished in the trade area, why we got here, and where we are going.
- President Clinton's trade policy is part of an economic strategy to keep the American dream alive as we move into the 21st century. His Presidency is dedicated to policies which promote capital formation, foster growth, create jobs and raise standards of living for working Americans.
- President Clinton understands that future prosperity in the United States depends on our ability to compete and win in the global economy.

- He understands that expanding trade is critical to our effort to create good, high-wage jobs. Twenty-seven percent of our economy is now dependent on trade. Over 11 million workers in this country owe their jobs to exports. These jobs pay higher wages, on average, than jobs not related to trade. Every billion dollars of exports supports 17,000 jobs.
- He understands that with the end of the Cold War, and the growing importance of trade to our economy, economic concerns are now as evident in our foreign policy as strategic, or political concerns.
- Finally, he understands that our nation's economic strength begins at home and that we must work to give the American people the tools to prosper in the new economy -- tools like a decent education, safe streets, and a government that creates opportunity, not bureaucracy.

- President Clinton's vision of how we face the today's challenges has fueled the most important period in trade in U.S. history. In just over two years, President Clinton and his administration advanced and then ensured the passage of the North American Free Trade Agreement; set our negotiations with Japan on a new course under the Framework Agreement; concluded and obtained approval of the broadest trade agreement in history, the Uruguay Round; set the stage for trade expansion in Asia through the Asia Pacific Economic Cooperation forum with the Bogor Declaration; and announced creation of a Free Trade Area of the Americas by 2005 at the historic Summit of the Americas. We concluded the largest procurement agreement in history with the European Union, 14 agreements with Japan, and an agreement covering 80 percent of global shipbuilding. In addition, his Administration completed scores of other bilateral trade agreements, including textile agreements.

## **Future Trade Agenda**

- Our trade agenda is now entering a new phase. We characterize it our trade agenda with three words: implementation, enforcement, and expansion.

### **Implementation**

- Our first priority is to implement the Uruguay Round, and begin building a World Trade Organization that works as conceived, with discipline, by consensus, with all countries living up to their commitments.
- We will also continue to implement the North American Free Trade Agreement. Mexico's recent economic troubles has not lessened our commitment to the NAFTA. In fact, it has reinforced the importance of the agreement. Mexico's economic partnership with the United States is critical to their recovery and our own future prospects for job creation. Chile's accession to NAFTA is a high priority for

us. We will launch negotiations with Chile by May of this year.

## **Enforcement**

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## Expansion

- The other area of focus in the coming months is expansion, that is, to build on the trade agreements we have reached so far, and to open markets further and expand trade. In particular, we will pursue the process started by the Bogor Declaration, the commitment made in Indonesia to eliminate barriers to trade and investment in Asia, as well as the Free Trade Area of the Americas.
- We are dedicated to moving forward with these commitments because of the immense future opportunities for growth and new job creation lie in Latin America and Asia.
- These regions will become the number one and two export markets for the United States by the year 2010. The Asia Pacific region has the fastest growth in the world - three times the rate of the established industrial countries. Over the past three decades, Asia's share of the world's GDP

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- We have a historic opportunity. People in these developing nations in Latin America and Asia are in need of everything from capital goods, hospital equipment, computers to consumer goods.
- Furthermore, we can lock in economic and political reforms in developing countries and the former communist world through trade agreements.
- So it is critical that we move forward with the commitments we made to expand trade in Indonesia with the Bogor Declaration and in Miami with the Free Trade Area of the Americas.

- As far as APEC is concerned, we believe the APEC trade process is off to a good start this year in developing a concrete, credible and comprehensive action plan to implement the Bogor mandate. This plan must be completed for approval by leaders at their next meeting to be held in Osaka this coming November.
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# CALIFORNIA

- Tip O'Neill used to say "all politics is local." I'll take it a step further and say "all trade agreements are local." President Clinton understands that a thriving economy in California is essential to the United States. His economic plan -- and his trade policy -- are critical to California's economic renewal.
- The Clinton economic plan will create 1.9 million jobs in California from 1993-1996. Unemployment in California is now at 7.3 percent, down from 9.4 percent when President Clinton first took office.
- President Clinton has cut the deficit three years in a row, helping keep long-term interest rates at their lowest level in decades -- critical for California's real estate, construction, and housing sectors.
- President Clinton has freed up controls on \$37 billion in technology exports, 1/3 of which are manufactured in California.

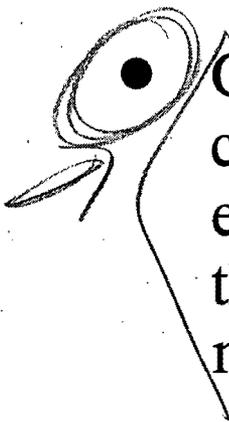
This is especially crucial for California as one out of ten jobs depend on exports and 1/4 of all manufacturing jobs are within the electronics sector.

## **TRADE--CALIFORNIA**

- No state is better situated economically, geographically and culturally to reap the benefits of trade--especially with Latin America and Asia, the two fastest growing regions of the world.
- If it were a country, California would rank 7th in GDP--ahead of Canada, Spain and Brazil.
- With \$69 billion of goods exports, California is by far the nation's largest exporting state. California would be the 7th largest exporter in the world (counting the EU as one unit)-- behind the United States, the European Union and Japan, but right ahead of Taiwan and Korea.

- From 1987 to 1993 California's merchandise exports grew by \$35.2 billion, a 107 percent increase.
- Even while California's economy stood stagnant from 1990-1992, exports grew steadily between 8 and 9 percent a year. Without these exports, California's recession would have been deeper.
- California sells products all around the globe: \$11.4 billion to Japan, \$7.2 billion to Canada, \$5.1 billion to Mexico, \$14 billion to the EU, and \$3 billion to the entire Pacific Rim.
- Leading exports from California include industrial machinery and computers (\$15.9 billion), electric and electrical equipment (\$15.6 billion), and transportation equipment (\$10.1 billion).
- California is competitive in services as well -- in areas such as entertainment, design, transportation and tourism.

- Exports and foreign direct investment together directly and indirectly employ an estimated 2.5 million Californians.
- The trade agreements this Administration has reached will directly benefit California. They will create jobs and foster growth in a state already poised to benefit from open markets and expanded trade. They help a hold range of companies: large and small, high tech industries or industrial manufacturers. Our agreements help farmers sell their goods abroad, and the workers who work for the entertainment industries by protecting the products they help produce.
- Let me give you a few examples of how our trade agreements help Californians:



● California exports \$20.3 billion to countries in Big Emerging Markets. Our efforts to expand trade with these nations through APEC or the FTAA will result in new opportunities for Californians.

- Take a construction and engineering company like the Bechtel Group. As developing countries continue to grow they will be investing in massive infrastructure projects that will benefit a company like Bechtel.
- Japan is the top export market for California with exports of \$11.4 billion in 1993. It is critical to California's economy that we work to open Japan's markets.
- If we just look at the Uruguay Round we see huge benefits for California. The Round will increase exports of manufactured goods as much as \$10.5 billion by 2005 in California, creating an estimated 200,000 jobs.
- A company like SSE Technology in Fremont, which is not too far from Sacramento, will prosper because of the Round. They produce satellite communication equipment and export to 70 countries. With the lower tariffs in the Round they can expect to see their

business boom.

- Growth in agricultural and services exports will support at least 44,000 new jobs in the same period. The Uruguay Round writes new rules of trade in agriculture which will help tomato farmers in Sacramento. And California rice farmers will be able to sell rice in Japan and Korea for the first time.
- New rules covering aircraft subsidies under the Round will help California's aerospace industry and companies like McDonnell Douglas.
- California's producers of computers and electronics will benefit from sharp reductions in tariffs and improved protection of intellectual property rights, which helps an important California company like Hewlett Packard, and other high tech companies in Silicon Valley.

- The entertainment industries benefit from our effort to crack down on theft of intellectual property in countries like China.
- NAFTA means a company like Diagnostic Monitoring, which manufactures cardiology related medical products in Tustin, California, is prospering.
- Waterman Industries in Exeter, California is a manufacturer of water control equipment. In the last three years, their exports to Mexico have doubled. And they report that although the demand for their products has decreased since the peso devaluation, demand is still higher than before NAFTA. They need the lower tariffs and greater market access under NAFTA to prosper.

- These are some of the names and faces behind our trade agreements. Let us never forget that this is what is at stake: the success of countless businesses, firms, and farmers -- and the workers who work at these places.
- Let me just say a brief word about the Peso crisis. Some of you may have concerns about the impact of the peso crisis on trade with Mexico. We are confident that Mexico is on the road to long term growth, and that this is a short term problem. Certainly, there will be some short-term impact on U.S. exports, but the long-term looks good. We will continue to be Mexico's largest exporter. We have received the January export figures which show a decline in U.S. exports -- but a decline only to the January 1994 level. The long term prospects of Mexico are good, and NAFTA is the key to a strong partnership and keeping Mexico open to U.S. exports.

## Conclusion

OFFICE OF THE UNITED STATES  
TRADE REPRESENTATIVE

- Trade policy is a little like riding a bike. If you stop pedaling, you may coast for a while, but sooner or later you will stop and fall off. So this is no time to rest on our laurels.
- We must continue to work together to open markets and expand trade. Your help has been critical in the past and I thank you for that. I look forward to working with you in the future.

*speeches*

REMARKS OF THE  
HONORABLE CHARLENE BARSHEFSKY  
DEPUTY U.S. TRADE REPRESENTATIVE

Before  
THE WASHINGTON CAMPUS  
APRIL 6, 1995

I am pleased to be here today to speak to this group of distinguished insurance and mutual funds executives associated with John Hancock Financial Services. I intend to concentrate my remark on the Administration's trade and investment policy in the Asia/Pacific region.

**ADMINISTRATION'S OBJECTIVES**

I want to start by touching on the Clinton Administration's overall economic policy objectives because they help explain the

importance we are placing on Asia and the Pacific. This President has a deep understanding and interest in the effect on the U.S. economy of the global economy. The two are inseparable and our economic futures are ultimately one and the same. The process of global economic transformation is not a distant topic of discussion for Main Street U.S.A. It holds both promise and peril. Our objective is to seize the promise and pursue global, hence, U.S. economic growth.

Expanding exports and the jobs linked to exports is an integral component of our overall economic strategy. Promoting freer trade and open markets around the world is central to our trade policy and essential to our economic well-being. At present, approximately 25 percent of our

gross domestic product is reliant on trade, and this percentage is expected to increase.

The Administration believes that global economic interdependence and trade expansion offer tangible routes to a new prosperity. Export related manufacturing jobs pay better than other manufacturing jobs by as much as 17 percent. The opportunities for the U.S. are enormous in a broad range of capital goods, telecommunications, computer related and digital electronics, creative intellectual property reliant industries, not to mention manufacturing and service sectors. Untapped markets exist for those prepared to pursue them and we intend to do all we can to help U.S. firms capture them.

## **ADMINISTRATION ACCOMPLISHMENTS**

In just two years, the Clinton Administration has achieved unparalleled success by reaching 71 agreements to open the world market for U.S. products and services. The Administration has negotiated: the largest free trade zone in the world, the largest multilateral trade agreement in history, 38 bilateral textile agreements, 14 agreements with Japan, an agreement covering 80% of global shipbuilding, the largest procurement agreement in history with the European Union, a multilateral aluminum agreement, agreements on wheat and softwood lumber with Canada, 12 bilateral investment treaties, three intellectual property rights agreements, and has reached agreement with the

nations of the Asia-Pacific region to eliminate barriers to trade in that area, the fastest growing economic region on earth.

## **ASIA AND THE PACIFIC**

The Administration's trade objectives -- and its accomplishments -- are particularly relevant to the Asia Pacific region, which by any measure, is booming and growing in importance. 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;

This region also is growing in importance to the United States. 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 United States; increasing our market share in Asia by 1% would add 300,000 jobs to the American economy. 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.

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.

In summary fashion, let me review some of the key trade and investment issues

and challenges that face the United States.

## **CHINA**

The United States has both an economic and political stake in developing productive, healthy, and stable trade relationships with all countries in Asia, including China. The U.S. market has long been an engine of growth for East Asian economies, much as it is for the Chinese economy today. The United States has kept its markets open even when some trading partners have followed much more restrictive practices because we believe it is in our economic interest and in the greater economic interest of the region to do so. We are committed to open markets but -- in return -- China's market must be open

to U.S. goods, services, and investment. Building on the IPR enforcement Agreement and Ambassador Kantor's visit to China, we have an excellent opportunity to move China in a more positive direction on trade.

-- We should seize the opportunity to improve the bilateral trade relationship, continue to foster an improved atmosphere for WTO accession negotiations on a sound commercial basis, and take advantage of the growing commercial opportunities in China.

-- The eight point accord that Ambassador Kantor reached with Minister Wu Yi lays out a framework on market access, bilateral services negotiations, agriculture and China's

accession to the WTO under which we can begin discussions.

During Ambassador Kantor's recent trip, senior Chinese leaders made clear that they are interested in moving the overall -- especially the trade -- relationship forward. They praised the IPR agreement as a model for future negotiations.

-- China's message was that we both need to find common ground on specific issues and, on that basis, negotiate to find solutions that will benefit both sides.

Many claim that the Chinese cannot make hard decisions on tough issues. Far from being mired in gridlock, the Chinese are making decisions not only on their domestic economic reform program

but on issues that affect our bilateral and multilateral trade relationship. They demonstrated this with the signing of the IPR agreement.

Whatever speculation there is about the Chinese leadership, however, we must pursue our trade interests vigorously. Pursuing these interests are clearly in line with the President's goals of growing the economy, creating jobs and increasing standards of living through opening markets and increasing exports. This does not mean that negotiations with the Chinese will be easy; it does mean with clear goals, defined objectives, persistence, and the right mix of incentives and disincentives, much can be accomplished.

As it has been since the Administration began, implementation of existing Agreements remains a top priority.

China has not fully complied with key aspects of the market access agreement. There remain multiple, overlapping barriers that impair market access. We have a full schedule in the year ahead of consultations -- both formal and informal -- on implementation of the agreement.

- Although we have made some recent breakthroughs in agriculture, China still has not based sanitary and phytosanitary standards on sound science.

USTR began implementation discussions on the new IPR agreement on March 11 with Ambassador Kantor's visit to China. The U.S. Customs Service, the FBI,

Department of Justice, and Department of Commerce -- along with the industries -- are already putting training and assistance packages into place.

Monitoring China's implementation of the Agreement will be crucial, however.

China's ability to adhere fully to its agreements is also important to furthering the multilateral WTO accession negotiations.

### Market Opening Initiatives:

The United States must continue to pursue further market opening in China. Success in our bilateral agreements, and in particular the WTO, will lock China into a ruled-based trade system.

Services. China's market for U.S. services providers remains substantially

closed, though there has been incremental market opening in some sectors this year. In light of the enormous comparative advantage that the United States has in this sector, negotiations on key sectors are a must.

- China recently agreed to hold negotiations on value-added telecommunications services and insurance. USTR intends to continue discussions in these areas, as well as advertising, distribution, business facilitation services and audiovisual services. We will also pursue specific commitments on services, including in financial services, in the context of China's accession to the WTO.

Industrial goods. Multiple barriers continue to exclude or limit entry of

highly competitive U.S. products, particularly in such high-tech areas as computers and medical equipment, as well as heavy machinery and other products. USTR intends to pursue market-opening initiatives in specific sectors where U.S. companies have a competitive advantage.

Discussions will continue on reduction of tariffs and schedules of elimination the remaining non-tariff barriers as China brings its trade regime in line with the WTO.

## WTO

Ambassador Kantor's visit to Beijing yielded some progress on the issue of China's accession to the WTO.

As part of the 8 point agreement, the

United States agrees to work to help China enter the WTO as a founding member, to work pragmatically and flexibly with China, to be personally involving in reviewing matters relation to China's accession, and both sides agreed to take a flexible attitude toward the issue of China's status as a developing country.

- That issue is subject to much interpretation, but it means simply that both sides agree to approach each and every issue in China's WTO accession on a pragmatic basis -- and, where appropriate, to negotiate acceptable schedules for implementation or transition periods for WTO obligations. Nothing more and nothing less.

## JAPAN

The Administration has made significant progress in advancing its trade agenda with Japan. Over the past 20 months, we have reached eight market-opening agreements under the US-Japan Framework Agreement. These agreements embody the results-oriented trade policy this Administration has consistently pursued toward Japan. They are distinguished from agreements reached under previous administrations in two important ways.

- First, each agreement highlights the Framework goal of substantial increases in access and sales of foreign competitive products and services.

- In addition, they include quantitative and qualitative criteria, which will allow us to clearly evaluate whether or not they are achieving their intended results.

Let me review some of the specifics of these agreements.

- o In government procurement, we concluded two telecommunications agreements -- one in public procurement by Japanese government agencies and one covering Nippon Telephone and Telegraph Corporation (NTT), the largest telephone company in Japan, and a medical technology agreement.
- o In insurance, we reached a landmark agreement to open Japan's \$320 billion insurance market -- the world's second largest -- which has been

closed by a secretive and arbitrary regulatory system and exclusionary purchasing practices among interconnected firms.

- o In flat glass, the Government of Japan agreed to increase market access and sales for competitive foreign glass, regardless of capital affiliation.
- o Two bilateral agreements were concluded under the Framework working group on intellectual property rights which will ensure American investors faster processing of their patent applications and provides for overall improved protection for owners of U.S. intellectual property rights.
- o In financial services, an agreement was concluded that opens the \$1 trillion Japanese pension market to effective participation by foreign fund managers.

- o In addition to these agreements reached under the Framework, the U.S. and Japan reached agreement in several other areas including opening Japan's huge public works construction sector to foreign firms, improving access to Japan's cellular telephone market, and streamlining and improving Japan's intellectual property procedures. In addition, as you know, Japanese consumers are now enjoying the fruits of our agreement eliminating Japanese barriers to apple imports.

Our enforcement strategy also underpins our policy towards Japan. Over several decades, the United States has tried many different approaches to deal with the unique structural and cultural obstacles to market access in Japan. Difficulties faced by U.S. firms stem from trade barriers

that are a combination of government and private industry exclusionary practices and a myriad of non-transparent, unpublished rules and regulations, known as "administrative guidance."

The cornerstone of the Clinton Administration's trade policy toward Japan is the Framework, which represents a practical, market-based, "results-oriented" approach to dealing with these non-market barriers. In 1994, we reached significant agreements under the Framework in such areas as telecommunications, medical technology, flat glass and insurance. We now have begun to monitor closely Japanese implementation of these agreements.

In addition, we continue to press the Japanese government to take bold action to free up over-regulated sectors of the

Japanese economy. These complex regulations constrain the country's economic growth, hurt Japanese consumers and impede foreign access to the Japanese market. We have been disappointed thus far with the lack of substance and detail in the draft deregulation plans issued. On March 31, Japan issued its five-year deregulation plan. We are now carefully assessing the plan and intend to provide detailed comments to Japan within the next couple of weeks.

A high priority area for our trade relationship with Japan is the automotive and auto parts sector. Trade in this sector constitutes approximately 60 percent of the U.S. bilateral deficit with Japan, and 22 percent of our total trade deficit. Discussions with Japan have focused on three major areas: access to Japan's

motor vehicle market, auto parts purchases in Japan and in the United States by Japanese motor vehicle makers, and deregulation of the Japanese auto parts "aftermarket." After eighteen months of negotiations under the Framework, there has been virtually no progress in the automotive area. In addition, on October 1, 1994, we initiated a Section 301 investigation of Japan's virtually closed market for replacement auto parts.

In the last 25 years, Japan has exported 40 million cars to the United States. During the same period, the United States has shipped 400,000 cars to Japan. This imbalance must be addressed.

We held meetings with the Japanese on the automotive issue last week in Tokyo. At that time, we tabled new proposals

aimed at resolving the market access problems in this critical sector.

Additional meetings are planned at the working level and Vice Ministerial meeting during this month.

## **THE DYNAMIC OTHER ASIA**

Despite the importance of Japan and China in our bilateral trade and to global trade, we cannot lose sight of the importance of the other countries in the region. The other countries of Asia are equally significant and present varying challenges.

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 other countries in Asia. 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. These accomplishments have permitted this Administration to establish other -- more constructive -- approaches to addressing remaining trade concerns. 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. In Taiwan, we have entered into a Trade and Investment Framework Agreement. Under this agreement, we will look at trade issues in a broader context rather than solely through a trade action looking-glass.

The major reason why trade conflicts do not dominate our trade agenda with most

other Asia Pacific trading partners is that, for the most part, these countries are unilaterally opening their markets. As a result, we have seen some of the previously growing trade deficits being reduced and stabilized. And in those countries where the deficit is growing, both exports and imports are growing at double digit rates with significant flows of investment complementing the trade flows.

## **ASEAN**

The six countries of ASEAN are particularly good examples of the trend toward unilateral trade liberalization and the benefits that accrue from such policies. By 2003, ASEAN plans to have fully implemented a preferential trade area, where the highest tariff will be 5 percent. Once this arrangement is

fully implemented, U.S. companies will be able to market products on a wider scale than has thus far been the case. This economic region will be the world's fourth largest in terms of population, as well as among the fastest growing, creating enormous potential for U.S. companies, export and job creation. Recognizing this development, this Administration has established the Alliance for Mutual Growth (AMG) with the ASEAN countries, an approach dedicated to integrating our trade promotion and policy objectives in this dynamic region.

## **INDIA**

India presents some significant challenges for the United States. The recent market opening measures in India, for example, present the glimmer of opportunity to

U.S. business and U.S. exports. India has reduced tariffs, relaxed investment restrictions and, for the first time, agreed to open their textile market. These steps are not only welcome but essential for the Indian economy if it is to compete with the dynamic economies of the Asia Pacific region.

This Administration will reengage an earlier dialogue with India -- called the Economic Subcommittee -- that will cover trade issues in addition to a number of other bilateral economic issues. The important challenge for the United States is to work early with India to avoid the "China Syndrome" where trade imbalances accelerate because of high trade barriers that inhibit our exports. We hope to establish a bilateral trade patterns more akin to the rest of

Asia where opening markets have stimulated both exports and imports.

## **APEC**

Our efforts toward the elimination of barriers to trade and investment have also continued at the regional level, with APEC as the centerpiece. APEC Leaders at their summit in Bogor, Indonesia, issued a Declaration setting the goal of free and open trade and investment for all APEC members by the year 2020.

The Bogor Declaration is a major milestone in the region's development. It is a tribute to the process set in motion by President Clinton in his hosting of the first summit on Blake Island. It is also a result of the outstanding leadership of Indonesian President Soeharto in building

a consensus for carrying the Blake Island vision one large step further. We support the full range of goals contained in the Declaration -- which include trade facilitation efforts to cut red tape and simplify procedures; trade liberalization; and economic cooperation.

Though the Bogor Declaration sets clear goals, the devil, as we all know, is in the details. Much work remains to be done to establish a consensus in APEC on the scope, pace, and other aspects of efforts to achieve the goals of the Declaration. APEC Leaders asked Ministers for a plan -- to be developed over next 10 months and reviewed by Leaders in Osaka in November 1995 -- for reaching the Bogor goals. That process will begin at meetings in Japan this month. We don't know what the plan will look like, but believe it should address all barriers to

the free flow of goods, services and capital. We will work closely with the business community and the Congress as the discussions proceed. In addition, we want to insure that APEC's efforts are structured so that members receive benefits which are commensurate with the commitments they make.

APEC is the regional centerpiece of our efforts to open markets, expand trade and ensure the future of our economic cooperation with the Asia Pacific region. Six years ago, when APEC was established it was generally viewed as a forum for consultation and cooperation on economic issues. Now, because of President Clinton's leadership in Seattle in November of 1993, and President Soeharto's leadership in Bogor, Indonesia last November, we have focused APEC's central objectives on one common goal:

the achievement of free and open trade and investment in the Asia Pacific region by no later than 2020. "Industrialized" countries have agreed to strive to implement liberalization by 2010. This goal will involve promotion of business facilitation steps, economic cooperation and technical assistance as well as traditional liberalization which builds upon and "broadens and deepens" Uruguay Round outcomes within the region.

The first post-Summit meeting of APEC senior officials was held several weeks ago in Fukuoka, Japan, initiating the APEC trade process under Japan's chairmanship. Although much work remains to be done, we believe the APEC trade process is off to a good start this year in developing a concrete, credible and comprehensive action plan

to implement the Bogor mandate. This plan must be completed for approval by leaders at their next meeting to be held in Osaka this coming November. In addition, officials are working on some short term results, such as simplification of customs and standards processes, improvements in telecommunications and transportation infrastructure, which will add momentum to the APEC process and be of immediate benefit to businesses.

APEC members account for over 40 percent of the world's population, over 40 percent of world trade, and about 50 percent of the world's output of goods and services. Our efforts to expand trade with this region are critical to future growth and job creation in the United States.

## CONCLUSION

The Administration's trade accomplishments in the Asia Pacific region are substantial. The challenges are equally important, particularly if the United States is to continue to play a leadership role in the Asia Pacific region. Whether through bilateral, regional, or multilateral mechanisms, a continued and growing U.S. trade and investment presence in the region is important not only to the economic stability of the region but for our economic prosperity at home.

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REMARKS AT THE FINANCIAL WOMEN'S ASSOCIATION OF NEW YORK/  
INTERNATIONAL ALLIANCE CONFERENCE

SPEAKER: DEPUTY TRADE REPRESENTATIVE CHARLENE BARSHEFSKY

MODERATOR: EDIE FRASER, PRESIDENT, PUBLIC AFFAIRS GROUP

UNITED STATES CHAMBER OF COMMERCE  
WASHINGTON, DC

12:30 P.M. EDT  
FRIDAY, APRIL 21, 1995



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THIS IS A RUSH TRANSCRIPT.  
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(Applause.)

MS. BARSHEFSKY: Thank you very much. That was an  
extraordinarily generous introduction.

I've known Edie Fraser for many, many years. You never get  
older. It's incredibly annoying.

Nice to see Sarah (sp), my former partner.

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And it's a pleasure to be here with all of you.

I have a formal speech, but I don't have my reading glasses, so I'll relieve you of the burden of hearing that, and why don't I talk informally and leave sufficient time for questions and answers.

Let me talk about where we've been this past two years in trade policy and where we're going the next two years. These past two years, I think, has (sic) been the most productive, in U.S. trade policy terms, in the history of this country.

We have in the last two years negotiated or completed 75 major trade agreements. I count as one of those 75 agreements the Uruguay Round Agreement, which is the largest multilateral trade agreement in history, and which, when it is phased in in the course of 10 years, will result in additional income in the United States of \$150 billion annually. I count as one of the 75 agreements the NAFTA, which is the largest free trade agreement in history. I count as one of the 75 agreement our agreement with China on intellectual property rights, which is a historic agreement between the United States and China on an area of critical importance to the United States and an area where the United States has a clear comparative advantage, relative to most other nations in the world.

But we've concluded seven other major intellectual property rights agreements in the last two years; 13 bilateral investment treaties; a vast number of textile agreements and other bilateral arrangements; an agreement with the European Union on government procurement, which is the largest of its kind; an agreement with our trading parties covering 80 percent of global shipbuilding; an agreement with the Asia-Pacific nations for free and open trade in the Asia-Pacific area by the year 2010 for developed countries and 2020 for developing countries; an agreement with the 34 democratically-elected leaders of our own hemisphere for a free trade area of the Americas by the year 2005; and so on and so on and so on.

And this remarkable success -- and I use the word remarkable, because it is remarkable, if you've been in trade policy as long as I have -- this remarkable success really is a product of two factors: first of all, Mickey Kantor. There is not a better job for Mickey Kantor than the job that he has.

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He is extraordinarily gifted, he is as tough as tough can be, he is an economic nationalist when it comes to the interests of this country's -- but he is also a free trader and a believer in the importance of open markets in the United States -- but of course, reciprocal treatment abroad, and that means open markets abroad in return for the access to our market. And that is the philosophy certainly in our office and one that I carry forward under his leadership.

But the second reason, I think, that we have been remarkably successful in trade policy these last two years has to do with President Clinton. There has never been a president of the United States who has a greater appreciation for the importance to U.S. domestic economic growth of global growth. Twenty-seven percent of our gross product is reliant on international trade -- 27 percent. We know that jobs in the export sector, for example export manufacturing, pay an average 13 to 17 percent more than jobs not related to exports.

We have a mature economy. Our population growth is approaching zero, yet our productivity continues to increase. We must have ready access to foreign markets in order to sustain higher standards of living, in order to sustain enhanced job growth -- and this administration is proud in having created six million new jobs in the last two years -- and in order to ensure that our children have the kind of future that all of us in this room have had and the kind of future that our parents have had.

We have a president who appreciates these factors, who is working very, very hard to ensure domestic prosperity here, not only through education, training, not only through reducing the deficit, not only through health care reform, not only through welfare reform, not only through further deficit reduction; but a president who understands that our domestic economic health is absolutely linked to our ability to ensure that foreign markets are as receptive to our goods and our services and our investment as we are to their goods and their services and their investment.

That's where we've been these past two years. So let's talk a minute about where we're going the next two.

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And with respect to the next two years, we have what we call the three E's. The first E is implementation. (Laughter.) And I'll admit that

when I first heard that I thought, why do people laugh, and then I realized, well of course. First E is implementation, second E is enforcement, and the third E is expansion. And let me just talk a little bit about those three aspects of our policy over the next several years.

With respect to implementation, we of course expect implementation on the part of foreign parties of all the trade agreements we negotiate. Implementation is obviously critical, or all you have are bunches of pieces of paper that don't alter basic trading relationships. But with respect to implementation, we will devote very substantial resources to WTO implementation; that is, to ensure implementation of the gains that we negotiated in the Uruguay Round and to ensure that the WTO, the World Trade Organization, which is the entity that's been created through the Uruguay Round to oversee the international trading system and international trading relationships, to ensure that that WTO gets off the ground in the best possible way and in a manner advantageous to United States interests.

With respect to Uruguay Round implementation, we of course expect the WTO to bird-dog countries around the world to ensure that they do what they have promised they would do, not only with respect to tariff cuts, not only with respect to the elimination of non-tariff measures, but with respect to the elimination of subsidies, of adverse state trading practices, adverse agricultural trading practices, investment restrictions and the like. And we of course will devote substantial resources not only also to bird-dogging those nations but to bird-dog the WTO.

In addition, of course, there is a very substantial unfinished Uruguay Round agenda. You'll recall that at the end of the round financial services was not complete, maritime services was not complete, basic telecom services were not completed as an area of negotiation, temporary movement of business personnel weren't complete. These areas must be completed if we're to implement fully the kinds of gains we expect to achieve in the Uruguay Round, and those negotiations will move forward.

Apart from that, of course, there is a new agenda to consider in the WTO.

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We have anti-corruption. We have transparency. We have the issue of anti-competitive practices, what's called competition policy; the issue of the intersection of labor practices and trade; the intersection of environmental policies and trade policy -- and all of

these new areas are going to need to be addressed again as we implement the WTO. We look forward to that process, we'll be devoting a lot of resources to that process.

One final word, and that is dispute settlement. You know that a great gain of the Uruguay Round has been a substantial revamping of the GATT dispute settlement process so that it works, so that it's effective, so that it can be used as a means of enforcing the rights one believes one has acquired through these multilateral negotiations. It is absolutely in the interest of the United States to ensure that that dispute settlement process get off the ground in the right way, and to ensure that it's utilized to maximum effect, and we'll also be devoting resources to that.

Secondly is enforcement. If you aren't going to enforce the trade agreements you negotiate, it's best not to negotiate them at all, and that's because trade agreements tend not to be self-executing. That is to say, the agreement is one step, implementation is often seen by many countries as a totally different step, one that does not necessarily arise naturally from having negotiated the agreement.

So the third step, because of the second, is enforcement. We've taken a very aggressive posture with respect to the enforcement of trade agreements, and there are two countries that stand out as notable examples in that regard, Japan and China. Let me talk for a minute about each of them.

We have a very dramatic trade imbalance with Japan. Japan's propensity to import relative to the size of its economy is less than half that compared with every other major industrial economy. If we look at the global stock of inward direct investment, we see that about 29 percent of that global stock resides in Europe and about 26 percent of that global stock resides in the United States, and 0.7 percent resides in Japan. We know that investment pulls trade flows, that somewhere on the order of between 40 and 60 percent of all trade from a country like the U.S. is between a parent company and its foreign affiliate or foreign subsidiary. But if you can't invest in the world's second largest economy, which is what Japan is, you have blocked, in effect, substantial increases in important penetration.

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x x x penetration.

That, coupled with a variety of barriers, some that are obvious, some that are known as invisible, leads to dramatic imbalances in trade.

It would be foolish and I think incorrect as an economic matter

to suggest that the entirety of our trade imbalance with Japan is due to market access barriers, and certainly the administration does not make that claim. But it would be equally foolhardy to suggest that none of the trade imbalance is due to market access barriers. And the extent of the barriers is quite well known and well documented.

We have had a situation with Japan over the years where many agreements that have been negotiated have not been implemented in the manner in which one would have anticipated. So the United States, with respect to construction, design and engineering services, threatened retaliation against Japan in order to achieve a revised and substantially strengthened agreement after the failure of Japan to implement two prior agreements.

The United States published a preliminary retaliation list with respect to cellular telephones and cellular telephone equipment when the government of Japan failed for the third time to live up to three previous agreements with respect to market access for cellular telephones and cellular telephone equipment in the very important Tokyo-Nagoya corridor, which is equivalent to the Boston-New York corridor in the United States.

With respect to government procurement of telecommunications equipment and services, Japanese government procurement of medical equipment and technology, the United States cited Japan under a statute called Title VII, which has to do with discrimination in procurement. We were the first administration to utilize that law, although it had been in the books for some time. And we then achieved substantial agreements in those areas. So we have taken our responsibility to enforce the agreements we enter into very, very seriously, and we'll continue to do that in the case of Japan and other countries.

With respect to auto negotiations, which you know are ongoing, I will say very little because I don't negotiate in the press or in speeches, except to say this is a very serious issue from the point of view of the United States. This is not a new issue, this is a 20-year-old issue, the resolution of which seems to defy market conditions, defy U.S. competitiveness, defy U.S. export performance to virtually every other market in the world except Japan, and an issue that we intend to resolve.

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With respect to China on enforcement, we have had -- we have, I should say, a very complex relationship with China. It's a contentious relationship often, but it is also a relationship with extraordinary promise for the United States. Nonetheless, we have

negotiated prior agreements with China, some of which have been lived up to very well, but parts of some of which have not been lived up to terribly well, and one example is intellectual property rights protection and enforcement. We have a 1992 agreement with China on intellectual property rights which necessitated changes in China's legal regime for intellectual property and China has complied quite nicely with that.

But when it came to enforcement of intellectual property rights, China had become, in the past two or three years, the world's pirate of intellectual property -- whether it is CD, LD, CD-Rom, video games, computer software, books, periodicals, trademarks -- I can take you to the factory where they make pirated Jeeps. (Laughter.) Whatever it is, there was no enforcement.

The Chinese, very much to their credit, began to realize, as we began educating them, on the meaning of intellectual property rights protection. I'd note parenthetically that for many countries it is not self-evident that intellectual property is property of a tangible type that should be protected. This is a self-evident proposition to Westerners; it is not always a self-evident proposition to others.

As we embarked on an education campaign initially with the Chinese with respect to these issues, it became clear to the Chinese over time, very much to their credit, that they were losing something in not protecting intellectual property rights, and what they were losing was the creativity of its own indigenous resources -- their scientists, their software producers, their publishers -- who became increasingly concerned that the fruits of their creative energy would not be protected in China.

We, as you know, published a final retaliation list with respect to China covering over billion dollars' worth of Chinese exports to the U.S. if intellectual property protection was not to be forthcoming.

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x x x forthcoming.

And I think there's no question that our resolve helped lead to a very, very important and very comprehensive agreement with the Chinese, which I am pleased to say they are implementing. But I think there's also no question that at the end of the day we would not have reached resolution had China not recognized for itself that intellectual property rights protection would be critical if it was to become a center for high-tech investment, for software development and for other creative pursuit.

Last E is expansion, and this is really the fun part of any trade policy agenda. We have the Uruguay Round to build on as a floor. But

in any multilateral negotiation, there will always be constraints on how far you can go to open markets because there is a multilateral consensus that has to emerge and you're dealing with 120 or 130 nations and those nations' interests vary quite substantially.

But if you take a look at the world on a regional basis, sometimes you find that the interests converge rather than diverge and you find that you're able to go further in market opening than you could have in a multilateral setting. With respect to expansion, we're really looking at two areas in particular -- the Asia Pacific region, which is the world's fastest growing region, and Latin America, our own hemisphere, which is the world's second fastest growing region, even including Mexico and Mexico will certainly be back.

With respect to the Asia Pacific region, President Clinton in 1993 in Seattle called together a historic meeting of at that time 16 Asian leaders that were a member of the APEC, the Asia Pacific Economic Cooperation forum, and he persuaded them that this forum, which had been a loose consultative body for the last five or six years, really should become a forum in which further market opening could be achieved. This was a major step forward for APEC, which has typically eschewed words like "negotiation" or "trade liberalization" or "market opening," and this was in fact accomplished by the president.

Last year, President Suharto of Indonesia -- the APEC chairmanship rotates -- President Suharto built on President Clinton's vision and achieved a commitment in the Asia Pacific region for free and open trade in the region by a date certain. Now, this is conceptually very difficult. You have a region with a country like the Philippines, with very low per capita GDP, countries like the U.S. and Japan, Canada, on the other hand, with very high per capita GDPs.

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There is no common political system among these countries. There is no common economic system. You have China, basically a non-market economy, or socialist market economy, as they like to call themselves, right in the middle of the picture. You have no common cultural heritage, or let me say a not terribly common cultural heritage, and you have a number of divisions because of that within APEC. I don't often quote Richard Nixon, but he had a very interesting observation, and it's one, having traveled quite extensively in the region, with which I agree, and that is Asian nations tend to trust the United States only slightly less than they trust each other. I think that is an accurate portrayal. Americans tend to think of Asia as monolithic.

It is anything but. So conceptually, how do you take this variegated series and bring it together in a free and open trade pact?

The area of commonality among the APEC region, by and large, is that it is a region that, first of all, has benefited from free and open trade in other countries, but also a region where the smaller countries tend to be more market open, market driven than some of the larger Asian nations. The ASEAN countries, for example -- Singapore, Malaysia, Indonesia and so on -- have for their size remarkably open economies, quite forward-leaning economies. Well, this is what we want to build on, and we believe we can do that effectively on a subregional basis.

With respect to Latin America, President Clinton in December last year put together a historic summit, 34 democratically-elected leaders of Latin America -- this is in itself a remarkable statement -- 34 democratically-elected leaders who came together to discuss a variety of issues. Trade, of course, was chief among them, but also other issues such as corruption, such as drugs, such as building of a civil society, judicial reform and so on. And from this meeting emerged a declaration to create a free trade area of the Americas by the year 2005. That is, free and open trade in our own hemisphere. This is vital to the United States because, you see, our market is already open. But tariff levels in Latin America even after the Uruguay Round are still on average four times higher than our tariff levels. We want those tariffs to come down. Likewise, the range of non-tariff barriers in Latin America greatly exceeds our own. We want those to come down.

So this is a very important declaration from the point of view of the U.S. and from the point of view of, again, expanding U.S. exports and promoting U.S. job growth. We intend to pursue the Free Trade Area of the Americas. We have a trade ministerial coming up in Denver

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this June as the kick-off ministerial. And we look forward to creating this process.

On a separate track, of course, as you know, at the same summit President Clinton, along with the presidents of our three NAFTA partners, have invited Chile to accede to the NAFTA. We have been in the process of a number of preparatory meetings with Chile, and the formal start of those negotiations will be announced next month. So we're very much looking forward to that and very much on track with respect to Chile.

Well, that's the three Es. That's where we were the last two years and where we're headed the next two years. We, of course, have enjoyed great support from many of you in the audience, and we look

forward to a continuation of that as we move forward always for greater market access for the United States and an increase in our own standard of living and job growth.

Thank you very much. (Applause.)

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x x x (Applause.)

MS. FRASER: I think we can see that she's a giant in her own right and I think we can think of both Secretary Reich this morning and Charlene Barchevsky -- and these two small people are really big giants, right? (Laughter, applause.)

We are -- (applause) -- very fortunate that she will stand and take questions, so can we get you to just stand up and speak loudly, please. Back there.

Q (Off mike)

MS. BARCHEVSKY: I have an answer that is the most wonderful answer any government official could give. This administration speaks with one voice on the dollar, that voice is Bob Rubin's. (Laughter.) And so I won't respond to your question, but would suggest that if you have questions of that sort the appropriate person to ask is Bob Rubin.

MS. FRASER: Okay? Who's next? Yes?

Q Can you comment on the relationship with China and Chinese human rights issues and how that's impacting on negotiations for the trade -- (inaudible due to outside interference.)

MS. BARCHEVSKY: You know that president Clinton last year de-linked MFN -- that is, China's trade status, from issues of human rights, nuclear nonproliferation, and the bilateral trade relationship. And he did that on the basis that we have other means with which to deal with each of those issues that he believed were effective.

I think we've demonstrated on the trade side we have ample other means of dealing with bilateral issues with respect to China. Nonproliferation issues of course, negotiations with China continue. China has certainly been very helpful with respect to the North Korean situation, and while we have concerns with respect to nonproliferation in China, we believe we can address those quite adequately on a bilateral basis. Of course, as you know, we have statutory authority with respect to taking action against China to the extent

nonproliferation becomes a serious concern.

With respect to human rights in particular, the State Department has a very active, ongoing dialogue with the Chinese. We have seen some progress this year, it is less than what we would have hoped to see.

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But one of the elements that we are beginning to see, and I think this bodes well for human rights in the longer term, is an increasing appreciation on the part of the Chinese, generally speaking, for the rule of law.

In our intellectual property rights negotiations, one of the significant elements of the agreement is on more ready access to the judicial system in China and an appeals process in China and greater transparency. Well, elements of that sort will tend, we believe, over time, to be integrated in other elements within China, perhaps first on the commercial side but over time with respect to other issues and other matters. We intend actively to pursue human rights in and of itself because it is an issue critical to Americans and critical ultimately to the long-term health of the U.S.-China relationship. But we shouldn't discount progress in other areas as an additional means for promoting human rights, as for example, more ready access to the courts in China.

MS. FRASER: Who's next? Yes, right there.

Q My question relates to investment -- (off mike). But there has been some progress in terms of the Japanese economy for American firms to go over and manage the pension assets. But in reality, how long do you think it will take for us to really -- (inaudible) -- in that market?

MS. BARSHIEFSKY: It's difficult to answer that question in that way. As you know, the Treasury Department did a terrific job in negotiating that agreement and Larry Summers took the lead on that and deserves tremendous credit for that agreement.

We think it will certainly take some time before we see the full fruits of that agreement, but we do think that the foundation is there in place to see very substantial increases in management on the part of the United States. But I can't give you an exact time frame. I just don't know.

MS. FRASER: Here? Yes -- (name inaudible)?

Q How involved -- (inaudible) -- the SEC and the NASD in reference to their attempt at integration with the capitalist system in some of the Western European countries and -- or also around the globe?

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MS. BARSHIEFSKY: The U.S. Trade Representative's office tends to be only very tangentially involved in those issues. They're really more a product of SEC-Treasury involvement, for example, than they are of our involvement. We did last year for the first time bring in an expert with respect to financial policy matters.

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USTR had not had such a person before. And we are now slowing integrating ourselves into negotiations that previously had been conducted quite apart from trade policy. But that's a process that will take some time, and as a result we still find that the bulk of negotiations and activity occurs not just among our regulatory agencies but also the Treasury Department.

MS. FRASER: Yes?

Q Do you have a comment on Senator Helms' Cuban sanctions bill?

MS. BARSHIEFSKY: The --

MS. FRASER: Did everybody hear the question?

Q Do you have a comment on Senator Helms' Cuban sanctions bill?

MS. BARSHIEFSKY: The only comment that I would make is that the administration has undertaken and is undertaking a review of Cuba policy. That policy has been stable for a number of years. We believe we are on the right course with respect to Cuba. And beyond that I won't comment further.

MS. FRASER: Yes?

Q Yes -- (inaudible) -- the pleasure of going both to Canada and Mexico. Within our own hemisphere, could you tell us what are the issues that you're now facing with the implementation, because we have an opportunity -- (inaudible) -- Minister Serra Puche and -- (inaudible) -- and Canadian representatives. But it seems for all the promises that were made three to five years ago that we have reached a little bit of -- (inaudible) -- or a problem that's going to -- (inaudible) -- with trade.

MS. BARSHEFSKY: Well, I think that the -- this has to do with NAFTA implementation essentially and whether we're on track with respect to implementation and investment and in some -- in other areas. I think we feel we are very much on track with respect to implementation. In terms of investment, you know the basic NAFTA document is modeled after our bilateral investment treaties. There are some exceptions, particularly on the Canadian side with respect to some screening and some exclusions and those are issues that we continue to look at.

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As you know also, we have taken a look at our bilateral investment treaty prototype agreement in recent months, and as we move forward on our bilateral investment treaty program and as we look at the FTAA process, we're going to be looking at some additional investment protections for U.S. persons that might now not be incorporated in the NAFTA tax. But by and large, we do feel that we are on track with respect to implementation. I won't say it's absolutely perfect, but we are, we feel, where we anticipated to be about this time.

We have, as you know, a huge number of NAFTA working groups, including on investment but also other issues. We have a NAFTA Commission which meets regularly at the ministerial level to review implementation, to review current issues. We will have a NAFTA Commission meeting the middle of next month, at which a variety of issues will be reviewed. We also have, as you know, commissions set up on the labor issues and environmental issues, and the creation of those commissions is proceeding apace. The Labor Commission is up and running, and the Environmental Commission will soon also be up and running. So I think we feel reasonably good about it.

Investment is an issue we will continually pursue, not just with respect to the NAFTA partners. As you know, the OECD will embark upon negotiations of a multilateral investment agreement, which from our point of view will need to have very high standards of openness and investment protection for the United States. We will pursue those issues in the OECD, hoping to reach an agreement with very substantial

and important standards for us, and then to extend that agreement beyond the OECD.

We, of course, are looking among the NAFTA partners at additional means of protecting investment and ensuring redress for investment grievances, government to private as well as government to government. And we will also and are also looking at those issues in the APEC context as well as in the FTAA context.

MS. FRASER: Next? Excuse me.

Q Right here.

MS. FRASER: I can't see with the light. Janet (?), go ahead, stand.

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Q The EC government procurement agreement was one of the early successes of the administration. Today, how would you look at this agreement in terms of your three Es?

MS. BARSHIEFSKY: We've made some important progress with the EU on government procurement.

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There are still some significant outstanding issues which were then not resolved and as to which we still have retaliation that was imposed and implemented.

Government procurement is a very difficult area, difficult in part because government procurement procedures tend to be non-transparent. You put in a bid. The government, which is the buyer, is also the evaluator of the bids, is also the party to whom you first appeal if you lose. And it's often not clear exactly what has happened.

We have some current ongoing issues with the EU on procurement in Germany, in the U.K., in France, in some other countries, generally having to do with this issue of transparency and non-transparent application of rules that have been agreed to in the GATT as well as rule that have been agreed to bilaterally. Nonetheless, we have made

some important progress with Europe.

Let me say another word about the procurement issues generally, and I won't attribute this necessarily to Europe, but let me make a general generic statement. Because procurement tends to be non-transparent in many countries, you also tend to find a coupling of procurement and corruption; that is to say that oftentimes non-transparent processes lead to a situation where the deserving bidder does not win an award because of some bribery element or corruption element on the part of other parties who are also bidding for the same contract.

A key area of concern for us is the issue of corruption and bribery. You know that we have a Foreign Corrupt Practices Act in the United States which makes it illegal, both civil and criminal penalties, for bribery of government officials abroad under many circumstances, including to get contracts. We're the only country in the world that has such a law. On the one hand, that is a disadvantage to American business; on the other hand, it really is illegal and needs to be stopped. We will work very hard in these next two years to see an extension of our Foreign Corrupt Practices Act in other countries, and an initial means of doing that is in effect to achieve substantial transparency in government procurement situations.

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If the process is transparent, either bribery doesn't happen or can't happen, or evidence of it becomes more and more obvious and therefore subject to challenge.

That's a long-winded answer to your short question.

Yeah?

Q As you know, our group has travelled abroad and recently we've been to Mexico and Argentina and the European Union and we just came back from India a few weeks ago. Next year we're considering going to South Africa. By way of an advance -- (word off mike) -- are there any trade issues that you can tell us about, between our country and South Africa?

MS. BARCHEFSKY: Come see me before you go. (Laughter.) I think the trade relationship with South Africa is -- I would say in a sense -- in its infancy. There had been so much disruption to the overall trading relationship because of apartheid; U.S. sanctions policy with respect to South Africa, U.S. Companies pulling out of South Africa because of that sanctions policy but also because of apartheid and

civil unrest, that we are in many respects starting from the beginning with respect to South Africa.

South African relations are very important to the administration, and the growth in trade is something that is very important to us, and important for that continent -- very important for Africa as a whole.

So, we will be spending time -- some significant time -- with respect to the U.S.-South African trade relationship to work on ways in which that trade relationship can increase, as well as work on ways in which our trading relationships with other African nations -- particularly sub-Saharan Africa -- can increase. This is an area of the world that is often neglected in U.S. trade policy terms but is an area with the greatest concentration -- perhaps the concentration of the world's least developed of the developing nations. And therefore in need of some substantial thought.

But the U.S.-South African relationship is an important one and it's one on which we will be spending time in buttressing what has been a mixed bilateral trade relationship.

MS. FRASER: Yes, back there?

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Q (Off mike) -- recently wrote to Ambassador Kantor saying that they want some kind -- (inaudible). What's the U.S. response to that?

Q Would you repeat the question?

MS. BARSHESKY: The question was that the Chinese have allegedly written to Ambassador Kantor with respect to setting as a precondition changing the Jackson-Vanik amendment before China will return to the table and negotiate in Geneva on GATT accession. I won't comment on whether or not Ambassador Kantor has received any letters, but let me say this about China's GATT accession.

It's in the U.S. interest that China be a member of the GATT WTO. I say that because we want to see China's economy reform, we want to see China abide by the rule of law, we want to see China's regime be compatible with international norms. China is a major trading power. China will export this year what Japan exported in 1980. China is the sixth largest world trader, and yet it is internally a country that is on a per capita basis relatively poor. But it is an export powerhouse. It also has 1,250,000,000 people. One in every eight women is Chinese. That is, in the world one in every eight women is Chinese. And my favorite trade fact of all, China adds in population every year Canada. (Laughter.)

Now, having indicated the importance of China's joining the WTO, the United States cannot support China's accession to the WTO on anything other than commercial terms. This is not high politics; this is dollars and cents. China must open up its trade regime if it is to be a member of the WTO. Every country does that, from the United States and the Japans of the world, Japan to some extent, to the Zimbabwes of the world, to the Chads of the world. China is no exception.

Now, the question whether China returns to Geneva is up to China. There's no issue of preconditions. If China wants to return to Geneva, we told them we would be there, we will work with them, we will help in any way we can to assist China in achieving a commercially viable protocol of accession. But whether it wishes to return to Geneva is its own decision, its own policy decision.

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We can't make that for them. We wouldn't want to make it for them. If they return to Geneva and we would certainly welcome that, they must return on a basis different from when they left Geneva in December; that is, they must return with flexibility and an understanding that high politics do not govern the WTO, market access governs the WTO.

Thank you very much. (Applause.)

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