AMBASSADOR CHARLENE BARSHEFSKY
Deputy United States Trade Representative

Before the
COUNCIL ON FOREIGN RELATIONS
New York, NY

April 26, 1995

The Future of U.S.-China Trade

President Clinton has led this country on an historic effort to open markets and expand trade. The President believes that increased trade is critical to our efforts to create jobs and raise standards of living in this country. The importance of trade to our economy and the rest of the world demands that the global trading system be based on a set of rights and responsibilities that all countries must accept. Over time, we must see our trading partners accord us reciprocal privileges,

open their markets and drop barriers to trade and investment.

The Clinton Administration has pursued the goal of an open and fair trading system through multilateral agreements like the Uruguay Round, regional initiatives like NAFTA, and bilateral negotiations like the recent IPR Agreement with China and Ambassador Kantor's visit to Beijing in mid-March. All of these initiatives share a common purpose of opening markets, expanding trade, creating jobs and strengthening the U.S. economy.

Our trade relationship with China is particularly important in all of these

respects. China is the world's fastest growing major economy, with real growth approaching 12 percent in 1994, and the 11th largest trading nation in the world. The United States is China's largest export market and the only major market in the world that is truly open to China's exports. Last year, more than 30 percent of China's exports went to the United States, including $39 billion worth of electric machinery, textiles, footwear, toys, and other products.

Our side of the bilateral trade equation is not nearly so rosy. U.S. exports to China rose only six percent last year, despite the competitive strength of our industries,

and total U.S. exports to China last year stood at only $9.3 billion, leaving us with a deficit of almost $30 billion. While the huge trade deficit with China is the result of many factors, China's multiple, overlapping barriers to trade and investment are among the most significant.

China remains one of the most protectionist trade regimes in the world. The absence of fundamental international standards -- such as national treatment, full transparency, or the right to trade freely -- hold back the U.S. side of the bilateral trade relationship and hurt U.S. businessmen and workers.

Trade Policy

The Administration has pursued an aggressive, but balanced, trade policy toward China. We have two primary goals -- to open China's markets to U.S. trade and investment and to create a broad, enduring framework for our bilateral trade relationship. To achieve those goals, we have put together a strong, complementary policy that combines bilateral and multilateral initiatives.

Foundations

Before examining our current approach to trade with China, we should review the

growth of our trade relationship and trade policy with China -- and see how far we have come. Before 1991, in effect, we did not have a well-articulated trade policy toward China. The basis of our bilateral relationship was largely strategic. Trade was a backwater issue at best. Trade was the subject of some bilateral discussions -- we began a dialogue in 1986 on the then-burgeoning trade deficit (less than $2 billion) -- and there were discussions on IPR, market access and China's accession to the GATT between 1986 and 1991.

-- Overall, however, the trade relationship was dwarfed by strategic considerations and other

issues.

For us, today, trade with China has become a vital strategic issue. We discuss trade at just as elevated a level with the Chinese leadership as we do other key issues, and, of course, expanding trade has become a vital part of the Administration's China policy. USTR has been one of the agencies most actively involved with China over the past two years -- and that is because of the importance of the trade relationship.

Our approach has been fundamental and clear -- we want China to adhere to the rule of law and to follow international norms in

trade. We have an excellent opportunity now to support China's interests and ours. For its part, China is reforming its economy, is moving toward a market economy of sorts, and the leadership is committed, in theory, to opening its markets. If we handle our trade relationship well, we will have a unique opportunity to move China to a rules-based system that will benefit not only the United States but other economies in Asia as well.

-- Such an approach is in our fundamental interest. U.S. businesses do best in a rules-based system. In addition, we do not want to see China take the more

protectionist path that some of its neighbors have taken.

As a result, our bilateral approach to China on trade has been grounded in the fundamentals of the GATT and now the WTO, and on other international obligations.

o The October 1992 market access Agreement addressed such market barriers as transparency and import licensing requirements across industries -- and was negotiated based on specific GATT articles and language.

o The January 1992 IPR Agreement committed China to wholesale changes in its copyright

and patent regimes. These changes include subscribing to international conventions such as the Berne and Geneva Conventions, and to living up to the obligations of the TRIPs Agreement in the WTO.

o The 1995 IPR enforcement agreement is based on China's new laws and the TRIPS and other international accords. It delves very deeply into the way in which China will run its new enforcement regime.

o Of course, our discussions on the GATT/WTO are also part of a broader effort to see China follow international norms.

<u>Approaches</u>

I would also like to observe that we have taken a very straight forward, interests-based approach to China. In the process, we have discarded some of the well-worn maxims of China watchers -- ie, that the Chinese cannot be pressured -- and we have been aggressive, targeted and very focused. In short, we have been very hardnosed in the pursuit of our objectives on trade with China. We have treated the Chinese like the tough, pragmatic, negotiators that they are -- with toughness, respect, and based strictly on the pursuit of our interests. In the process, we have made full use of our trade laws and the ammunition that they supply. We have also gotten results.

Current Policy

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.

Themes for 1995

(1) Full implementation of the President's pledge on May 26 to make full use of U.S. trade laws to enforce existing trade agreements and to open markets for U.S. companies and workers;

(2) Vigorous market opening initiatives, both through USTR trade actions and Department of Commerce trade promotion and development initiatives.

-- That strategy includes close

coordination of USTR and Commerce initiatives, through trade negotiations on key issues, the JCCT and other vehicles;

(3) Complementary and mutually reinforcing bilateral and multilateral initiatives -- a vigorous bilateral trade agenda and intense use of the APEC and China's WTO accession negotiations -- to achieve narrow, short-term and broad, long-term goals.

(4) Complementarity of the U.S. trade agenda and the broader U.S.-China policy.

-- The U.S. trade agenda, which could

be summarized as pursuit of the rule of law and international norms as they relate to China, melds well with other bilateral objectives on human rights, non-proliferation, broader military-to-military cooperation, and so on.

Specific Trade Proposals

Full Implementation of Existing Trade Agreements.

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.

<u>Market Opening Initiatives</u>:

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.

o 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 Accession

WTO accession for China is a fundamental part of our overall trade strategy. The United States supports China's accession to the WTO. As Ambassador Kantor stated in Beijing in March, the United States intends to take a pragmatic, flexible approach in negotiations with the Chinese on the WTO. That does not mean, however, that we do not expect China to live up to its obligations

under the WTO -- including meeting such basic obligations as national treatment, transparency, and so on -- when China accedes. A solid, commercially-viable agreement is essential to U.S. interests, as it is to those of other countries as well.

REMARKS OF AMBASSADOR CHARLENE BARSHEFSKY

TO THE BOARD OF THE USA-ROC ECONOMIC COUNCIL

MAY 8, 1995, REGARDING

UNITED STATES-TAIWAN TRADE RELATIONS

INTRODUCTION

- My remarks today will concentrate on an examination of current and prospective U.S. trade negotiations with Taiwan and the continuing U.S. trade relationship with one of the Asia/Pacific region's success stories -- the prospering, industrious and democratic society we see in Taiwan today.

- U.S. involvement and support for Taiwan has been constant throughout the last forty years, including Taiwan's GATT/WTO accession and Taiwan's participation in APEC. It represents an important element in Taiwan's continuing record of enviable economic growth.

- The post-war period has seen remarkable growth and economic development in Taiwan, aided by a strong and predictable international economic trading system, as well as by lucrative and largely unfettered access to the U.S. domestic market.

- Future economic relations can be expected in which both the United States and Taiwan continue to work for greater multilateral, regional and bilateral trade liberalization,

contributing to the welfare and prosperity of the populations of both areas.

Global Economic Setting

- The international trading system today is in a period of great challenge and opportunity, poised to move forward toward the goals of growth, change and renewal.

- The U.S. is committed to ensuring and enhancing the prosperity of the global economy and will use its leadership position to promote expanded trade and more open markets. With our principal trading partners we seek their assumption of appropriate levels of trading system obligations and disciplines.

- The U.S. firmly believes the responsibility to promote open markets now lies also with other countries who continue to benefit from and demonstrably effect the global economy.

- Trade is an engine of growth and a means of creating jobs. Trade is an integral component of a larger growth strategy based on the President's economic program.

- Every aspect of this program is designed to make the U.S. a strong, outward-looking competitor in the world economy of

tomorrow.

- As part of the President's economic strategy, one of our objectives is to boost productivity and competitiveness and thereby to stimulate high-skill, high-wage jobs.

- For this Administration, trade policy is an integral part of the national economic strategy. For this national economic strategy to be successful, it is essential that the U.S. have the stimulus of a thriving global marketplace and global economic growth.

- The only way to achieve these is through open markets. Our basic trade policy objective is to create jobs by opening up foreign markets.

- In pursuit of our policy goals we will be pragmatic and results oriented. Our trade policy will not be credible with the American people if it fails to achieve concrete results.

Taiwan Context

- How does the bilateral U.S.-Taiwan trade and economic relationship mature and adjust to global and regional developments? The answer may well lie in the ongoing internationalization and liberalization of Taiwan's economy.

- Our quest is to strengthen the economic bonds between us while Taiwan upgrades its trading regime to a level compatible with accepted international standards.

- Having benefitted enormously from the certainty of the international trading system, and in particular from access to the large and profitable U.S. market, Taiwan's objective must now be to assume the full obligations and disciplines of that global trading system.

The Historical Setting:

- 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.

- Taiwan's trade today is in excess of $160 billion, and per capita income is more than $10,500. More than 80 percent of industrial production is now in the private sector. It has the world's second largest foreign exchange reserves, and is actively negotiating for GATT/WTO accession as a developed economy.

- Taiwan today is the sixth largest trading partner of the U.S.

The large surplus Taiwan had enjoyed in its trade with us, and the pressures this was bringing to bear on the relationship, led them to pursue a vigorous program to reduce it in the late 1980's.

- In addition, Taiwan set out at that time to further diversify its trade, especially to Southeast Asia and Europe, and broadened its economic influence in the process.

- There has been an outward flow of investment by Taiwan businessmen, initially, at least, in low-tech highly labor-intensive small production units that could no longer economically operate in Taiwan as costs there rose.

- The bulk of these investments has been going to Southeast Asia, where Taiwan is either the largest or one of the largest foreign investors in the ASEAN countries and Vietnam. A considerable amount also goes to mainland China.

- Increased trade has followed this investment trend, largely to provide materials and parts for the transplanted production units.

- Trade with Southeast Asia and indirectly with the mainland represent the fastest growing segment of Taiwan's external trade. This demand has played an important role in

maintaining Taiwan's exports in the face of declining or flat sales to traditional markets.

- Taiwan's growth rate in 1994 is estimated at 6.2%, and while below the 7.8% growth of the 1985-92 period, it is a statistic that would be highly prized by any other developed economy. The Taiwan of today is a significant actor in the international trading community.

- U.S. trade with Taiwan in 1955 totaled $101 million; last year it was approximately $42 billion. With a $42 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.

- The task before us is to shape our trading relation to the greatest possible mutual benefit. The breadth of our relationship, and the interests both sides have in it, however, offer the means to preserve a friendly and cooperative atmosphere despite the sometimes complex and difficult issues to be resolved.

Protection of Intellectual Property Rights:

- We have engaged for over three years beginning in early 1992 in an intensive effort to provide for the protection of

intellectual property rights. IPR protection is indicative of successful developed economy, confident in the creativity of its people.

- The successful result of our, at times difficult, bilateral work is a climate of greatly improved IPR protection on Taiwan; significant progress in the copyright area and important steps in the trademark and patent areas.

- 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 standards.

- In recognition of these efforts Ambassador Kantor decided in 1994 to move Taiwan to the IPR Watch List, and to maintain Taiwan at that level this year.

- This improved statutory framework in conjunction with enforcement efforts has helped decrease the amount of counterfeit goods available in Taiwan and reduce infringing exports significantly.

- Our ongoing GATT/WTO accession negotiations are focussing on achieving complete TRIPS consistency within the same time

~~frame as the United States.~~

- The remaining, critical steps Taiwan needs to take in this regard are: enactment of TRIPS-consistent integrated circuit and trade secrets laws, and enactment of certain copyright amendments that provide for full retroactive copyright protection consistent with Berne Convention Article 18, as made applicable by TRIPS Articles 9.1 and 14.6.

- We believe that Taiwan has taken significant steps to protect IPR for several good reasons:

  1) Taiwan, having benefitted immensely from the predictable commercial climate and rules-based discipline of the international trading system, realized the need to contribute to the system by beginning to meet its obligations, which include the protection of IPR.

  2) Taiwan's leadership realized that failure to protect IPR will lead to a loss of foreign investment and technology transfer that will cripple Taiwan efforts to make the necessary transition to a high tech economy.

  3) Taiwan's creators and inventors began to suffer the consequences of minimal IPR as their intellectual work was liable to theft by others.

Move forward to cont'd page

GATT/WTO Accession

JANUARY 1994 TARIFF NEGOTIATIONS:

- Early in 1994, Taiwan offered politically and commercially significant concessions 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 by an average depth of cut of 21%.

- However, the Legislative Yuan has failed to date to enact these tariff cuts into law. Prompt action this session is critical to restore Taiwan's credibility and political "good will".

- These proposed tariff reductions are in areas where the tariffs are protectively high and U.S. exporters have been seeking unsuccessfully improved access for years.

GATT/WTO ACCESSION:

- Since the initiation of substantive negotiations for Taiwan's membership in the GATT in April 1993, we and other delegations have made significant progress.

- In November 1993, we tabled an aggressive GATT/WTO accession tariff and non-tariff measure request of Taiwan, which we have

negotiated in a number of bilateral meetings since that time. We anticipate holding additional bilateral consultations in the near future where remaining issues will be addressed.

- Talks with Taiwan to develop a strong protocol package have been proceeding in parallel with market access discussions. This package will contain a protocol document that confers WTO membership on Taiwan and sets out the terms and conditions of membership, as well as schedules of concessions for market access for industrial products, services and agriculture in Taiwan's market.

- Taiwan's importance in international trade grows daily. We are very pleased to have the opportunity to incorporate this major trading entity into the international trading system. Taiwan's membership will be of great significance to the newly established WTO as well as to the trading interests of all its Members.

- For Taiwan, WTO accession will establish a reciprocal 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 right of international obligation.

- Members have engaged Taiwan in detailed discussions to ensure

that the terms of accession provide a mutually agreed basis upon which Taiwan will align its trade regime to with GATT/WTO rules.

- Interested WTO Members, including the United States, have also used the opportunity of these negotiations to address issues that affect their trade covered by GATT and WTO rules.

Overall,

- Taiwan has accepted that its accession will require changes in its current trade regime. In this regard, several changes have already been made in its tariff and licensing import regime to meet WTO requirements.

- Taiwan is also preparing legislation to implement other changes that it knows will be required to operate its trade policy within the GATT/WTO framework in the future.

- A successful outcome, however, should be well worth it, as it will greatly strengthen and broaden Taiwan's economy and its commercial opportunities.

- The United States intends to continue to be a major participant in the negotiation. Taiwan has made significant progress in its bilateral negotiations with us, with the remaining outstanding areas including the reform of the tobacco and alcohol monopoly, certain agriculture and

industrial tariffs, and automobile market access.

- The United States has been a good friend to Taiwan in this negotiation, and our support has been critical to the progress made thus far. Taiwan must meet the expectations and demands of other WTO members, however, in completing its negotiations.

- It is the policy of this Administration that each accession negotiation be considered on the basis of its individual commercial merits. At the same time we recognize that the WTO is a multilateral organization that takes decisions by consensus.

PELLY AMENDMENT TRADE SANCTIONS:

- Pelly Amendment sanctions were imposed on select wildlife products from Taiwan in August 1994 because of Taiwan's earlier failure to enforce prohibitions on trade in ~~parts of endangered species of~~ tiger and rhino.

- The value of the trade is estimated to be $22.4 million. An interagency delegation recently visited Taiwan to review the measures taken by the Taiwan authorities to comply with U.S. requirements for lifting the Pelly amendment sanctions.

- The U.S. criteria include the enactment of amendments to the

Wildlife Conservation Law (done by the Legislative Yuan in October 1994) and implementation of regulations (carried out by the Executive Yuan at the end of April) 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.

- 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.

- From all indications Taiwan has done a credible job in addressing the U.S. criteria for eliminating the trade sanctions. President Clinton will be making a decision whether to continue to impose sanctions in the near future.

Problem solving devices:

TRADE AND INVESTMENT FRAMEWORK AGREEMENT (TIFA):

- Our TIFA with Taiwan was signed on September 19, 1994 and the first meeting of the Trade and Investment Council was held March 6 and 7.

- In these TIFA meetings we were able to inaugurate a forum with where we could discuss in a non-crisis atmosphere: 1) our respective visions of medium- to long term directions of our

bilateral trade and investment relationship; 2) the ways and means of reaching those goals; and, 3) seek solutions to problems of immediate concern.

- We successfully initiated negotiations between our respective customs services, through AIT and TECRO, of an ATA Carnet that facilitates trade by moving samples and education materials of traders more quickly through customs formalities.

- In addition, we paved the way for the imminent signing of a MOU concerning reciprocity in Patent and Trademark registration matters.

- We also took the opportunity to reiterate the steps needed to meet TRIPS obligations as well as be seen as providing adequate and effective IPR protection. There was, in addition, a useful discussion of improvements to Taiwan IPR export monitoring systems, inaugurated at our request during previous negotiations. Taiwan is seeking changes, including a sunset provision, in the monitoring systems.

- We also emphasized with Taiwan officials the importance of enacting into law the unilateral tariff cuts agreed to by Taiwan in February 1994.

- We defined elements of our vision of our medium term relations

by reviewing the details of the GATS negotiating group on basic telecommunications services as well as the specifics of our model BIT and IPR agreements.

- The Taiwan side indicated a desire for studying a bilateral FTA, greater anti-trust cooperation, information on our AD and CVD investigation procedures, as well as a termination to the Pelly amendment trade sanctions imposed last year because of lapses in endanger species protection.

- Other, more detailed trade and investment issues of immediate concern (e.g., Taiwan manufacturing restrictions on pharmaceutical firms, their investment restrictions in Cable TV, their food labelling requirements, our mutual recognition of testing, and the Federal Reserve's foreign bank branch regulations), were discussed and moved forward for future resolution.

- These meetings were very successful in solving problems where the time was right, defining our future together in a non-confrontation environment, and strengthening our growing and vigorous bilateral economic relationship.

SUB CABINET ECONOMIC DIALOGUE:

- We are also looking forward to the inaugural meeting of the

Sub Cabinet Economic Dialogue in the near future.

- This higher-level group chaired by the Treasury Department will examine the larger-perspective and macro economic issues that concern our relationship.

Conclusion

- Despite the reality of complex interactions, the United States and Taiwan have consistently maintained a comprehensive -- although unofficial-- economic relationship.

- 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.

- 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.

- 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.

- 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.

- 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.

- Our economic aid and our market were instrumental in Taiwan's rise to economic prominence.

- More recently we supported Taiwan's entrance into APEC, and alone among the major economies, we worked actively to support Taiwan's entrance into the GATT/WTO, again demonstrating American commitment to this relationship.

- 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.

S. HRG. 104–96

CARIBBEAN BASIN INITIATIVE

Dave

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE

OF THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

ON

S. 529 and H.R. 553

MAY 15, 1995

Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

92-608—CC WASHINGTON : 1995

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-047466-3

May 15, 1995

ADMINISTRATION STATEMENT
BY AMBASSADOR CHARLENE BARSHEFSKY ON S.529
THE CARIBBEAN BASIN TRADE SECURITY ACT
BEFORE THE TRADE SUBCOMMITTEE
OF THE SENATE FINANCE COMMITTEE

INTRODUCTION

Mr. Chairman, thank you for the opportunity to submit the Administration's comments on S.529, the "Caribbean Basin Trade Security Act of 1995." The Administration endorses the thrust of this bill.

The bipartisan support Congress has given to the Caribbean Basin Initiative (CBI) since its inception has greatly assisted U.S. efforts to promote economic development and democracy in the region. The Administration appreciates that the sponsors of S.529 are continuing this bipartisan tradition.

With almost all countries in the Caribbean Basin embracing open markets and free elections, the United States has a unique chance to help these countries achieve long-term prosperity. S.529 can be a very constructive catalyst to this process. This bill recognizes that access to the U.S. market is a powerful stimulant to broadly based economic development.

Before I outline the Administration's position on S.529, let me review briefly the status of the CBI. Mr. Chairman, while you and Senator Graham may be well acquainted with the CBI, my summary might be particularly useful for new members. Also, we hope this presentation will put into perspective the Administration's subsequent comments on S.529.

STATUS OF CBI LEGISLATION

CBI I and CBI II

The 1984 CBI provided the President the authority to proclaim duty-free treatment for all products except textiles/apparel subject to agreements, footwear, petroleum, categories of flat goods and gloves, leather apparel, canned tuna and a minor category of watches. Countries must meet the conditions, which are sufficiently flexible to provide the President considerable leverage to encourage reforms without forcing specific action. Only one country has ever been suspended from the CBI program, for failure to cooperate on narcotics matters. CBI benefits are now granted to 24 nations.

The Executive Branch in 1986 created the "Guaranteed Access Level" (GALs) quota program for CBI apparel exports. Under the GALs program, a Caribbean Basin country may ship "guaranteed"

These proposals, refined further to become the Interim Trade Program (ITP) in 1994, were prepared for submission in the Administration's Uruguay Round bill in Congress. In the end, however, on the basis of discussions with Members of Congress, the ITP was not included in the Uruguay Round bill.

H.R. 553

As I am sure this Subcommittee is aware, the House has a companion bill to S.529. It is H.R. 553, as amended.

Let me explain the Administration's difficulties with the original version of H.R. 553 and how those problems were addressed in the amended version. Because S.529 is virtually identical to the original version of H.R. 553, describing our concerns with H.R. 553 and how this bill was amended is a way we point out ways we believe S.529 can be improved. The Administration now supports H.R. 553, as amended.

First, we expressed concern about expanding the product coverage beyond textile and apparel products that meet the NAFTA's rules of origin. We focussed on textiles and apparel because our analysis showed this to be the sector most vulnerable to competition from the NAFTA and by far the largest, accounting for about $4 billion of U.S. imports from the region. Also, U.S. manufacturers, which operate partnership production arrangements, have substantial investment in the region.

In addition, we wanted to fashion a bill that would pass quickly without controversy and that enjoyed industry support. We were concerned that H.R. 553, by including all previously excluded products, would attract opposition.

Since the Administration's statement on H.R. 553 on February 10, we have received only one complaint about including products outside of the textile and apparel area. This dearth of letters to USTR apparently supports the view that including all products in new CBI legislation would generate little opposition. We, therefore, have been convinced that full product coverage would not derail the bill.

Second, the Administration believes strongly that countries should undertake new commitments if they are to receive new benefits. The original version of H.R. 553 did not impose any new obligations on CBI countries.

Working with both Republican and Democratic Members of the House Trade Subcommittee, we were able to craft provisions which address this concern. The amended version of H.R. 553 includes modified criteria and a review every three years of CBI nations' compliance with these criteria.

COMMENTS ON S.529

Since the Administration supports H.R. 553, as amended, we would prefer this bill to S.529. We believe the types of changes which have been made to H.R. 553 would strengthen the provisions of S.529.

With the benefit of our experience on H.R. 553, we can offer the following additional comments on S.529.

Objectives

I am very pleased to say that the Administration supports the ultimate goal of S.529, which is to bring CBI nations into NAFTA-type trade agreements. This is the goal that hemisphere's leaders at the Summit of the Americas in December adopted for completing the negotiations of the "Free Trade Area of the Americas" by the year 2005. We welcome Congress' support for this outcome of the Summit.

The Administration also recognizes that achieving this objective will take time and will not be easy. We realize that during this process, investment in some sectors in the Caribbean Basin could be affected by the NAFTA. Addressing the potential impact of the NAFTA on the Caribbean Basin remains our focus in any new legislation providing trade preferences.

Product Coverage

As I indicated above, the Administration's concerns about including products in addition to textiles/apparel have been mitigated since our initial testimony before the House. We can now endorse full product coverage, as in S.529.

Section 202

The Administration believes strongly that we should negotiate FTAs only with countries that are "ready" -- those willing and able to undertake the serious obligations of an FTA. Enhancing the credibility of U.S. trade policy and maintaining the confidence of the American people in the value of open trade depend on well-conceived and properly executed trade agreements. International trade is in the U.S. economic interest; the American people deserve to see a proven track record of success from our trade agreements.

The Administration is developing criteria to assess when other nations might be "ready" to negotiate and to implement such a complex and comprehensive undertaking as a NAFTA-type

ORAL REMARKS

BY AMBASSADOR CHARLENE BARSHEFSKY ON S.529
THE CARIBBEAN BASIN TRADE SECURITY ACT
BEFORE OF THE SENATE FINANCE TRADE SUBCOMMITTEE

Mr. Chairman, thank you for the opportunity to provide the Administration's comments on S.529, the "Caribbean Basin Trade Security Act of 1995." With your permission, I would like to summarize our formal statement, which we request be entered formally for the record.
[Pause for Chair's consent.]

The Administration endorses the thrust of S.529.

The bipartisan support Congress has given to the Caribbean Basin Initiative (CBI) since its inception has greatly assisted U.S. efforts to promote economic development and democracy in the region. The Administration appreciates that the sponsors of S.529 are continuing this bipartisan tradition.
With almost all countries in the Caribbean Basin embracing open markets and free elections, the United States has a unique chance to help these countries achieve long-term prosperity. S.529 recognizes that access to the U.S. market is a powerful stimulant to broadly based economic development.

My formal statement reviews briefly the status of the CBI since its inception in 1984; to preserve time, I will not present it today. Mr. Chairman, while you and Senator Graham may be well acquainted with the CBI, this summary might be particularly useful for new members. Also, we hope that summary presentation will put into perspective the Administration's subsequent comments on S.529.

As I am sure this Subcommittee is aware, the House has a companion bill to S.529. It is H.R. 553, as amended.

As you may know, the Administration initially identified some concerns in H.R. 553. We worked with the Ways and Means Committee to address these concerns and to craft a bill that is mutually acceptable to both sides, and which the Administration now supports. We wish to work with the Finance Committee to revise S.529 in a similar fashion. I would like to describe those provisions in S.529 we would seek to revise.

Initially, the Administration expressed concern about expanding the product coverage beyond textile and apparel products that meet the NAFTA's rules of origin. Our analysis showed this to be the sector most vulnerable to competition from the NAFTA. In addition, we wanted to fashion a bill that would pass quickly without controversy and that enjoyed industry

In conclusion, Mr. Chairman, I would like thank the Trade Subcommittee on proposing this legislation for the Caribbean Basin. By doing so, you clearly demonstrate the priority this Subcommittee assigns to strengthening further the U.S. relationship with the nations of the Caribbean Basin.

This Administration shares that commitment. We will work closely with you in crafting a bill that achieves our mutually held objectives. The revisions which I have detailed address the Administration's concerns with S.529. As I mentioned previously, these changes enjoy the support of both the Administration and bipartisan Members of the Ways and Means Trade Subcommittee, and I would urge the Senate to move in that direction.

Thank you, Mr. Chairman.

TESTIMONY OF THE

HONORABLE CHARLENE BARSHEFSKY

DEPUTY U.S. TRADE REPRESENTATIVE

BEFORE THE

HOUSE WAYS AND MEANS COMMITTEE

SUBCOMMITTEE ON TRADE

MAY 23, 1995

Last year, when the President made his decision on May 26, 1994 to renew Most Favored Nation (MFN) trade status for China, he chose explicitly not to link trade with human rights or other bilateral issues. This decision set the foundation for a more productive bilateral relationship with China over the long term. At the same time, the Administration has -- and will continue -- to pursue vigorously U.S. objectives in all areas of our policy toward China, especially human rights, non-proliferation, and trade.

The President and the Administration recognize that China's economic and strategic importance to the United States require us to engage the Chinese on specific issues across a broad array of policy concerns. On trade, as in other areas, the Administration is prepared to make full use of the legal instruments available to us to pursue and gain our objectives. This is vital if we are to bring China into the international community and take advantage of the opportunities this will provide.

Complementarity of Administration Policies

Overall, the Administration's approaches in each policy area toward China are complementary. The Administration's goal is to instill in China respect for the rule of law and international norms in all areas -- including human rights, non-proliferation, and trade.

- In trade, for example, we seek adherence to a rules-based trade regime such as the World Trade Organization, or other international conventions.

- In human rights, we seek respect for the rule of law and the rights of individuals based on commonly-accepted principles, such as the Universal Declaration of Human Rights.

- In proliferation, we continue to urge China to become a full partner in internationally-accepted nonproliferation regimes such as the Non-Proliferation Treaty (NPT) and the Missile Technology Control Regime (MTCR).

My colleague from the State Department will speak on our human rights and non-proliferation policies. I would simply observe that, over the long-term, we expect to see in China respect for law and international norms, and development of a civil society.

The Administration recognizes that the human rights situation in China remains deplorable in some instances, and basic rights to freedom of speech, association and religion are generally denied. Extrajudicial arrest and detention remain common practices. That said, it is clear that greater engagement on all fronts -- including by U.S. corporations in China -- will help encourage the emergence of a more open society. We have witnessed throughout Asia a tendency for greater individual freedom to follow economic liberalization -- a logical extension of our current trade policy. Such evolutionary processes seem also to be at work in China. Finally, China can no longer keep out Western ideas and values as it accepts and absorbs Western economic practices. The growth of modern communications and technology has already assisted the process of opening.

Trade Policy

As in other areas of our relationship with China, the Administration bases its trade initiatives on international rules and disciplines, for example, the WTO and other international conventions. The market access, intellectual property rights laws and enforcement, and textiles Agreements all have been thoroughly grounded in the GATT and now WTO. Clearly, the ongoing negotiations over accession to the WTO for China are part of our overall approach of creating an effective framework for our trade relationship.

Here, too, trade cannot be separated from the broader considerations of creation of a more open, rules-based society. Reforms of China's legal system, institution of new laws and regulations, notions of due process and transparency all build a better trade relationship. Our immediate focus in trade negotiations is on achieving particular goals. Nonetheless, as was the case in the IPR enforcement negotiations, we worked together with China's negotiators to create an enforcement regime that strengthened the legal system and the rule of law in general, including greater transparency, and the importance of observing due process.

Building on the IPR enforcement Agreement and Ambassador Kantor's visit to China, we now 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, pursue multilateral WTO accession negotiations on a sound commercial basis, and take advantage of the growing commercial opportunities in China.

Despite our market access agreement, the IPR enforcement agreement and other bilateral agreements such as textiles, major problems remain in our trade relationship, however. It is disturbing that China still has not made the fundamental decision to join the mainstream of world trading nations. China appears to want to set the rules of trade with its trading partners, as opposed to following international norms. Recent developments have only strengthened our view in that regard. China only selectively upholds its trade agreements with the United States, and it is reluctant to accept its obligations in other areas, such as recognizing and enforcing international arbitration judgments, or the sanctity of contracts. China continues to resist creation of a fair and equitable investment climate, discriminates against foreign companies in its pricing of goods and services, and maintains a myriad of overlapping barriers to trade in goods and services.

The rapid growth of China's trade regime -- bilateral U.S.-China two-way trade has risen from roughly $2 billion in 1979 to $40 billion in 1994 -- and the growing importance of China's global role demand that we worked actively and aggressively to bring China's trade practices into line with international norms. We must actively engage the Chinese on trade issues, and open Chinese markets to U.S. goods and services.

Our trade relationship is badly out of balance. China exports vast quantities of goods to the United States, but still buys relatively little from us. In 1994, we had a trade deficit with China of close to $30 billion. No other major trading partner has a deficit in goods of that size with China -- and no other major trading partner's markets are as open to Chinese goods as are those of the United States.

Services trade is also of concern. The United States is the largest exporter of services in the world and U.S. companies in banking, insurance, financial services, travel, advertising and other services are the best or equal to the best in the world. In the communications and information services sectors, U.S. companies are leading a global information revolution and transforming the way that business is conducted around the globe. Nonetheless, China's market for services is still largely closed. If China is to reform and modernize its economy, it cannot do so without the creation of a sophisticated services sector. And, clearly, it cannot develop an articulated services industry without opening its services market.

For its part, it is in China's interest to take these steps. As much as the United States and other trading partners will gain, the benefits to China in further trade liberalization and market opening are much, much greater. China must take serious steps to enhance significantly market access.

Themes for 1995

As a result of the clear opportunities that we now have to improve our trade relationship, and the clear inequities that continue to exist, we intend to continue an active, aggressive bilateral and multilateral strategy. This means:

(1) Full use of U.S. trade laws to enforce existing trade agreements and to open markets for U.S. companies and workers;

(2) Vigorous market opening initiatives, both through USTR negotiations and Department of Commerce trade promotion and development initiatives.

(3) Complementary and mutually reinforcing bilateral and multilateral initiatives -- a vigorous bilateral trade agenda and intensive use of the APEC process and China's WTO accession negotiations.

(4) Complementarity of the U.S. trade agenda and the broader U.S.-China policy.

Trade Initiatives

The Administration is currently engaged in negotiations and consultations on market access for goods, based on the 1992 market access Agreement, market access for services, and intellectual property rights protection. We are also addressing China's bid for accession to the World Trade Organization. Successful conclusion of the all of these initiatives and the faithful implementation by China of the existing Agreements, will improve not only the United States-China trade relationship, but also the prospects for China's own economic reforms.

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.

As it has in other areas of trade, the Clinton Administration acted decisively to protect the intellectual property rights of U.S. companies. The Administration initiated a Special 301 investigation into China's IPR enforcement practices on June 30, 1994 and published a proposed retaliation list when 20 months of negotiations failed to yield meaningful results.

Nonetheless, on February 26, U.S. negotiators reached a landmark agreement on the protection of intellectual property in China, particularly in the areas of copyrighted works and trademarks. The Chinese established a 9 month 'special enforcement period,' formed enforcement task forces in more than 22 cities, closed 7 CD and LD factories that were producing pirated products, and pledged by July 1, 1995 to clean up

remaining CD piracy.

We cannot take implementation of the IPR agreement for granted. Initial indications suggest, however, that China has taken implementation of the Agreement seriously. For our part, USTR has set up an IPR Secretariat to oversee implementation of the Agreement, under which are interagency task forces to monitor developments nationally and in each locality where IPR enforcement has been a serious problem. At the same time, in cooperation with the Department of Justice, the U.S. Customs Service, the Patent and Trademark Office, and the Federal Bureau of Investigation, USTR's Secretariat is coordinating training and technical assistance programs for the Chinese. These programs are designed to ensure that China has the ability to carry out the enforcement actions -- and the restructuring of their IPR enforcement regime -- that are mandated by the Agreement. In June, U.S. negotiators will return to China to hold the first in a series of quarterly consultations on implementation of the Agreement.

Market Access

In October 1992, the United States and China signed a market access Agreement that committed China to make sweeping changes in its import regime. To date, China's implementation of some parts 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 elimination of 90 percent of all non-tariff barriers -- such as import licensing requirements and quotas, increased transparency, 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 U.S. agricultural exports.

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 it 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 roughly 150 from the several thousand that existed the number of GATT-inconsistent barriers. By reducing these barriers, China will open markets for computers, medical equipment, heavy machinery, textiles, steel products, chemicals, pharmaceuticals, and other products. However, the remaining non-tariff barriers are of serious concern and the Chinese have yet to provide schedules for their elimination.

China has not fully implemented the market access agreement in other respects. It has yet to live up to its obligations to publish quotas, uniformly apply its laws and regulations, or fully eliminate import substitution as a practice. As a result of Ambassador Kantor's visit to China in March, China lifted its brief "suspension" of the market access Agreement, and has committed to elimination of further non-tariff barriers on computers, textiles, heavy machinery and other key U.S. products.

Of considerable importance, China has not yet resolved our concerns about the use of sanitary and phytosanitary standards as barriers to imports of agricultural and live animal products. China continues to use unscientific standards to block exports of citrus fruit, stone fruit, wheat, apples, and leaf tobacco -- products that the United States exports to Japan and other nations throughout East Asia. Through consultations in Washington in March and San Francisco in April, we have established a time table for the closure of these issues -- although resolution of concerns over wheat from the U.S. northwest and other areas where TCK infestation exists remains problematic. We expect China to move expeditiously to resolve these issues, in accord with the Agreement.

Services

Market access for services is another, integral, part of the U.S. bilateral trade agenda with China. China's services markets today are still largely closed. While limited experiments are underway, and a variety of extra-legal services ventures have started, legitimate access for U.S. companies in most instances is not available. On a bilateral basis, China has agreed to hold bilateral negotiations on insurance and value-added telecommunications, to complement discussions that have been underway for many months on services issues -- both bilaterally and in the context of China's bid for WTO accession.

We have asked that China commit to substantial liberalization of its insurance, value-added telecommunications distribution, advertising, travel, communications, audiovisual and other services. As I noted earlier, these liberalizations are in China's own interest. We expect, for example, that China will license more foreign insurance companies to operate in China on a national treatment basis, will open its enhanced telecommunications sector and its distribution system to U.S. companies, and will liberalize access to its audiovisual markets. American companies have much to contribute to China's economic development and prosperity. China cannot make the leap from a labor intensive economy to one with a higher technology base without considerable participation by foreign firms in its services sectors.

An additional vital component of our services agenda with China is improvement in its domestic business climate. Consistent with the obligations that China will assume under the

WTO, China must create a non-discriminatory environment within which both foreign and Chinese firms compete on an equal footing. Adherence to basic investment principles, such as the right of establishment and national treatment, along with rights to conduct associated activities, would go a long way toward that end.

Similarly, China discriminates against foreign traders in its pricing practices, often charging foreigners prices that are several times those charged Chinese businessmen. China has indicated that it may take steps to eliminate this discrimination, and we await concrete actions to make these intentions reality.

WTO Accession

Last, negotiations on possible accession for China to the WTO are ongoing -- with a round of bilateral discussions in Geneva having concluded just last week. The United States supports China's accession, but has made it clear that accession can only occur on a commercially-meaningful basis. Although we have taken a practical, and pragmatic position toward the negotiations, we are not prepared to support China's accession with anything less.

If China accedes to the WTO, and makes and implements firm commitments to bring its trade regime into compliance with WTO rules and disciplines within a set time period -- including market access -- we will all have taken a significant step forward in achieving our trade policy goals in China. At this time, the ball is in China's court. We await improved offers on market access and rules-based disciplines that will provide a sound basis for the negotiation of an acceptable protocol package.

Over these past many months, the United States -- as well as other contracting parties -- have clearly outlined the areas in which China must make commitments to basic WTO obligations and to secure transparent market access opportunities. These basic areas include: uniform application of national laws and regulations in the provinces; national treatment for imported goods, firms, and traders; elimination of non-tariff measures as required by the WTO; granting foreign firms trading rights and expanding the right to trade generally; and assuring that its foreign exchange regime is not used as a trade barrier. China must make commitments to open its market to services, submit a reasonable schedule on agriculture supports and subsidies, and provide secure and amplified opportunities for market access in goods commensurate with its status as a world-class exporting country.

Conclusion

While much work remains, in trade, we have taken some initial, significant steps forward toward improving our bilateral relationship, and in helping to establish the primacy of the rule of law and international norms. Despite the problems that exist, we have a good opportunity now to move forward to broaden our trade relationship and help U.S. companies to take advantage of China's enormous commercial potential. At the same time, we must also continue to pursue serious initiatives on human rights and non-proliferation. We must act now -- if we are to see China develop a rules-based regime. We expect over the coming year, in accord with the President's pledge, to pursue these mutually compatible goals vigorously and forcefully.

ORAL STATEMENT

Ambassador Charlene Barshefsky
Deputy United States Trade Representative

HOUSE WAYS AND MEANS COMMITTEE
MAY 23, 1995

I appreciate the opportunity to testify before you today on the Administration's policy toward China. I will be addressing our trade policy issues, while my colleague, Mr. Wiedemann will discuss our policy on human rights and non-proliferation.

Last year, when the President made his decision on May 26, 1994 to renew Most Favored Nation (MFN) trade status for China, he chose explicitly not to link trade with human rights or other bilateral issues. This decision set the foundation for a more productive bilateral relationship with China over the long term. At the same time, the Administration has -- and will continue -- to pursue vigorously U.S. objectives in all areas of our policy toward China, especially human rights, non-proliferation, and trade.

The President and the Administration recognize that China's economic and strategic importance to the United States require us to engage the Chinese on specific issues across a broad array of policy concerns. On trade, as in other areas, the Administration is prepared to make full use of the legal instruments available to us to pursue and gain our objectives. This is vital if we are to bring China into the international community and take advantage of the opportunities this will provide.

Complementarity of Administration Policies

Overall, the Administration's approaches in each policy area toward China are complementary. The Administration's goal is to instill in China respect for the rule of law and international norms in all areas -- including human rights, non-proliferation, and trade.

- In trade, for example, we seek adherence to a rules-based trade regime such as the World Trade Organization, or other international conventions.

- In human rights, we seek respect for the rule of law and the rights of individuals based on commonly-accepted principles, such as the Universal Declaration of Human Rights.

- In proliferation, we continue to urge China to become a full

partner in internationally-accepted nonproliferation regimes such as the Non-Proliferation Treaty (NPT) and the Missile Technology Control Regime (MTCR).

Over the long-term, we expect to see in China respect for law and international norms, and development of a civil society.

The Administration recognizes that the human rights situation in China remains deplorable in some instances, and basic rights to freedom of speech, association and religion are generally denied. We find it intolerable that in recent days China has arrested a number of prominent intellectuals for expressing their interest in obtaining these basic freedoms. It is clear that extrajudicial arrest and detention remain common practices.

That said, greater engagement on all fronts -- including by U.S. corporations in China -- will encourage the emergence of a more open society. We have witnessed throughout Asia a tendency for greater individual freedom to follow economic liberalization -- a logical extension of our current trade policy. Such evolutionary processes seem also to be at work in China.

Trade Policy

As in other areas of our relationship with China, the Administration bases its trade initiatives on international rules and disciplines, for example, the WTO and other international conventions. The market access MOU, intellectual property rights MOU and enforcement agreement, and textile agreement all have been thoroughly grounded in the GATT and now WTO.

Building on the recently concluded IPR enforcement Agreement and Ambassador Kantor's visit to China, we now 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, pursue WTO accession negotiations on a sound commercial basis, and take advantage of the growing commercial opportunities in China.

Yet despite the bilateral trade agreements that we have reached, major problems remain in our trade relationship. It is disturbing that China still has not made the fundamental decision to join the mainstream of world trading nations. China appears to want to set the rules of trade with its trading partners, as opposed to following international norms. Recent developments have only strengthened our view in that regard. China only selectively upholds its trade agreements with the United States, and it is reluctant to accept its obligations in other areas, such as recognizing and enforcing international arbitration judgments -- such as the Ross Engineering case -- or the sanctity of contracts. China continues to resist creation of a fair and equitable investment climate, discriminates against foreign companies in its pricing of goods and services, and maintains a

myriad of overlapping barriers to trade in goods and services.

The rapid growth of China's trade regime -- bilateral U.S.-China two-way trade has risen from roughly $2 billion in 1979 to $40 billion in 1994 -- and the growing importance of China's global role demand that we worked actively and aggressively to bring China's trade practices into line with international norms.

Our trade relationship is badly out of balance. China exports vast quantities of goods to the United States, but still buys relatively little from us. In 1994, we had a trade deficit with China of close to $30 billion. No other major trading partner has a deficit in goods of that size with China -- and no other major trading partner's markets are as open to Chinese goods as are those of the United States.

Trade Initiatives

As a result of the clear opportunities that we now have to improve our trade relationship, and the clear inequities that continue to exist in it, we intend to pursue an active, aggressive bilateral and multilateral strategy.

The Administration is currently engaged in negotiations and consultations on market access for goods, based on the 1992 market access Agreement, market access for services, and intellectual property rights protection.

We are also addressing China's bid for accession to the World Trade Organization. Successful conclusion of the all of these initiatives and the faithful implementation by China of the existing Agreements, will improve not only the United States-China trade relationship, but also the prospects for China's own economic reforms.

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.

On February 26, 1995, the U.S. negotiators reached a landmark agreement on the protection of intellectual property in China, particularly in the areas of copyrighted works and trademarks. The Chinese established a 9 month 'special enforcement period,' formed enforcement task forces in more than 22 cities, closed 7 CD and LD factories that were producing pirated products, and pledged by July 1, 1995 to clean up remaining CD piracy.

We cannot take implementation of the IPR agreement for granted. Initial indications suggest, however, that China has taken implementation of the Agreement seriously. For our part, USTR has set up an IPR Executive Secretariat to oversee

implementation of the Agreement, under which are interagency task forces to monitor developments nationally and in each locality.

At the same time, in cooperation with our interagency colleagues, including the Department of Justice, the U.S. Customs Service, and the Federal Bureau of Investigation, USTR's Secretariat is coordinating training and technical assistance programs for the Chinese. In June, U.S. negotiators will return to China to hold the first in a series of quarterly consultations on implementation of the Agreement.

Market Access

In October 1992, the United States and China signed a market access Agreement that committed China to make sweeping changes in its import regime. To date, China's implementation of some parts 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 elimination of 90 percent of all non-tariff barriers -- such as import licensing requirements and quotas, increased transparency, 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 U.S. agricultural exports.

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.

In addition, China has made a major commitment to eliminate non-tariff barriers, and since the end of 1993, has reduced to roughly 150 from the several thousand that existed the number of GATT-inconsistent barriers. However, the remaining non-tariff barriers are of serious concern and the Chinese have yet to provide schedules for their elimination.

China has not fully implemented the market access agreement in other respects. It has yet to live up to its obligations to publish quotas, uniformly apply its laws and regulations, or fully eliminate import substitution as a practice.

Of considerable importance, China has not yet resolved our concerns about the use of sanitary and phytosanitary standards as barriers to imports of agricultural and live animal products. We have established a time table for the closure of these issues.

Services

Market access for services is another, integral, part of the U.S. bilateral trade agenda with China. China's services markets today are still largely closed. While limited experiments are underway, legitimate access for U.S. companies in most instances

is not available. On a bilateral basis, China has agreed to hold negotiations on insurance and value-added telecommunications, to complement discussions that have been underway for many months on services issues -- both bilaterally and in the context of China's bid for WTO accession.

We have asked that China commit to substantial liberalization of its insurance, value-added telecommunications distribution, advertising, travel, communications, audiovisual and other services. American companies have much to contribute to China's economic development and prosperity. China cannot make the leap from a labor intensive economy to one with a higher technology base without considerable participation by foreign firms in its services sectors.

An additional vital component of our services agenda with China is improvement in its domestic business climate. Adherence to basic investment principles, such as the right of establishment and national treatment, along with rights to conduct associated activities, would go a long way toward putting Chinese and foreign firms on an equal footing.

WTO Accession

Last, negotiations on possible accession for China to the WTO are ongoing -- with a round of bilateral discussions in Geneva having concluded just last week. The United States supports China's accession, but has made it clear that accession can only occur on a commercially-meaningful basis. Although we have taken a practical, and pragmatic position toward the negotiations, we are not prepared to support China's accession with anything less.

If China accedes to the WTO, and makes and implements firm commitments to bring its trade regime into compliance with WTO rules and disciplines within a set time period -- including market access -- we will all have taken a significant step forward in achieving our trade policy goals in China. At this time, the ball is in China's court. We await serious offers on market access and rules-based disciplines that will provide a sound basis for the negotiation of an acceptable protocol package.

Conclusion

While much work remains, in trade, we have taken some initial, significant steps forward toward improving our bilateral relationship, and in helping to establish the primacy of the rule of law and international norms.

Despite the problems that exist, we have a good opportunity now to move forward to broaden our trade relationship and help U.S. companies to take advantage of China's enormous commercial potential. At the same time, we must also continue to pursue

serious initiatives on human rights and non-proliferation. We must act now -- if we are to see China develop a rules-based regime.

We expect over the coming year, in accord with the President's pledge, to pursue these mutually compatible goals vigorously and forcefully.

STEEL MANUFACTURERS ASSOCIATION
Suite 801
1730 Rhode Island Avenue, N.W., Washington, D.C. 20036-3101
FAX: (202) 296-2506

James F. Collins
President

(202) 296-1515

pave

May 26, 1995

Hon. Charlene Barshefsky
Deputy U.S. Trade Representative
Office of the U.S. Trade Representative
Winder Building
6001 17th Street, NW
Washington, DC 20506

Dear Ambassador Barshefsky:

Thank you very much for addressing our group of chief executives on the future direction of the Administration's trade policy during our Annual Members Conference on Wednesday afternoon, May 3, 1995. Your comments were exceedingly well received by our group.

USTR policy officials should be congratulated for your effective and balanced execution of trade policy initiatives.

Sincerely,

James

J. F. Collins

STEEL MANUFACTURERS ASSOCIATION
Ambassador Charlene Barshefsky
May 3, 1995

Introduction

- It is a great pleasure to speak to you today about the Administration's trade policy.

- President Clinton's trade policy is part of an economic strategy to keep the American dream alive as we move into the 21st century -- much like the mini-mills have done over the last couple of decades and appear positioned to continue doing, well into the future.

- This Administration is dedicated to policies which promote capital formation, foster growth, create jobs and raise standards of living for working Americans.

- Just as you do, President Clinton understands that future prosperity in the United States -- for your companies -- depends on the ability to compete and win in the global economy.

- The President 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 today's challenges has fueled the most important period in trade in U.S. history.

- In just over two years, the 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, this 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 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 have not lessened our commitment to the NAFTA. In fact, they has reinforced the importance of the agreement. Mexico's economic partnership with the United States is critical to its 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 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 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.

Speeches

- We have a historic opportunity. Not only an economic opportunity, but a strategic opportunity as well. An opportunity to lock in economic and political reforms in developing countries and the former communist world, through trade agreements and strong commercial ties.

- So it is critical that we move forward with the commitments we made for trade expansion in Asia and Latin America in the Bogor Declaration and at the Miami Summit.

- Hopefully... certainly.... U.S. steel exports, lead by SMA member companies, will play an important role in this export expansion.

- I cannot leave the subject of ongoing trade initiatives without saying a word about the Multilateral Steel Agreement negotiations, now in their sixth year.

5/3/95

- It has become clear that our negotiating partners' vision of this agreement, their agenda, is quite different from ours. We envisage an agreement based on strong subsidy disciplines. This type of a discipline would benefit all steel producers by making it easier to make rational investment decisions.

- They say we have to PAY for such an agreement with a so-called anti-harassment mechanism. All US steel producers, including SMA membership, have rejected EU proposals for a pre-notification system for dumping cases. The EU says an agreement without this type of "early warning" would not be balanced.

- We prefer no agreement to a bad agreement; as long as our trading partners' key objective is to affect the use of US trading laws, rather than discipline in government support to the steel sector -- which is the root of the problem -- an agreement is not likely.

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, despite the numerous accomplishments, this is no time to rest on our laurels.

- We must continue to work together to open markets and expand trade. SMA's support for NAFTA and Uruguay Round agreements has been critical in the past and I thank you for that. I look forward to working with you in the future.

Q: What is the status of the MSA?

A: This negotiation has been going on for six years and has failed to meet two deadlines for completion. We had hoped that in the posy-Uruguay Round phase, where the ground rules are clear, it might be easier to make progress. We outlined a vision of a GATT-plus steel agreement under which most, if not all subsidies would be banned. This type of an agreement would be of benefit to all steel producers. The EU has announced repeatedly that it would stop subsidizing its steel producers -- all we asked was that they put it in writing...

Our trading partners have insisted that this type of an agreement would be balanced ONLY if the United States also committed not to use its trade laws to impede imports by "harassing" their exporters.

This is not only an unfortunate term, but

also an unworkable concept. We believe our trade laws are fair and transparent; they were amended to comply with the Uruguay Round and new regulations are being drafted to implement this. Our trading partners insistence on further concessions by the steel industry are unfortunate. Their reluctance to commit in writing NOT to subsidize steel is also unfortunate and may well cause trade friction in the future.

The OECD steel committee continues to be an appropriate and useful forum for the discussion of steel trade and policy issues. Even absent an MSA, this will continue to be a useful forum where we will continue to press our concerns.

NAFTA TRADE REMEDIES WORKING GROUPS

Q: What is the approach of the United States to the NAFTA trade remedies (i.e., AD/CVD) working groups; what can we expect to result from these groups?

A: US agreed to establishment of working groups in Dec. 1993 with intention that they be productive.

- At the same time, we are committed to maintaining effective AD/CVD laws in the US and are well-aware of the sensitivities that surround these issues.

- To assist us, we are seeking input from US industry in many sectors, including the steel sector, concerning your experiences in North American markets and your experiences with trade remedy laws in the three NAFTA countries.

- We will have ample opportunity in the coming months to explore with Canada and Mexico whether there is common ground for progress.

BACKGROUND

At Canada's request, the NAFTA trade remedies working groups that were established in December 1993 have begun work in earnest. The mandate of the groups is "to seek solutions that reduce the possibility of disputes concerning the issues of subsidies, dumping and the operation of trade remedy laws regarding such practices." The groups were put on hold during 1994 while the three countries focused on Uruguay Round implementing legislation.

A meeting was held this February in Mexico City, with Ira Shapiro and Assistant Commerce Secretary Susan Esserman leading the U.S. delegation.. The Parties agreed to a

work plan containing topics for discussior the groups. The topics include: the exte which the results of the Uruguay Round agreements alleviated the concerns that led to establishment of the groups, whether there are further measures that can be taken to address trade irritants and promote fair trade, and possible improvements to the chapter 19 process.

The next meeting is scheduled for May 17-18 in Washington, prior to which the Parties are expected to circulate discussion papers on topics listed in the work plan. The work plan calls for subsequent meetings every two months. The groups are to complete their work by the end of 1995.

W. Kane, x56800

Corporation for International Trade

June 12, 1995

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

pave

Dear Ambassador Barshefsky:

Thank you for taking time out of your schedule to participate in The White House Briefing for the members of the Greater Des Moines Chamber of Commerce Federation.

The information which you imparted to us was both useful and informative and provided an excellent overview for the remainder of our visit to Washington. Especially interesting were your comments concerning the positive effects of the Clinton Administration's trade policies on the US economy in general and the economy of Iowa in particular.

Thank you once again for your time.

Yours sincerely,

Michael A. Krull

Michael A. Krull
Executive Vice President

MAK:bc

An affiliate of the Greater Des Moines Chamber of Commerce Federation

601 Locust St., Suite 100 • Des Moines, Iowa 50309 • (515) 286-4979
FAX (515) 286-4974 • Telex Easy Link 6276059I

Affiliate office in Moscow, Russia

Speech

From: Carol Chernish
To: PUNKE MICHAEL, r
Date: Tuesday, June 6, 1995 12:50 pm
Subject: A Briefing Today

Michael, Charlene asked if you could brief her at 3:15 today on the following stuff. She felt that if you didn't have the answers, you were good at getting them quickly. She's addressing the Des Moines Chamber of Commerce at OEOB at 3:45 (a last-minute thing) and WH Public Liaison supplied some facts and Clayton Parker others. Here's the questions that are left that she needs a briefing on:

UR Agriculture accomplishments
US Farm Bill status
GATT/insurance & financial services (apparently Iowa is big on insurance)

if this is vague, her instructions were also c-

Farm Bill

M.A.4 - Budget Resolution

June - mid July - H & S

Authorizing Process - Auth. committees which will include ag.

August - votes on Budget bills

Fall - Floor farm bill debate.

done to get the H the farm bill with work with

come for Lugar
Robertson

Des Moines
Iowa

Draft Remarks of Ambassador Kantor to Ag Broadcasters
May 1, 1995

Ind 27
mos
81 deals

It won't surprise you that I will focus my remarks today on international trade. I want to talk about:

-- how trade fits into our broader foreign policy goals;

-- the importance of trade to the U.S. economy;

-- the importance of trade to farmers;

-- what this Administration has done on ag trade;

-- and finally, what it means for farm exports.

affect on ag

affect on → ind'l goods
14 Japan

affect on IPR

1. Trade is increasingly central to our foreign policy.

• During the Cold War, the United States used trade policy as part of a strategy to help rebuild the economies of Europe and Japan and resist communist expansionism. During that period, we often opened our market to the products of the world without obtaining comparable commitments from others.

WPEC
FTAA

• As the dominant economic power in the world, we could afford to do so. And as part of a strategy in the Cold War, we needed to do so.

• Today we face a different situation. We are the world's largest economy -- and the largest trading nation. But our economy, which represented 40% of the world's output following World War II, now represents 20%. Europe and Japan rebuilt and have become tough competitors. The new "Asian Tigers" are increasingly productive, winning a share of our market -- without opening theirs equally.

• The United States will continue to welcome into the United States the products, services and investment of other nations. But we will insist that the markets of our trading partners be open to the products, services and investment of the United States. We will not longer accept "free riders." We will demand reciprocity. This is a critical change in U.S. trade policy -- and a hallmark of the Clinton Administration.

2. Trade is increasingly important to the U.S. economy.

• Where our economy was once largely self-contained, now we are increasingly interdependent with the rest of the world.

This change began decades ago, but has accelerated in recent years. The value of trade is now equal to 28% of the U.S. economy.

- The international economy offers tremendous opportunities for American workers. 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.

3. **Trade is increasingly important to U.S. agriculture.**

- Farmers today face a simple dilemma: Each year, the combination of hard work and technological innovation make American farmers more productive. At the same time, the U.S. population is stable. Unless we find new markets for American agriculture -- prices will fall.

- Already today -- we export the product of one out of every three farm acres in America. That includes 67% of our wheat, 42% of our rice, 34% of our soybeans, 21% of our corn, and 38% of our cotton.

4. **This Administration is committed to opening markets for U.S. farmers -- in big and small ways.**

- **The Uruguay Round:** The Uruguay Round represents the broadest trade agreement in history. With the largest tariff reductions ever -- its the equivalent of a $740 billion global tax cut. It is projected to add $100 to $200 billion to U.S. output when fully implemented.

- Ag is a big winner in the Uruguay Round. For the first time, agriculture will be subject to GATT/WTO disciplines. The Round helps level the playing field for U.S. farmers by attacking the subsidies that have given our competition an unfair advantage:

  -- **Export Subsidies:** The Uruguay Round requires export subsidies to be reduced 36% in terms of budgetary outlays and 21% by volume within six years.

  -- **Domestic Subsidies:** The Round requires internal farm programs to be cut 20% over six years.

  -- **U.S. Gets Credit for Past Cuts:** Because the U.S. reduced its farm programs dramatically in the '85 and '90 farm bills, we got credit for cuts already made.

  -- **Market Access:** the Uruguay Round requires all signatories to convert all nontariff trade barriers to tariff equivalents and then reduce them by 36% over six years. This is a big win for U.S. exports.

• **The NAFTA:** The temporary decline in Mexico's purchasing power will affect their purchases in the short term. But the trends in Mexico strongly favor U.S. ag exporters. The median age in Mexico is 19 -- compared to 33 in the U.S. -- and Mexico's population is growing rapidly. At the same time, Mexico has only about .7 acres of arable land per person -- compared with 1.9 in the U.S.

• The fact remains that NAFTA gives U.S. farmers preferred access to an enormously important market. We got a taste of Mexico's potential before the peso crisis: In the first year of NAFTA, U.S. ag exports reached a record $4.5 billion -- up 25% from the previous year. Beef and corn were the biggest winners. But other significant gains were made in pork, poultry, fresh and processed fruit, vegetables and oilseed products.

• **The Example of China -- Opening Markets through Bilateral Negotiations:** USTR -- together with USDA -- are committed to tearing down barriers to U.S. ag exports. In the past six weeks, we've achieved some small -- but significant progress with China.

• In March, I traveled to Beijing with USDA officials. During my visit, the Chinese agreed to stepped-up negotiations on several important products.

• Two weeks ago, USDA and USTR negotiators reached new protocols that will allow the export -- for the first time -- of cherries from Washington state and apples from Oregon and Idaho. We also agreed to a timeline for scientific tests that we hope will pave the way for the export of tobacco, stone-fruit and California citrus.

• These new agreements are examples of the steps we take on a day-to-day basis that make a difference for U.S. farmers.

5. **We're seeing the results of our efforts:**

• The good news is that the world needs what Americans grow. The Department of Agriculture estimates that U.S. exports of agricultural goods will reach a record level of $48.5 billion this year. That's an increase of almost $5 billion over last year -- and despite an expected drop in sales to Mexico.

• With the exception of Mexico, we expect this year to expand farm exports to almost every region in the world.

• We hear a lot of talk about U.S. trade deficits. I'm happy to say that U.S. farmers and related industry this year will create an estimated $20 billion trade **surplus** --

the largest since 1982.

Q&As for Ag Broadcasters

Q: Will you extend the TRQ on Canadian wheat after this fall?

A: The Joint U.S.-Canada Grains Commission will issue its report in June. Obviously, the best outcome is for them to develop a solution acceptable to both sides.

[If pressed:]

- If we are unable to find an acceptable solution by September, I believe the tariff-rate quotas should stay in place.

[If pressed:]

- We are currently reviewing the legal options available to us.

Q: How does USTR plan on dealing with subsidized gluten imports to the U.S. from the EU?

A: My office has been consulting with the U.S. wheat gluten industry, and we were recently visited by the EU industry. We are seeking clarification about a number of questions that have been raised in these discussions.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20506

June 6, 1995

MEMORANDUM FOR AMBASSADOR CHARLENE BARSHEFSKY

THROUGH: Phyllis Shearer Jones

FROM: Clayton Parker

SUBJECT: Des Moines Chamber of Commerce Address

Unfortunately, I was unable to come up with any Des Moines specific examples of export success stories. Iowa as a whole is extremely concerned with agricultural and processed food trade. However, the Des Moines Chamber seems to be keen on promoting the state and the Des Moines area as being active in a number of non-agricultural areas. These include financial services such as insurance, as well as manufacturing industrial machinery, consumer appliances, electric and electronic equipment and scientific measuring equipment. In light of this, you may wish to emphasize the following points:

- 500,000 people live in the greater Des Moines area. According to the Chamber of Commerce, the Des Moines metro area has generated 70,000 new jobs in the last decade, including 7,600 new jobs in 1994.
- Non-agricultural jobs in the Des Moines metro area have increased 31% in the last 10 years.
- The single biggest non-agricultural sector is probably insurance. By some accounts, Des Moines is second only to Hartford, Connecticut in the number of insurance companies that are headquartered there. (You may wish to give an update on the GATS negotiations.)
- Based upon 1993 export figures, Iowa's single largest export sector, surpassing processed food and agricultural products combined, was industrial machinery and computers. According to 1993 export figures, this accounted for over $448 million worth of exports.
- Iowa as a whole is an active exporter* of electric and electronic equipment ($292 mil.), scientific and measuring instruments ($155 mil.), transportation equipment ($127 mil.), and chemical products ($109 mil.)
- Since Iowa exports a number of agricultural products to Japan, the Chamber of Commerce is liable to be concerned about possible retaliation by Japan in the current auto and auto parts dispute.

I hope this information is helpful.

Ch Ch/J.

*based upon 1993 export figures

From: Carol Chernish
To: JONES PHYLLIS, USTR_DC.r
Date: Monday, June 5, 1995 1:19 pm
Subject: Des Moines Facts MORE

Just got put together that Charlene will address a Des Moines Chamber of Commerce group Tuesday at 3:45 in OEOB. It's one of a series put together by White House Public Affairs. She's talking on trade generally and Public Affairs will supply some political info for her talk, but she's asked for help from your department regarding exports, record of activity/growth, etc., like Clayton, et al, put together for a talk she did to a Sacramento CofC group not long ago.

Sorry for the short notice, but it's short for her, too! It was to be done by Amb. Lang, but he has to dash off to Geneva. c- Public Liaison just sent over a package. Let me know if you need to see it. It's a start! c-

CC: PARKER CLAYTON, r

June 5, 1995

MEMORANDUM TO AMBASSADOR CHARLENE BARSHEFSKY

FROM: **MARILYN YAGER**
SPECIAL ASSISTANT TO THE PRESIDENT
OFFICE OF PUBLIC LIAISON

RE: **BRIEFING FOR THE DES MOINES CHAMBER OF COMMERCE**

DATE/TIME: Tuesday, June 6
3:45 pm (The briefing begins at 3:30 pm. Feel free to depart following your remarks.)

LOCATION: Room 450, OEOB

PURPOSE: To provide a senior level briefing for the Des Moines Chamber of Commerce on key business and trade issues.

FORMAT:

Welcome/Moderator	Marilyn Yager
Opening Remarks	Mark Gearan Assistant to the President Director of Strategic Planning and Communications
Finance/Insurance Remarks	Undersecretary Frank Newman Department of Treasury
Trade Remarks	Deputy Ambassador Charlene Barshefsky, USTR Note: 10 - 15 minutes comments and then if you could take 5 minutes of questions and comments that would be helpful.
Regulatory Reform	Sally Katzen Administrator, Office of Information and Regulatory Affairs, OMB

Potential POTUS Drop-by.

BACKGROUND:

The Greater Des Moines Chamber of Commerce has planned their annual Washington visit for Tuesday, June 6 through Thursday, June 8. The group uses this trip to meet with

their members of Congress, as well as Administration officials, to discuss key issues of concern to central Iowa.

Although the Des Moines Chamber largely follows the U.S. Chamber when it comes to positioning on issues, the Iowa chamber groups tend to be more moderate on the political spectrum than some of their sister groups in other states. Iowa Democrats, however, took a beating in the election last year, with the result that Senator Tom Harkin is the only Democrat left representing Iowa in Congress.

The current Chairman of the Board of the Greater Des Moines Chamber of Commerce is Tom Gibson (with the Iowa Farm Bureau). The President and CEO is Michael Reagen, a longtime Democrat and former Secretary of Human Resources under both Democratic and Republican governors. One of two Vice-Chairs is Chuck Johnson, President and CEO of Pioneer Hy-Bred International, a strong Clinton supporter.

This year's trip will focus on the following themes (from their materials):

- Central Iowa's continued growth and economic development is dependent on the Federal government being a partner with the state and local governments and the private sector in support of targeted projects in Central Iowa.

- The Chamber Federation supports efforts to reexamine costly and burdensome federal regulations and to reform or repeal those regulations where possible.

- All roads to the White House lead through Central Iowa. Iowa's first in the nation Presidential Caucuses will be of greater importance because the delegate selection process nationwide has been compressed into the late winter and early spring months, so candidates are increasingly dependent on their Iowa showing.

Project 21, the number one initiative by the Des Moines Chamber, is a project begun in 1993 to develop a long-term economic planning process to help central Iowa succeed regionally and compete globally. Project 21 represents a coalition of 70 local governments, 240 Central Iowa communities, 14 colleges and universities, and 2,000 companies. Project 21 works to improve our business climate and quality of life. Additional information about Project 21 is attached.

As is the case in most large agri-business centers, international trade is an important issue. However, you should keep in mind that because Des Moines is also a large financial center for the mid-west, there is a keen interest in non-agricultural trade as well. I have attached several

items that the Des Moines Chamber provided to their members prior to coming to Washington on the trade issues.

It is our hope that you will address in your comments:

- o Key Administration trade priorities for the coming year.
- o Key Administration accomplishments in the trade area, with special focus on agribusiness trade.

Do not assume that these know anything about our accomplishments in the trade area -- often the U.S. Chamber newsletters report trade disagreements, rather than accomplishments.

Should you need any additional information, do not hesitate to call.

ATTENDEES:

List attached.

UR ~~GATT~~ - Puntas; ag. accomplishments

Gats - insurance / financial svc

Farm Bill states