

**REMARKS BY  
ACTING U.S. TRADE REPRESENTATIVE CHARLENE  
BARSHEFSKY  
before the  
Steel Caucus of the U.S. Congress  
Sept. 19, 1996**

Thank you Mr. Chairman. It's a pleasure to be with you here today.

I want to commend you and the other members of the caucus on the leadership you have shown on trade issues in recent years. The Steel Caucus has been a constant and powerful force for furthering the interests of American steel companies and workers.

Mr. Chairman, your personal contribution and the contribution of Vice Chairman Murtha have been invaluable. The active engagement of the Executive Committee, under the chairmanship of Congressman Quinn and the Vice Chairmanship of Mr. Visclosky, has been exemplary. I assure you that my office appreciates the opportunity to consult with you on a regular basis.

The steel industry, as you well know, is at the heart of America's economy, and its ability to compete worldwide is vital to industries throughout the nation. That's why the recent trends we have seen are cause for optimism. After years of restructuring and some \$35 billion spent for modernization, the U.S. steel industry has met the challenge of the global market and is stronger than ever.

- √ U.S. steel producers are currently operating at **97 % of their effective capacity.** [goldman sachs]
- √ Between 1994 and 1995, our steel exports grew by **85 percent in**

**tonnage and by 54 percent in terms of value.**<sup>[ustr]</sup>

- √ **Imports are continuing to drop, and by next year they are projected to have the smallest share of America's market since 1980.** <sup>[goldman sachs; table 11. 1997=17.8 percent; 1980=16.3 percent]</sup>
- √ **Demand** this year from the two most important consumers of steel in the United States--the auto industry and the construction industry--is solid. In fact, **it has been higher in only one other year since 1979--and that was the second year of the Clinton administration.** <sup>[goldman sachs]</sup>
- √ Mr. Chairman, it is worth highlighting the story behind some of the positive indicators in the auto industry. In the wake of the auto parts agreement negotiated by the Clinton administration last year, **exports of American autos and auto parts are up 35 percent, to a level of \$3.8 billion.**<sup>[ustr]</sup>
- √ Likewise, between 1994 and 1995, **exports of U.S.-made vehicles to Japan increased by 40 percent.**<sup>[ustr]</sup>
- √ And, for the first time since the 1970s, the United States has overtaken Japan as **the world's Number One producer of automobiles for two years in a row. U.S. auto exports to the world have risen to \$61 billion, a 29 percent increase since 1993.**<sup>[ustr]</sup>

Mr. Chairman, as you know, the President has stood for the principle of expanding free but fair trade. That is why he pushed so hard to complete the Uruguay Round of the GATT. This package sets all OECD countries on a 10-year timetable for phasing out steel tariffs, a move that will put American companies in a much better position to compete abroad.

The implementation of this agreement comes at a good time. With the strong performance of the U.S. steel industry, this is an ideal time for opening new markets abroad or expanding our presence in existing markets.

In fact, America's steel industry has been aggressive in building additional capacity. It is confident that it can win in the competition worldwide, and it is ready to compete.

If a Multilateral Steel Agreement, or MSA, can be obtained, we believe it would add significantly to the progress made already under the recently completed Uruguay Round. Toward that end, we have been negotiating toward several goals:

- √ **elimination of almost all subsidies**
- √ **elimination of the remaining steel tariffs** of other nations
- √ **bringing down non-tariff barriers** to trade in the public and private sectors
- √ **incorporating new steel producers** into an improved trade regime
- √ **preserving the full range of protections**, particularly on dumping and countervailing duty cases, afforded by current U.S. trade law

We are encouraged by the major step forward taken this spring by U.S. specialty steel association and the European Union steel association, who made a joint recommendation on the terms of a specialty steel agreement, or MSSA, in the event a broad MSA is unattainable.

At the same time, we remain hopeful that some progress will be made in

the ongoing industry talks between U.S. and European carbon producers.

A number of very difficult issues remain to be resolved. European producers, to cite one issue, are still requesting forgiveness of old subsidies and a settlement of the 1992 cases.

At the technical level, a mechanism must be worked out to allow enforcement of the prohibition on subsidies for companies that produce carbon as well as specialty steel products.

We, of course, would like to see these negotiations move forward as quickly as possible. But we are steadfast in our position that no MSA be allowed to undermine our existing trade laws. In addition, I want to assure the members of the caucus that, after the years of labor and intensive dialogue we have devoted to this issue, we have no intention of setting an artificial deadline for completion of this effort.

We will press ahead and continue to use the leverage that we have. However, our position will be determined by America's interests and the facts of the case, not the dictates of a calendar or a clock.

In closing, I want to talk briefly about the larger trade picture of the United States and how our policy creates a broad foundation for the efforts of particular industries.

Under President Clinton, we have had remarkable success with our trade policy over the last three years. In all we have **negotiated more than 200 trade agreements**, including NAFTA and the completion of the GATT Uruguay Round creating the **World Trade Organization**.

These are two of the largest trade agreements ever implemented. NAFTA creates the largest free trade area in the world. The WTO

encompasses 124 nations--with 31 others seeking to join--and it provides an unprecedented number of tariff reductions and broader protection than ever.

In regions of the world with the most dynamic economies--the Asia-Pacific and Latin America--we have taken the lead in making sure free trade is a premise of future economic growth. **APEC**, the Asia-Pacific Economic Cooperation forum, at the urging of President Clinton adopted free trade as a specific concrete goal with a set timetable. The President also took the lead in advancing trade in this hemisphere with the **Free Trade Area of the Americas**.

Those efforts have had tangible results.

- √ Export growth has accounted for **20 percent of the growth in our economy since 1992**.
- √ The increased exports we have generated support **an estimated 1.5 million new jobs**. An estimated total of 11.4 million jobs in America are now supported by exports.
- √ These new jobs are the right kind of jobs, too. **Their wage levels are between 13 and 16 higher**, on average, than other jobs in the United States.
- √ **U.S. exports of manufactured products** are currently running at an annual rate of \$525 billion, or **42 percent higher than in 1992**.

Our task now is to continue building on these successes. We are focusing on:

-- **implementation** of existing accords. Specifically, that means making

sure that the World Trade Organization gets off to a solid, credible start and that it is able to maintain its integrity even as accessions such as China, Taiwan, and other nations are made.

-- **enforcement** of our existing agreements, which is imperative. This administration has expended a great deal of time and energy to ensure that, among others, China lives up to the provisions of its IPR agreement and that Japan follows through with its commitments under the auto and auto parts agreements. I am happy to report that we have made headway in both those areas, but I want to assure the committee that we are not going to let up. We believe trade agreements should be more than handshakes, they should be binding contracts that are honored by all sides.

-- last, we are going to continue to pursue **enlargement** of free trade areas and market-opening agreements. We will continue to do this using bilateral negotiations--as in the cases of China, Japan, the EU, and other trading partners--using free trade areas that include groups of countries, such as NAFTA--and using multilateral organizations, such as the WTO, which can be a tool for further market openings worldwide in such areas as telecommunications and other information technology.

Mr. Chairman, it has been a pleasure to work with this committee on a bipartisan basis over the past few years. I want to assure that we are going to make every effort to continue that fine tradition as we move forward. We recognize that without that bipartisanship, we would not have been able to accomplish nearly as much. NAFTA, as you know, is a prime example. Completion of the Uruguay Round and creation of the WTO is another. Both of these are historic accords that could not have happened without the **bipartisan vote of confidence embodied in fast-track authority**.

Mr. Chairman, this President has compiled a remarkable record on trade policy. He has made sure that, at every step of the way, the world trading system was guided by American principles and consistent with American laws. Should we fail to move forward and deny the President the best tool available to crack open closed markets abroad, others will surely step up with lesser leadership and narrower goals.

In recent months, we have seen nations in Latin America grow impatient with America's delay and turn to MERCOSUR as a potential source of economic growth.

Mr. Chairman, I have every confidence that the United States, under President Clinton, is going to continue to be the standard-bearer for free and fair trade throughout the world. But that can only happen if this caucus, in its leadership role, **joins together with the President to make fast-track authority a Number One priority.**

I want to thank you again for inviting me here today. With that, I will be happy to take questions.

**Testimony of  
Ambassador Charlene Barshefsky  
Before the Ways and Means Committee  
Subcommittee on Trade  
September 19, 1996**

Mr. Chairman and Members of the Committee, it is a pleasure to appear before you today to discuss the efforts by China and Taiwan to join the World Trade Organization (WTO). While I will focus on our bilateral relationships with China and Taiwan and the negotiations for China and Taiwan to accede to the WTO, I would also like to take this opportunity to describe the accession process and briefly report on the work being done with the other applicants for WTO membership.

**CHINA**

Now let me turn specifically to China. The U.S.-China relationship is complex and multifaceted. The United States has a wide range of issues with China that go far beyond trade. We have a deep and abiding interest in human rights, worker rights, and a range of other areas from non-proliferation to environmental protection.

- ② Increasingly, however, trade plays a central role in our relationship with the world's largest nation. We cannot ignore the fact that the United States has a significant commercial stake in China. China is the fastest growing major economy in the world, with annual growth rates of more than 10 percent for each of the past four years. Already possessing the world's largest population, by early in the next century, China may have the world's largest economy.
- ⑤ China is the world's eleventh largest trading nation, the United States' fifth largest trading partner. In 1995 alone, U.S. exports to China increased by nearly 27 percent, and -- at \$11.8 billion -- these exports were more than double their 1990 level. That is why more than 170,000 American workers owe their jobs to U.S. exports to China.
- ⑧ The Clinton Administration's policy toward China remains consistent and unchanged. It is a policy of engagement. But let me be clear about what we mean by engagement, Mr. Chairman. Engagement with China does not mean *ignoring* our differences. It means actively engaging China to *resolve* our differences and it means *protecting our interests* when consultations are not fruitful.

In June of this year, President Clinton urged Congress to renew MFN for China for another year. He did this -- and the Congress supported him -- because the United States' interests are best promoted and achieved if we maintain MFN as the foundation for our trade relationship with China.

When the President delinked human rights and MFN in 1994, he said that his Administration was prepared to use a whole array of legislative and administrative methods to address specific issues with China. In the President's words, "We must enforce our trade laws and our trade agreements with all the tools and energy at our disposal." I can assure you that we have consistently used all of the tools at our disposal to open China's market.

Since the outset of the Clinton Administration, we have pursued a vigorous bilateral trade agenda with China, and we have sought and achieved real results. By working successfully with Congress and the private sector, we have opened markets ranging from heavy machinery to telecommunications technology.

We have made important progress but it is clear that there is much more work to be done. Before I specifically address China's WTO accession, let me review some of the areas in which progress has been made with regard to opening China's vast market:

### ***1995 Intellectual Property Rights Agreement***

U.S. copyright industries employ more than 5 percent of the U.S. work force -- roughly equal to the auto industry -- and are growing three times as fast as the rest of the economy. The copyright industries contribute more than \$350 billion a year to the U.S. economy, accounting for more than 6 percent of GDP. The U.S. computer software industry alone maintains a 75 percent market share worldwide, and created almost 60,000 jobs in 1995. Therefore, when firms in China pirate American products, they are stealing the ideas of these industries. We will not tolerate the theft from our leading industries.

Since the signing of the IPR Agreement in February 1995, U.S. government delegations traveled to China nine times to ensure enforcement and held more than forty formal and informal consultations from Beijing to Shanghai to Guangzhou. However during 1995, there was a great deal of talk on the part of the Chinese, but little concrete action on important aspects of the Agreement. That is why, in May 1996, the Clinton Administration threatened to take action against China as a result of China's failure to enforce satisfactorily its commitments under the 1995 agreement on intellectual property protection.

In June 1996, after substantial verification activities on the part of a U.S. government delegation, it was determined that a critical mass of enforcement actions in connection with the 1995 IPR Enforcement Agreement had been taken by the Chinese, and sanctions were averted. Our discussions in June confirmed that China had begun to take action in a number of key areas. China had closed a total of 15 CD factories, and had begun a new initiative targeting underground CD plants. The Ministry of Public Security now plays a leading role in these efforts. China also put a moratorium on the establishment of any new CD factories, and issued regulations which virtually ban the importation of CD presses and other manufacturing equipment. The Chinese strengthened border enforcement by executing seizures during the past several months -- netting tens of thousands of pirated CDs, VCDs, LDs, and other pirated goods.

Chinese Customs officials continue cooperative efforts with Hong Kong Customs and continue to work with U.S. Customs. China also had clamped down on the import of illegal CD presses. And finally, significant progress was made to secure opportunities in China for American IPR industries -- for sound recordings, motion pictures, and software.

Of course, the ultimate test is real and ongoing implementation. The United States will continue to monitor the situation and ensure that our economic interests are protected. To that end, a USTR team is in China now to verify that the Chinese are continuing to take the agreed-upon steps to crack down on piracy and provide market access.

### ***The 1992 Market Access Agreement***

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 its credit, China has done much to implement the 1992 agreement. It has taken important steps toward making its trade regime more transparent. It has made a major commitment to eliminate non-tariff barriers, and since the end of 1993, it has eliminated or substantially reduced the several thousand barriers that existed. Once these barriers are eliminated, the markets in China for computers, medical equipment, heavy machinery, textiles, steel products, chemicals, pharmaceuticals, and other products will open.

While China has removed a substantial number of non-tariff barriers, we are concerned with China's tendency to give with one hand and take away with the other. In some instances, China has substituted new barriers in the place of those removed. For example, quotas have been replaced with "tendering requirements" or "registration requirements." In sectors such as medical equipment and film, new regulations have prevented the market access we anticipated as a result of the 1992 agreement. China must live up to its agreement and eliminate these impediments to fair trade.

A number of other market access problems remain, most importantly for U.S. agricultural products. In the Agreement, China committed to eliminate unscientific sanitary and phytosanitary restrictions used as barriers to market access. However, China has failed to scientifically justify restrictions which block exports on a number of important agricultural products, particularly wheat and citrus fruit. Even where China has taken positive steps, for example with cherries and apples, subsequent phytosanitary requirements or tariffs have blocked meaningful access to the market. In order to continue to engage the Chinese on these important issues of market access for our agricultural exports, our agricultural officials are currently in China.

### ***Services***

The United States is the largest exporter of services in the world, and producer of the highest quality services that range from financial services to engineering and construction. We are

pursuing discussions with China on services, both bilaterally and multilaterally, in particular in the areas of value-added telecommunications and insurance.

In addition, USTR continues to pursue market access for other services sectors. This includes efforts in the areas of business facilitation, distribution, travel services and advertising.

### ***Xinhua Control over Financial News Services***

Xinhua News Agency, also known as the New China News Agency, has recently been authorized to control the release of economic information in China by foreign news agencies. We are very concerned about this development which could adversely affect U.S. commercial presence in China, impinge on U.S. intellectual property rights and constitute yet another significant WTO-related issue. We are now in consultations with the Chinese on the regulations and their implementation.

### ***The World Trade Organization***

In the twenty months that the WTO has been in existence, the process of negotiating the terms of accession to the WTO Agreement for new members has become a major focus of our efforts to expand market access for U.S. exports and to strengthen the existing rules of the international trading system. This is nowhere more relevant than in the negotiations for China's membership.

A signatory to the Marrakesh Agreement Establishing the World Trade Organization, China formally applied for WTO membership in late 1995, and participated in the first meeting of its WTO Accession Working Party in March 1996. From the beginning of this process, WTO members have proceeded from the principle that China's membership must be accomplished on terms that provide for meaningful market access and the incorporation of the disciplines of WTO provisions into China's trade regime. While recognizing the importance of China's accession to the WTO, there is consensus among the major WTO Members for a tough and principled approach to this process.

President Clinton has repeatedly affirmed U.S. support for China's accession to the WTO on the basis of commercially viable commitments that provide greatly expanded market access and ensure compliance with WTO obligations. We have worked hard, both bilaterally and multilaterally, to organize and facilitate China's accession process.

Unfortunately, China's offers on market access for goods and services are not acceptable in their current form. In addition, a number of important rules issues, such as the right to trade, the removal of non-tariff measures, how state trading is conducted, disciplines on agricultural supports and subsidies, and China's industrial policies, remain unresolved.

China also needs to give special attention to market access for agricultural products. We and other WTO Members continue to carefully review China's proposals on how its state trading

system will work, how it will discipline subsidies and internal supports, and how it will implement its sanitary and phytosanitary rules. We have made a number of concrete suggestions, and look forward to China's responses.

The operation of China's state trading system is one clear example of the important relationship between WTO rules and basic market access issues. We must ensure that state trading does not operate as a barrier to imports and that it provides fair market opportunities for U.S. exporters. Congress has provided important guidance to our negotiators in this area. Completion of China's accession process requires that these and other difficult outstanding issues be addressed.

On the President's instructions, we prepared a document that has been referred to as a WTO roadmap for China. The roadmap crystallizes for China the basic actions it must make to make progress in each substantive area covered by the WTO. It draws on the draft protocol text that was tabled and negotiated in Geneva in 1994.

China has responded with a preliminary presentation in Washington on February 12, but we expect further, more detailed responses at a later stage. WTO issues were also discussed during meetings of China's Accession Working Party that took place in late March. The next meeting of China's Accession Working Party, where non-tariff measures will be discussed, is scheduled for late October.

To move the accession process forward, China's intentions in each of the areas identified need to be expressed in terms of specific, contractual commitments to implement WTO rules. China must also provide for substantial improvement of market openings in goods, in services, and in agriculture. Without progress in all these areas, none of the major countries negotiating China's accession terms will be prepared to complete the accession.

We are committed to a pragmatic and realistic accession process. As President Clinton made clear to President Jiang, we stand ready to negotiate a balanced, commercially-based accession agreement.

Let me stress a key point about moving this process forward. To make progress, China must stop erecting new trade barriers to replace those previously removed. And it must cease implementing policies that move it further away from WTO consistency.

Of course, China must also fully implement its existing bilateral trade agreements. The Administration's actions this spring to ensure satisfactory implementation of the 1995 Intellectual Property Enforcement Agreement demonstrate our commitment to enforcing our trade agreements. Complete and timely implementation of the IPR Agreement, as well as our market access, textiles, and other agreements, will help to put our bilateral trading relations on a more stable, long-term foundation.

## TAIWAN

Taiwan is the world's fourteenth largest trading economy, and the United States' eighth largest trading partner. The United States and Taiwan have a bilateral trade relationship of long standing that has benefitted both economies. U.S.-Taiwan bilateral trade reached \$48 billion in 1995. In the last decade, as Taiwan has reformed its political structure and moved toward the democratic mainstream, bilateral negotiations between the U.S. and Taiwan have laid the foundation of a more open and liberalized trade regime in Taiwan. Difficult bilateral issues of market access, protection of endangered species (Pelly Amendment), and intellectual property protection have been addressed and resolved.

Before turning to the WTO accession, I would like to review our ongoing bilateral efforts.

### *Market Access*

Although not a participant in the Uruguay Round, Taiwan has in the past several years taken steps to provide greater market access. Taiwan is engaged with the United States in negotiations for WTO accession that will further open Taiwan's goods and services markets to a significant degree. Taiwan's Trade Action Plan, self-initiated in 1989, reduced industrial tariffs to an average of 8.6 percent. Taiwan's Legislature enacted a law in late June 1995 implementing an Executive branch commitment made in February 1994 to reduce tariffs by an average of 21 percent on 483 items of prime U.S. export interest valued at \$890 million.

### *Telecommunications*

In February, Taiwan approved a plan to transform its monopoly telecommunications agency to a strictly regulatory role, spinning off its operational arm as a newly privatized entity. The plan opened up the telecommunications sector to domestic and, with some limitations, foreign competition in providing equipment and services. U.S. equipment and service providers were concerned with certain aspects of the plan, in particular restrictions on foreign investment and the possible continuing influence of the newly-privatized telecommunications entity, including a ceiling of twenty percent on foreign investment, an 11.9 percent cap on return on investment, limits on debt/equity ratios, and limited spectrum allocation on which to develop a customer base.

Bilateral consultations with Taiwan authorities in July succeeded in securing commitments to removal of the profit cap and of restrictions on debt equity ratios. It was also confirmed that the newly-privatized telecommunications entity would not be able to cross-subsidize its wireless services with revenues from its remaining basic telecommunications monopoly activities, nor discriminate in pricing of connections for its own wireless subsidiaries and new competitors in that sector.

We are continuing to monitor the implementation of our July Understanding with Taiwan to

ensure that U.S. firms are permitted to compete fairly in the Taiwan telecommunications market. In addition, we are working with U.S. equipment and services suppliers to assure that our concerns are taken into account as regulations are developed to implement further this element of the liberalization.

### ***Intellectual Property Rights***

As a result of many years of bilateral Special 301 work with the United States, Taiwan has made significant improvements in its IPR protection as it has worked to bring this effort up to TRIPS standards. These improvements have resulted in movement from a Special 301 designation by USTR as a "priority foreign country" in 1002, to watch list in 1995. This year, we have removed Taiwan from the U.S. Special 301 lists to the category of special mention.

Last April, the U.S. and Taiwan reached agreement on an 18 point Action Plan outlining enhanced IPR enforcement commitments in areas of concern to U.S. industry. Taiwan's commitment to implement the Action Plan within six months resulted in a USTR downgrading Taiwan's status from the special 301 "Watch list" to the "special mention" category. At the urging of the United States, Taiwan has worked to prevent cross-strait investment in PRC-based CD manufacturers, required all Taiwan CD manufacturers to use a source identification code on all products, and has recommended simplification of the power of attorney provision under Taiwan law to the Ministry of Justice. We remain concerned, however, that Taiwan's money and equipment continues to foster CD piracy in China. We will conduct an out-of-cycle special 301 review, tentatively scheduled for October, to assess Taiwan's continued efforts to protect IPR.

### ***Medical Devices***

Taiwan's efforts to contain costs under its National Health Insurance Program have led to implementation of brand-name based price lists for determining reimbursements which reportedly favor domestic medical devices and generic pharmaceuticals over imported or foreign invested manufactured products. U.S. medical device manufacturers and pharmaceutical companies allege that prices assigned their leading products are arbitrary, non-transparent and may deny national treatment due to pricing formulas designed to benefit local producers of competing products. The Health Industry Manufacturer's Association (HIMA) filed a petition on July 2 on the concern in response to the Federal Register notice requesting comments for practices to be considered under Super 301. The issue was raised during bilateral consultations with the Taiwan authorities in mid-July and most recently during subcabinet-level meetings in Taiwan last week. We will continue to work with our suppliers to persuade Taiwan to establish more transparent, non-discriminatory formulas.

### ***Sanitary and Phytosanitary Issues***

The United States and Taiwan have been able to resolve several outstanding sanitary and phytosanitary (SPS) concerns on plants and plant products over the past several years. However,

Taiwan still implements several unnecessary quarantine restrictions on livestock and meat. Taiwan also has a restrictive performance testing system for breeding swine which effectively prevents imports of certain breeds of swine. In addition, they subject dietary supplements to a registration process such as that used for pharmaceuticals.

### ***The World Trade Organization***

The United States and Taiwan have resolved many issues relating to Taiwan's efforts to accede to the WTO but critical issues remain. Taiwan has negotiated some significant commitments and concessions on market access (tariffs and non-tariff barriers), trade in services (including financial services), and adherence to the WTO Government Procurement Agreement. However, major issues remain outstanding. They relate, for example, to the tariffs and quotas for automobiles and other industrial goods, tariffs and trade and distribution arrangements on certain agricultural commodities; and tariffs, taxes, and other aspects of market access on products that are currently the responsibility of the Taiwan Tobacco and Wine Monopoly Bureau (TTWMB). Another major element of the accession negotiation is agreeing on reforms to the TTWMB so that Taiwan meets WTO requirements of national treatment, MFN, and transparency. Taiwan also needs to address U.S. requests for commitments in legal and financial services, and to respond positively to our request for their adherence to the WTO Aircraft Agreement after accession.

At the close of Taiwan's last accession Working Party meeting in Geneva, it was agreed that the next task to be undertaken by the group would be the discussion of issues for a protocol text based on a checklist developed by participants in the negotiation last year. Contacts with the Taiwan delegation on remaining issues continue, and we will meet with them prior to the next Working Party meeting.

### **WTO ACCESSION, IN GENERAL**

I would now like to turn to specifics of the WTO accession process and efforts by other countries seeking to join the WTO. Increasingly, Congress is taking an interest in the accession process, and we have been responsive to the provisions established in U.S. trade law, seeing them as a baseline for all the negotiations. Section 121 of the URAA gives guidance on objectives related to Uruguay Round results; and section 1106 of the Omnibus 1988 Trade Act speaks to the issue of state trading and accession. More broadly, we have been responsive to the general objectives set in the Uruguay Round legislation in areas such as market access, (e.g. the zero-to-zero tariff harmonization proposals and in our continuing negotiating authority under section 111).

### ***Accession Process***

In the twenty months that the WTO has been in existence, the accession process conducted under Article XII of the WTO Agreement has become a major focus of our efforts to expand market

access for U.S. exports and strengthen the existing rules of the international trading system.

There are 31 countries and customs territories in various stages of the WTO accession process at this time, with the accessions of China and Taiwan among the most important of them. Among the other twenty nine applicants are Russia, Ukraine, Kazakhstan, and six other former Soviet republics of the Commonwealth of Independent States (CIS); the Baltic States, Saudi Arabia, Jordan, and Vietnam.

The United States and other WTO Members adopted the Uruguay Round as a single undertaking--all aspects of the Agreements that emerged from the Uruguay Round negotiations were mandatory for all who wished to become WTO members. Through the accession process, we maintain the integrity of that commitment for future WTO members as well as for original ones.

The rules for joining the WTO are stated in Article XII of the Agreement, and are functionally identical to those that operated for accessions to the GATT 1947, i.e., that

"Any State or separate customs territory possessing full autonomy in the conduct of its external commercial relations and of other matters provided for in this Agreement and the Multilateral Trade Agreements may accede to this Agreement, on terms to be agreed between it and the WTO. Such accession shall apply to this Agreement and the Multilateral Trade Agreements annexed thereto."

As was the case under GATT 1947, the negotiations required for membership provide broad opportunity for current WTO members, including the United States, to ensure that new memberships take place on terms that reduce barriers to trade and support the credibility and strength of the WTO. In practice, this means that applicants must negotiate terms for membership in the organization, giving current WTO members an opportunity (1) to ensure that applicant trade regimes can implement WTO obligations and (2) to secure commitments and concessions on specific issues and for enhanced market access on tariff levels, agricultural market access, and trade in services.

The accession process involves a two part negotiation:

- bilateral negotiations to identify specific goods and services market access commitments and
- multilateral discussions in a Working Party composed of all interested WTO members to identify aspects of the applicant's trade regime conflicting with WTO provisions so they can be amended.

To initiate the WTO accession process, the applicant describes its foreign trade regime to WTO members, responds to questions, and provides any other information on its trade practices and laws requested by WTO members. There is a long list of basic information that all applicants for

WTO accession are required to provide for WP review. The WP will meet as many times as is necessary to complete the review of the applicant's trade regime, and to discuss concerns expressed by WTO members on the consistency of the applicant's trade regime. The pace of these discussions traditionally depends on the applicants willingness to identify the problems with WTO-consistency in its trade regime, and to provide assurances or commitments to bring these measures into line with the WTO Agreements. Ultimately, the WP makes a collective assessment of where changes or commitments to change must be made in the applicant's regime to meet WTO obligations.

These assessments, and specific requests for changes or commitments to change to bring the applicant's trade regime into conformity with WTO provisions, are reflected in the final accession package approved first by the Working Party and then by the full WTO:

- a Protocol, listing the commitments undertaken by the applicant concerning WTO rules;
- a Working Party report elaborating on the commitments;
- a schedule of initial market access commitments for trade in services; and
- a schedule of market access concessions for goods, including an agricultural country schedule with commitments on export subsidies and internal supports.

These elements constitute the accession applicant's "entry fee" to bring them up to a level of commitment to WTO provisions and to trade liberalization commensurate with that of current WTO members. Because every trade regime is different, and because every applicant has its own views on how rapidly it is willing or able to respond in the negotiations, there is no way to tell how long the negotiations will take. The accession process can be very detailed and take time, particularly if the trade regime of the applicant is very complex or in the process of transition from a state-trading basis to a regime based on market principles.

The U.S. traditionally has taken a leadership role in developing the terms for acceding countries. This is as true for Mongolia and Bulgaria as for China and Taiwan. Over the past several years we have worked hard in Geneva to develop a strong multilateral consensus on the elements of a commercially viable protocol package in the accession process, including with China, and we intend to continue to provide leadership to building that consensus.

### ***Results of Other Accessions***

Since WTO implementation in January 1995, four countries have completed their negotiations under Article XII to accede to the WTO. These are: Ecuador, which became a member in January 1996; Mongolia, whose accession was approved by the WTO in June 1996; and Bulgaria and Panama where approval is expected this fall of the accession packages completed before the summer break. In all four cases, the commitments and concessions in both goods and services market access and in implementation schedules for the WTO Agreements exceeded those generally accepted by countries with similar economies in the Uruguay Round, particularly in market access for goods and services, and in full implementation of WTO commitments on an

accelerated basis.

The commitments included:

full binding of all tariff lines, industrial as well as agricultural, with full or partial acceptance of chemical harmonization;

elimination upon date of accession or with very short transitions of most existing practices inconsistent with GATT 1994 or other WTO Agreements, including: minimum import valuation; non-tariff taxes and charges on imports, customs charges, or internal taxes also applied to similar domestic goods; and several categories of restrictions on imports, including quotas, minimum import prices, and restrictive licensing schemes;

broad initial commitments by all four countries to market access and national treatment for foreign service providers in key sectors of interest to the United States, including value-added telecommunications and a wide range of financial services (including insurance), as well as in accounting, management consulting, construction, engineering, wholesale distribution, and hotel services and tourism;

early implementation of TRIPs and the Agreements on SPS and TBT without recourse to transitions, and immediate implementation of the Customs Valuation Agreement by Mongolia, Panama, and Bulgaria

commitments from Mongolia and Bulgaria (the first transforming economies to complete accession to the WTO) that the state foreign trade monopoly was abolished and to provide additional periodic reports on privatization and reforms and enhanced transparency for remaining price controls.

## CONCLUSION

In conclusion, let me return to the topic of China. The U.S.-China relationship is as important as any bilateral relationship in the world. But relationships are a two-way street. For China, the potential of the U.S. market is great. Roughly one third of China's exports go to the U.S., including tens of billions of dollars of textiles and footwear. In addition, Chinese companies -- like all foreign companies -- are allowed to establish freely in the United States. No one restricts their right to do business with American customers.

For the United States, it is certainly true that China offers unmatched potential. Unfortunately, while progress has been made, for the United States, the potential of the Chinese market remains largely untapped in many respects. China's highly restrictive import policies mean that less than 2 percent of U.S. exports go to China. China must open its markets, and the first step is to ensure compliance with commitments already made.

The Chinese feel that is only "fair" that China -- the country with the largest population and the fastest growing major economy, the country that may soon be the world's largest economy -- be admitted to the WTO. The United States also sees accession to the WTO as a matter of fairness. Fairness is abiding by rules and living up to one's commitments. Fairness is a matter of meeting agreed-upon standards and eliminating unfair barriers. Accession to the WTO *is* a matter of fairness. In fact, it is a matter of fair trade.

**DRAFT OF REMARKS BY  
ACTING USTR CHARLENE BARSHEFSKY**

*meeder*

at a

**CEO Luncheon Hosted by San Jose Mayor Susan Hammer  
Cisco Systems, San Jose, CA  
Wednesday, September 25, 1996**

Thank you. It's a pleasure to be here with you.

I want to thank **Larry Carter** and the rest of the Cisco management team for allowing us to come here today.

I've just been trying to figure out how to take that gizmo that breaks logjams on the Internet and install it in a few of my trade negotiations.

And it is always great to see **Mayor Hammer** in action.

Her work as Chair of the President's Advisory Committee on Trade Policy and Negotiations has been top-notch, and by that I mean she has been able to reach out to leaders in different groups--government, industry, labor, environmental organizations--and make sure they stay involved in the process and have a meaningful voice in the decisions we make.

I also want to acknowledge **Tom Armstrong**, President of the Semiconductor Industry Association and **Wilfred Corrigan**, CEO and Chairman of LSI Logic Corp.

They are true stalwarts in the industry and I know that first-hand because they were at our side for 30 straight hours in Vancouver to build the semiconductor accord in July.

For that service, I have this token "Iron Man" presentation for both of you.

They have been invaluable in crafting an innovative public-private partnership to open Japan's markets and I look forward to working with them to build on the progress we've made.

I want to talk to you today about some of the recent trade developments in the high technology industry.

**This is a remarkable time** of opportunity, for both the country and for companies in Silicon Valley.

- √ Trade is one of the fundamental pillars of our economic recovery. The economy has had **sustained growth**, 10 million new jobs have been created; unemployment is down to 5.1 percent; inflation is down. The deficit has been cut in half; it's the lowest it has been in 15 years.
- √ Two years ago, as you know, people were saying 1994 was a really good year for Silicon Valley. And then what happened? For the top tier of **Silicon Valley companies--the top 150--income increased 68 percent from 1994 to 1995**. That's an increase of \$12.7 billion.
- √ And--the point I most like to repeat--**from 1993 to 1995 Cisco's exports almost quadrupled**. Sales abroad--to Europe, the Asia-Pacific, Canada, and others--went from \$166 million to \$661 million in just two years.
- √ ~~Those are fantastic figures. Tangible evidence. But, more important, this is also a remarkable time because people can see more opportunity than they saw before. Consumer confidence has~~

~~doubled since 1992.~~

~~√ Or take a look right here in Silicon Valley. Among the largest 150 companies here, R & D spending went up by more than 18 percent last year. Together, they spent \$11 billion on R & D.~~

~~√ In Silicon Valley, a total of 16,000 new jobs were added in the high-tech industries alone last year. You don't take on that much freight if you're expecting a storm.~~

When you add it all up, this is proof positive that the work we're doing, in carrying out President Clinton's economic and trade policy, is absolutely on the right track. When we go to companies like this and walk the shop floor or look at the R & D labs, I can tell: these are people who can compete in any market in the world. There is no question. They just need a fair chance. And that means getting your products into markets abroad with fair terms, with protection from pirating, and with open and above-board transactions.

President Clinton's trade policy has been the most aggressive of any president in my lifetime, and the fact is plain, it has been the most productive, too.

Jobs based on trade, we know, pay 13 to 16 percent more than the national average. So when President Clinton set out his economic plan--his plan to reduce the deficit, to increase worker training, to get the economy moving, he made it clear: **jobs based on exports are a priority. And that has been borne out by our record:**

√ Exports from the U.S. are 37 percent higher than they were in 1992. Right here in California, Governor Wilson raised a good point the other day, too: California's exports to Japan went up over

the last 14 months by 29.4 percent, and they did it even though the dollar had appreciated by 35 percent. That's competing and winning.

- √ **Under President Clinton, more than 200 market-opening agreements** have been completed. In that I count NAFTA, the biggest free trade area ever. In that I count the Uruguay Round of GATT, and it is bringing tariffs down in 124 nations. In that I count a government procurement agreement with the European Union.
- √ When our agreements weren't lived up to we've been aggressive. We've **taken 42 enforcement actions** in the last three and a half years.
- √ To expand free trade, we've gotten the **APEC** nations to sit down together and agree to free trade on a definite timetable. We've gotten Latin American nations to begin work on the **Free Trade Area of the Americas**. And that's just the start.

Let me say a few words on **the semiconductor industry** in particular. The long term story, as you know, points in the right direction.

**The figures we just released today show:**

- √ **The U.S. semiconductor industry leads the world in development, production, and sales** of the advanced semiconductors that are used in virtually every electronic product and are key components of the global information infrastructure.
- √ Last year, **the semiconductor industry took 41 percent of the global market**, a market that is now over \$144 billion. That was

two points higher than Japan's share.

- √ **The U.S. semiconductor industry has more than doubled its exports in four years, going from \$11.4 billion in 1992 to \$23.2 million last year.**
- √ **Employment in the semiconductor industry increased by more than 12 percent, to a level of 241,000 in the last two years.**
- √ **Foreign market share of Japan's semiconductor market was 30.6 percent in the first quarter of this year, up from 8.6 percent a decade ago.**
- √ **Uruguay Round reductions in tariffs that are already being phased in will be worth tens of millions of dollars in increased exports by the U.S. semiconductor industry.**

The semiconductor agreement we signed with Japan last month puts in place a system that is markedly different from previous bilateral agreements, but we believe it can meet America's objectives.

To achieve that, in July we reached a bilateral agreement that does three things.

It sets a new standard for industry-to-industry relations.

It establishes criteria for monitoring semiconductor trade between our two countries.

It retains the role of government in monitoring, mediating, and resolving disputes.

The new industry-led Semiconductor Council created by the agreement has enormous potential. Korean semiconductor companies just last week asked their government to eliminate all their tariffs on semiconductors so they could join the council. This is an encouraging sign ~~from a major player in the industry, a sign that may generate more participation and more liberalization.~~

~~We are hoping that the EU will be able to translate the endorsement of European manufacturers into enough momentum for eliminating tariffs on their semiconductors. It is a chance for Europe to exercise a leadership role in the development of this very important market.~~

~~However, we want to make sure that Japan fully implements this agreement by also creating a working forum for government-to-government consultations on the industry.~~

No one should doubt the commitment of the United States to maintaining the progress we've made in the semiconductor market. We expect the agreement we signed this summer to be implemented, and if it is not, we still have a full measure of our trade laws to use.

I made this very clear to Foreign Minister Ikeda last week. If we find cases of dumping here in the United States or a resurrection of kereitsu there in Japan, the full spectrum of U.S. trade laws is still available and will be used.

Let me turn just briefly to the wider issue of the Information Technology Agreement. I leave here this afternoon to go to Seattle for a meeting of the Quad Nations--the United States, Europe, Japan, and Canada. There, we will continue preparations for the World Trade Organization's first ministerial meeting, to be held in Singapore in December.

~~Singapore will be the first time this new organization will be bringing its top leaders--its Board of Directors, if you will--together to review its progress and make sure it gets started on the right track. With more than 120 nations as members and 31 more waiting to be admitted, there is a great deal at stake and the agenda is still in flux. The United States is going to Seattle and later to Singapore with a few goals:~~

~~First, we want to make sure the fundamental nature of the World Trading Organization is different from its predecessor, the GATT. With the GATT, trade liberalization was largely contingent upon periodic rounds of negotiations. The goal of the WTO, which we strongly support, is to become a force for active and continuous trade liberalization. Nations should not use the possibility of a new negotiating round as a pretext for inaction.~~

~~Second, we want to make sure that members that have signed on as members of the World Trade Organization are following through on their implementation. The WTO will only be credible to the extent that nations make good on their word.~~

~~Third, we want to complete the unfinished business of the Uruguay Round. The telecommunications negotiations, as you know, were one of the sector negotiations that were extended. We are going to keep working toward an even-handed agreement. Asian and European nations should not expect a free pass into our market--which has roughly half the revenue for telecom--without reciprocal access.~~

~~Perhaps most important to this industry, we would like to see an Information Technology Agreement, or ITA, come out of Singapore. In brief, it's a deal that would eliminate duties on all the products associated with the Information Superhighway: cellular telephones, high-end computers, switching equipment such as the type you make~~

~~here. We had a very positive start to getting an ITA, which our Quad partners--and more importantly, the industries in these nations--endorsed at Kobe earlier this year. Lately, however, we've seen some slippage in support from the European Union that is a concern to us. Still, this is something that we would like to see come out of the Singapore ministerial.~~

~~An aspect of global markets that has a tremendous bearing on America's ability to compete is the **transparency, due process, and openness in government procurement.** A stringent code on Government Procurement has been set in place and, as a result, it has been difficult for many nations to adopt. To date, we have only 21 signatories.~~

~~We would like to find a mechanism so that, rather than confronting nations with an all-or-nothing proposition, we can find ways to move them into compliance and at least get them going in the right direction. This is an important issue: American companies lose billions of dollars in contracts every year because of bribery and corruption in foreign transactions. **That holds true for high-tech products as well as for commodities and other goods.**~~

~~That is a snapshot of our priorities in our discussions the next few days and in our work over the next few months. There, of course, are many, many issues that will figure into the WTO ministerial. There is the so-called "**built-in agenda**"--such as the preparatory work on further agricultural negotiations, discussion of issues on trade and labor and trade and the environment--and there are issues such as competition, which other nations are pressing to have added to the agenda.~~

~~There is a lot of work to be done. But we look forward to working with you in the months ahead. Again, let me thank you for inviting me here today.~~



*speech*

**REMARKS BY  
ACTING USTR CHARLENE BARSHEFSKY  
to the  
Business Forum of Seattle  
September 26, 1996**

Thank you. It's a pleasure to be with you here today.

I want to thank Bob Randolph for his kind introduction. Bob has done an excellent job for Washington. He's been at the forefront of the efforts here to make sure that Washington remains a leader in trade into the next century.

Perhaps more than any other State, the people of Washington know that trade is not a just a choice, it is a bread-and-butter issue that increasingly determines how and where people work and their standard of living.

- √ **Person-for-person Washington has more trade than any other state in the Union.** That works out to about \$5,200 per person.
- √ **Washington, in fact, does more trade on a per person basis than Japan.**
- √ **One in five Washingtonians are employed by trade related jobs.** In the manufacturing sector, the number is even higher. Over 30 percent of Washington's manufacturing jobs are based on exports.
- √ **And I don't have to remind you that, with Boeing on an upswing in its orders, all of those numbers are on the way up too. Last year for the first time since 1990, Boeing's new orders--more**

**than 700 in all--exceeded its number of deliveries.** That's not only a good sign for Washington, that's a good sign for America.

If you think about, Washington today is where the rest of the country is heading.

A generation ago, when today's college graduates were newborns, the value of trade done by the United States--exports and imports--was equal to 11 percent of America's GDP.

**Today, the value of America's trade equals almost 30 percent of GDP -- \$2.1 trillion.**

When President Clinton came into office, he recognized that the stakes in trade were high, and they were going to keep getting higher.

**John F. Kennedy's phrase for it was "trade or fade."**

**Under Bill Clinton, trade is even more important. His phrase is "compete or retreat."**

If you take stock over the last three years, President Clinton has compiled a record of opening markets that is allowing America to compete as never before.

◆ **The increased exports we generated support an estimated 1.5 million new jobs.** An estimated total of 11.4 million jobs are now supported by exports. And jobs supported by goods exports pay between 13 percent and 16 percent more than the U.S. national average wage.

◆ **U.S. exports in goods and services are running at an annual rate**

of \$848 billion, some 37% or \$230 billion higher than 1992.

- ◆ **Export growth has accounted for one-fifth of the overall growth in our economy since 1992.**
- ◆ **U.S. exports of manufactured products** are currently running at an annual rate of \$525 billion in 1996, or 42 percent higher than in 1992.

-- **U.S. exports of advanced technology products** (in particular, among manufactured products) have grown even faster. They are running at a rate of \$160 billion so far this year, some 49 percent higher than in 1992.

- ◆ **The value of U.S. agricultural exports**, after a number of years of slow growth, have increased sharply in the last year and a half. They were up 22 percent in 1995 to a record level of \$56 billion and in the first six months of 1996 are up by another 13 percent, relative to a year earlier.
- ◆ **U.S. commercial service exports** are currently running at an annual rate of \$227 billion, up 28 percent from 1992.
- ◆ **Our goods trade deficit with Japan** has reached its lowest level in four years. Our goods exports to Japan has grown by 47% since 1992, despite the Japanese economy being at or near recession during this time.

-- Our market opening agreements with Japan has paid off. According to the CEA, **U.S. exports in sectors covered by our market opening agreements---such as autos, auto parts, medical technology, flat glass,**

**cellular phones, and rice--have grown 85%, a rate that is 3 times faster than other exports to Japan over the same time period.**

-- **In the first 6 months of 1996, U.S. exports of vehicles and parts to Japan are up by over 18 percent, imports are down by almost 20 percent and the 6 month deficit has fallen by \$4.6 billion, or 24 percent.**

- ◆ **More than 200 market-opening agreements** have been completed. In that I count NAFTA, the biggest free trade area ever. In that I count the Uruguay Round of GATT, and it is bringing tariffs down in 124 nations. In that I count a government procurement agreement with the European Union.
- ◆ We've made clear progress in getting the Japanese **semiconductor market** open to U.S. manufacturers. Five years ago, U.S. manufacturers had a market share in Japan of less than 15 percent. Today, it's more than double that. We believe we've established a strong mechanism to continue that progress--one that strikes a balance between free hand of the market and firm hand of government oversight and fairness.
- ◆ When our agreements weren't lived up to we've been aggressive. We've **taken 42 enforcement actions** in the last three and a half years.
- ◆ To expand free trade, we've gotten the **APEC** nations to sit down together and agree to free trade on a definite timetable. We've gotten Latin American nations to begin work on the **Free Trade Area of the Americas**. And that's just the start.

Today, Seattle will be hosting a **Quad meeting** of three of our leading trading partners--Japan, the European Union, and Canada--to begin preparations for the World Trade Organization's first ministerial meeting, to be held in Singapore in December.

**The Quad, which represented approximately 63 percent or \$6.3 trillion of world merchandise trade last year, has an obligation to exercise its leadership and vision to assure that the Singapore meeting reinforces the dynamism and growth promised by the creation of the World Trade Organization.**

**Singapore will be the first time this new organization will be bringing its top leaders--its Board of Directors, if you will--together to review its progress and make sure it gets started on the right track. With more than 120 nations as members and 31 more waiting to be admitted, there is a great deal at stake and the agenda is still in flux.**

The United States is approaching these discussions and the agenda in Singapore with a few goals:

- ◆ First, we want to make sure the fundamental nature of the World Trading Organization is different from its predecessor, the GATT. With the GATT, trade liberalization was largely contingent upon periodic rounds of negotiations. The goal of the WTO, which we strongly support, is to become a force for **active and continuous trade liberalization**. Nations should not use the possibility of a new negotiating round as a pretext for inaction.
- ◆ Second, we want to make sure that members that have signed on as members of the World Trade Organization are following through on their **implementation**. The WTO will only be credible to the

extent that nations make good on their word.

- ◆ Third, we want to **complete the unfinished business** of the Uruguay Round. The telecommunications negotiations, as you know, were one of the sector negotiations that were extended. We are going to keep working toward an even-handed agreement. Asian and European nations should not expect a free pass into our market--which has roughly half the revenue for telecom--without reciprocal access.
- ◆ Perhaps most important to this industry, we would like to see an **Information Technology Agreement**, or ITA, come out of Singapore. In brief, it's a deal that would eliminate duties on all the products associated with the Information Superhighway: cellular telephones, high-end computers, switching equipment such as the type you make here. We had a very fast and positive start to getting an ITA, which our Quad partners--and more importantly, the industries in these nations--endorsed at Kobe earlier this year. Lately, however, we've seen some slippage in support from the European Union that is a concern to us.
- ◆ An aspect of global markets that has a tremendous bearing on America's ability to compete is the **transparency, due process, and openness in government procurement**. A stringent code on Government Procurement has been set in place and, as a result, it has been difficult for many nations to adopt. To date, we have only 21 signatories. We would like to find a mechanism so that, rather than confronting nations with an all-or-nothing proposition, we can find ways to move them into compliance and at least get them going in the right direction. This is an important issue: American companies lose billions of dollars in contracts every year because of bribery and corruption in foreign transactions.

That is a snapshot of our priorities in our discussions over these next few days and in our work over the next few months. There, of course, are many, many issues that will figure into the WTO ministerial. There is the **so-called "built-in agenda"**--such as the preparatory work on further agricultural negotiations, discussion of issues on trade and labor and trade and the environment--and there are issues such as competition, which other nations are pressing to have added to the agenda.

Our view is to make this a workman-like meeting. There is nothing particularly flashy or headline-making about implementing trade agreements and following up to enforce them when necessary. But it's very important to your industry, and to the jobs of Americans in the global economy.

With that, I'll be happy to take your questions. Thank you.

**REMARKS BY**  
**ACTING U.S.T.R. CHARLENE BARSHEFSKY**  
before the  
**Women's Foreign Policy Group**  
**Carnegie Endowment for International Peace**  
**Wednesday, Oct. 2, 1996**  
[As prepared for delivery; check against transcript]

Thank you. It's a pleasure to be here with you today.

I want to focus my remarks today on the economic changes that America, under the leadership of President Clinton, has made in the last four years and on what that means for America's trade strategy as we go forward.

We have made remarkable progress. And **people often don't realize how much has been accomplished because it has happened on so many fronts** and because we have moved so quickly on to the next task or a higher goal.

Four years ago, the phrase "It's the economy, stupid" entered the political lexicon. It's important to remember why that happened.

Foremost, there was a call throughout the country to focus on the immediate economic predicament of Americans as it stood **in 1992. People were worried, and with good cause.**

**We had high unemployment, at 7.5 %; stagnant incomes; low growth rates; a record-high budget deficit of \$290 billion; a growing gap between the haves and have-nots; a growing divide between those who could get an education to prepare them for the future and those who could not.**

**Another part of the message was about the future. Americans didn't want their economy to be just monitored, come what may. They wanted an active president with a clear, realistic, long-term plan for renewing growth, renewing opportunity, and, at the most fundamental level, renewing hope.**

That's what President Clinton set out to do. As he said recently, the goal is to go into the 21st century "with the American Dream alive and well for every American who is willing to work for it, without regard to their race or their region or where they started out in life."

I want you to take a look at how things have turned around in the last four years.

- ◆ **Unemployment is down to 5.1 %. It has only gone lower once in the last 22 years.** Four years ago, unemployment was 7.5 %.
- ◆ **We are currently in the 5th year of economic expansion.** The economy in the last four years under President Clinton has grown faster than it did during either the Bush or the

Reagan administrations.

- ◆ More important, America's economic growth is on a solid footing; it is based on **low inflation, strong industrial production** not yet at capacity constraint, and good prospects for continued job and output growth.
- ◆ **Over 10.5 million net new jobs have been created** and these jobs are geared toward higher wage jobs. A CEA study reported that 68% of net new jobs created between February of 1994 and February of 1996 paid **above median wages**.
- ◆ Our budget deficit today is half the size it was when President Clinton took office. The budget deficit for this fiscal year is expected to be roughly \$117 billion--**that's the lowest budget deficit in 15 years**.
- ◆ **Consumer confidence is now double** what it was just before President Clinton was elected in 1992.
- ◆ For the third year in a row the United States has been cited as the world's **most competitive major economy** by the World Economic Forum.
- ◆ **Real wages are rising again**. Over the past 12 months, average hourly wages increased 3.6 %. That is faster than the rate of inflation.

- ◆ **Home ownership in America is at a 15-year high.** Since President Clinton took office, 4.4 million more Americans have become homeowners.

**Trade has been an important tool for accomplishing some of these successes.** Under President Clinton, we have made free and fair trade a key part of America's economic growth strategy.

In years past, trade was just an asterisk in a president's economic plans. As one historian put it, Presidents have seen trade policy as "a second-order, technical business."

Well, not this President. He knew trade was going to play a greater role, not a lesser role, in our economy. And he was right:

- ◆ Trade (exports plus imports) in goods and services (including earnings on foreign investment) has risen **from a value equal to 25% of GDP in 1992 to one equal to nearly 30% of GDP in 1995**, from \$1.6 trillion to \$2.1 trillion.
- ◆ Jobs supported by goods exports pay between **13 percent and 16 percent more than the U.S. national average wage.** Moreover, these jobs are in the areas where America has the highest productivity: manufacturing, agriculture, high technology.

- ◆ **In the last decade, jobs supported by exports have risen five times faster than the rest of the economy.**
- ◆ **Export growth has accounted for one-fifth of the overall growth in our economy since 1992.**

President Clinton has put in place a trade strategy recognizes and capitalizes on these changes in the American economy and in the world economy.

Through negotiating and **implementing new trade agreements, enforcing compliance with current agreements, and pursuing new trade expansion** in Asia, South America and Europe, that strategy has paid off:

- ◆ **The increased exports we generated support an estimated 1.5 million new jobs.** An estimated total of 11.4 million jobs are now supported by exports.
- ◆ **U.S. exports in goods and services** are running at an annual rate of \$848 billion, some 37% or \$230 billion higher than 1992.
- ◆ **U.S. exports of manufactured products** are currently running at an annual rate of \$525 billion in 1996, or 42 percent higher than in 1992.

-- **U.S. exports of advanced technology products**

(in particular, among manufactured products) have grown even faster. They are running at a rate of \$160 billion so far this year, some 49 percent higher than in 1992.

[AD LIB: Just last week I toured one of the leading high-tech companies in Silicon Valley. **The company was called Cisco and it makes switches and software for networks and the Internet. Cisco's export sales nearly quadrupled between 1993 and 1995**, rising from \$166.3 million in 1993 to \$661.6 million in 1995. Those are products that have been or will be benefitting from our efforts to protect intellectual property rights, open telecommunications markets, and bring down tariffs on technology related to the Information Highway. [source: cisco systems annual report] ]

- ◆ **The value of U.S. agricultural exports**, after a number of years of slow growth, have increased sharply in the last year and a half. They were up 22 percent in 1995, to a record level of \$56 billion and in the first six months of 1996 are up by another 13 percent, relative to a year earlier.
- ◆ **U.S. commercial service exports** are currently running at an annual rate of \$227 billion, up 28 percent from 1992.
- ◆ **Our goods trade deficit with Japan** has reached its lowest level in four years. Our goods exports to Japan has grown

by 47% since 1992, despite the Japanese economy being at or near recession during this time.

- Our market opening agreements with Japan has paid off. According to the CEA, **U.S. exports in sectors covered by our market opening agreements---such as autos, auto parts, medical technology, flat glass, cellular phones, and rice--have grown 85%, a rate that is 3 times faster than other exports to Japan over the same time period.**
  
- In the first 6 months of 1996, **U.S. exports of vehicles and parts to Japan are up by over 18 percent**, imports are down by almost 20 percent and the 6 month deficit has fallen by \$4.6 billion, or 24 percent.
  
- Let me note parenthetically that during the four years before President Clinton, the auto industry as a whole had lost 35,000 jobs. **In the four years *since* President Clinton, the auto industry has added 131,000 jobs.** America has not had this many auto industry jobs since the days before Ronald Reagan.

Even if you look at it from a regional standpoint, the picture is good. U.S. exports to the **European Union** are

up 24 percent, to **Latin America, excluding Mexico**, are up nearly 32 percent, and to **Asia Pacific Rim countries, excluding Japan and China**, are up by 47 percent (from the fourth quarter of 1992 to the second quarter of 1996).

- ◆ Although the rate of expansion has slowed somewhat in the first half of 1996, **U.S. exports to China grew by 57 percent between 1992 and 1995**. And even though we still have a bilateral deficit with China, we have made more progress on market-opening agreements than any previous administration.
- ◆ Prospects for U.S. trade growth are likewise strong, **particularly in the so-called “big emerging markets” of the world, where 85 percent of the world’s consumers reside**. U.S. exporters are particularly well placed to serve these markets through exports of the tools of economic development (e.g. capital goods, industrial supplies, business services).

Under the leadership of President Clinton, this administration has **expanded trade by completing more than 200 market-opening agreements** in the last three and a half years.

- ◆ We have laid the groundwork for long-term economic growth and opportunity with our neighbors to the South through initiatives such as the **Free Trade Area of the Americas at the historic Summit of the Americas..**

- ◆ In the dynamic “big emerging markets” of the Asia-Pacific, the President was instrumental in getting **APEC**--the Asia Pacific Economic Cooperation forum--to define free trade as its goal and set a time certain for liberalization.
- ◆ With our oldest and best established trading partners in Europe, he has been the leader in setting a **New TransAtlantic Agenda**, so that the worst vestiges of protectionism are eventually eliminated there.
- ◆ Even with respect to **Africa**, a continent that for too long has had its potential for international commerce ignored, the President has taken steps to open America’s markets in a way that can generate economic development through productive two-way trade--not just aid.
- ◆ And in the final leg of **the Uruguay Round of the GATT**, when the stakes for free and fair trade were higher than ever before, President Clinton came through and made sure the deal was done and that it got a stamp of approval from the U.S. Congress. That agreement not only created the World Trade Organization, it included more nations than ever, opened markets for more products and services than ever, and it includes more protections for American companies and workers than ever.

The list goes on: **the largest procurement agreement in**

**history with the European Union, bilateral agreements on textiles, grain, film, construction contracts. This President has a record of trade leadership--literally throughout the world--that is unequalled. The facts are there. The Clinton trade strategy has worked.**

We're going to make that same kind of diligence the hallmark of our **implementation** of existing trade agreements. We don't believe that trade deals should be just a handshake and a wave goodbye. These are not just pieces of paper. They're binding contracts.

Foremost, we are devoting substantial time and effort to ensuring that the new **World Trade Organization** becomes an effective means of settling trade disputes, achieving more progress on free trade, and requiring nations to comply with their commitments in good faith.

And in our bilateral agreements, particularly those with Japan and China, we have gone--and will go--back to our trading partners time and time again if these agreements are not producing the desired result.

President Clinton's trade strategy has worked because he has insisted that our trading partners play by the rules. His rule has been: you will no longer get America to give you free trade, unless you're willing to give us fair trade. And that means fair when the ink on the contract is wet, and fair long after the ink is

dry. You will not get something for nothing.

That is why we have have been so aggressive in **our enforcement over the last four years**. This administration has pursued **42 trade enforcement actions** against other countries in the last four years.

Let me say in closing that this President has done more for the cause of free trade than any president in my lifetime. I want to urge you to look at the record, because it is truly remarkable. He hasn't just talked about expanding free trade. He's been a leader who made it a reality.

Thank you.

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*Murphy*

~~DRAFT~~ OF REMARKS OF  
ACTING U.S. TR. CHARLENE BARSHEFSKY  
Pacific Rim Advisory Committee  
October 21, 1996

Thank you. It's a pleasure to be here with you today.

I want to focus my remarks today on the economic challenges that America, under the leadership of President Clinton, has faced in the last four years. We have made remarkable progress. And people often don't realize how much has been accomplished because it has happened on so many fronts and because we have moved so quickly on to the next task or a higher goal.

Four years ago, the phrase "It's the economy, stupid" entered the political lexicon. It's important to remember that there were a number of messages bound up in that slogan.

One, was a call to focus on **the immediate economic predicament of Americans as it stood in 1992**. People were worried, and with good cause. We had high unemployment, at 7.5 %; stagnant incomes; low growth rates; a record-high budget deficit of \$290 billion; a growing gap between the haves and have-nots; a growing divide between those who could get an education to prepare them for the future, and those who could not.

**Another part of the message was about the future.** Americans didn't want their economy to be just monitored, come what may. They wanted an active president with a clear, realistic, long-term plan for renewing growth, renewing opportunity, and, at the most fundamental level, renewing hope.

That's what President Clinton set out to do. I want you to take a look now at how things have turned around in the last four years.

- ◆ **Unemployment is down to 5.1 %.** It has only gone lower once in the last 22 years. Four years ago, unemployment was 7.5 %.
- ◆ We are currently in the **5th year of economic expansion.** The economy in

the last four years under President Clinton has grown faster than it did during either the Bush or the Reagan administrations.

- ◆ More important, America's economic growth is on a solid footing; it based on **low inflation, strong industrial production** not yet at capacity constraint, and good prospects for continued job and output growth.
- ◆ **Over 10.5 million net new jobs have been created** and these jobs are geared toward higher wage jobs. A CEA study reported that 68% of net new jobs created between February of 1994 and February of 1996 paid **above median wages**.
- ◆ Our budget deficit today is half the size it was when President Clinton took office. The budget deficit for this fiscal year is expected to be roughly \$117 billion--**that's the lowest budget deficit in 15 years**.
- ◆ **Consumer confidence is now double** what it was just before President Clinton was elected in 1992.
- ◆ For the third year in a row the United States has been cited as the world's **most competitive major economy** by the World Economic Forum.
- ◆ **Real wages are rising again**. Over the past 12 months, average hourly wages increased 3.6 %. That is faster than the rate of inflation.
- ◆ **Home ownership in America is at a 15-year high**. Since President Clinton took office, 4.4 million more Americans have become homeowners.

**Trade has been an important tool** for accomplishing some of these successes. Under President Clinton, we made free and fair trade a key part of America's economic growth strategy. Through negotiating and **implementing new trade agreements, enforcing** compliance with current agreements, and pursuing new trade **expansion** in Asia, South America and Europe, that strategy has paid off:

- ◆ **The increased exports we generated support an estimated 1.5 million new jobs**. An estimated total of 11.4 million jobs are now supported by

exports. And jobs supported by goods exports pay between **13 percent and 16 percent more than the U.S. national average wage.**

- ◆ **U.S. exports in goods and services** are running at an annual rate of \$848 billion, some 37% or \$230 billion higher than 1992.
- ◆ **Export growth has accounted for one-fifth of the overall growth in our economy since 1992.**
- ◆ Trade (exports plus imports) in goods and services (including earnings on foreign investment) has risen **from a value equal to 25% of GDP in 1992 to one equal to nearly 30% of GDP in 1995**, from \$1.6 trillion to \$2.1 trillion.
- ◆ **U.S. exports of manufactured products** are currently running at an annual rate of \$525 billion in 1996, or 42 percent higher than in 1992.
  - **U.S. exports of advanced technology products** (in particular, among manufactured products) have grown even faster. They are running at a rate of \$160 billion so far this year, some 49 percent higher than in 1992.
- ◆ **The value of U.S. agricultural exports**, after a number of years of slow growth, have increased sharply in the last year and a half. They were up 22 percent in 1995 to a record level of \$56 billion and in the first six months of 1996 are up by another 13 percent, relative to a year earlier.
- ◆ **U.S. commercial service exports** are currently running at an annual rate of ~~\$227 billion, up 28 percent from 1992.~~
- ◆ **Our goods trade deficit with Japan** has reached its lowest level in four years. Our goods exports to Japan has grown by 47% since 1992, despite the Japanese economy being at or near recession during this time.
  - Our market opening agreements with Japan has paid off. According to the CEA, **U.S. exports in sectors covered by our**

**market opening agreements---such as autos, auto parts, medical technology, flat glass, cellular phones, and rice-- have grown 85%, a rate that is 3 times faster than other exports to Japan over the same time period.**

-- **In the first 6 months of 1996, U.S. exports of vehicles and parts to Japan are up by over 18 percent, imports are down by almost 20 percent and the 6 month deficit has fallen by \$4.6 billion, or 24 percent.**

--- **Let me note parenthetically that during the four years before President Clinton, the auto industry as a whole had lost 35,000 jobs. In the four years since President Clinton, the auto industry has added 131,000 jobs. America has not had this many auto industry jobs since the days before Ronald Reagan.**

- ◆ **In addition, U.S. exports to the European Union are up 24 percent, to Latin America, excluding Mexico, are up nearly 32 percent, and to Asia Pacific Rim countries, excluding Japan and China, are up by 47 percent (from the fourth quarter of 1992 to the second quarter of 1996).**
- ◆ **Although the rate of expansion has slowed somewhat in the first half of 1996, U.S. exports to China grew by 57 percent between 1992 and 1995. And even though we still have a bilateral deficit with China, we have made more progress on market-opening agreements than any previous administration.**
- ◆ **Prospects for U.S. trade growth are likewise strong, particularly in the now rapidly growing emerging markets of the world, where 85 percent of the world's consumers reside. U.S. exporters are particularly well placed to serve these markets through exports of the tools of economic development (e.g. capital goods, industrial supplies, business services).**

**Under the leadership of President Clinton, this administration has completed over 200 market-opening agreements in the last three and a half years.**

- ◆ We have laid the groundwork for long-term economic growth and opportunity with our neighbors to the South through initiatives such as the **Free Trade Area of the Americas at the historic Summit of the Americas.**
- ◆ In the dynamic “big emerging markets” of the Asia-Pacific, the President was instrumental in getting **APEC--the Asia Pacific Economic Cooperation forum--to define free trade as its goal and set a time certain for liberalization.**
- ◆ With our oldest and best established trading partners in Europe, he has been the leader in setting a **New TransAtlantic Agenda**, so that the worst vestiges of protectionism are eventually eliminated there.
- ◆ Even for **Africa**, a continent that for too long has had its potential for international commerce ignored, the President has taken steps to open America’s markets in a way that can generate economic development through productive two-way trade--not just aid.
- ◆ And in the final leg of **the Uruguay Round of the GATT**, when the stakes for free and fair trade were higher than ever before, President Clinton came through and made sure the deal was done and that it got a stamp of approval from the U.S. Congress. That agreement not only created the World Trade Organization, it included more nations than ever, opened markets for more products and services than ever, and it includes more protections for American companies and workers than ever.

The list goes on: **the largest procurement agreement in history with the European Union, bilateral agreements on textiles and other products. This President has a record of trade leadership--literally throughout the world--that is unequalled.** The facts are there. The Clinton trade strategy has worked.

We’re going to make that same kind of diligence the hallmark of our **implementation** of existing trade agreements. We don’t believe that trade deals should be just a handshake and a wave goodbye. These are not just pieces of paper. They’re binding contracts.

Foremost, we are devoting substantial time and effort to ensuring that the new **World Trade Organization** becomes an effective means of settling trade disputes, achieving more progress on free trade, and requiring nations to follow through on their commitments in good faith. And in our bilateral agreements, particularly those with Japan and China, we have gone--and will go--back to our trading partners time and time again if these agreements are not producing the desired result.

President Clinton's trade strategy has worked because he has insisted that our trading partners play by the rules. His rule has been: you will no longer get America to give you free trade, unless you're willing to give us fair trade. And that means fair when the ink on the contract is wet, and fair long after the ink is dry. You will not get something for nothing.

That is why we have have been so aggressive in **our enforcement over the last four years**. This administration has pursued **42 trade enforcement actions** against other countries in the last four years.

Let me say in closing that this President has done more for the cause of free trade than any president in my lifetime. He hasn't just talked about **expanding free trade**. He's been a leader who made it a reality.

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# World Trade Organization

**WT/MIN(96)/ST/5**  
9 December 1996  
(96-5176)  
Original: English

**MINISTERIAL CONFERENCE**  
Singapore, 9-13 December 1996

## UNITED STATES

### **Statement by the Honourable Charlene Barshefsky Acting United States Trade Representative**

On behalf of the US delegation, I want to express our appreciation to Prime Minister Goh, Minister Yeo and the Government of Singapore, the General Council Chairman, Ambassador Rossier, and the Director-General, Mr. Ruggiero and his staff for their efforts to prepare for this historic, inaugural meeting of the World Trade Organization. You have been gracious beyond measure - and we are very grateful.

Nearly 50 years ago, the formation of the GATT launched a period of trade liberalization unprecedented in world history. Few present at that creation would have predicted the tremendous growth in world trade - increasing 80 per cent by volume in the last decade alone - that has added immeasurably to the prosperity of the world's people. GATT succeeded because we persisted in the goal of eliminating the barriers that deny our people the benefits of free and fair trade. We saw new challenges, and we worked together to seize new opportunities.

As we convene the first Ministerial Meeting of the WTO, our commitment to the ongoing work of trade liberalization must be equally determined. We must prove to the world that the WTO is a vibrant institution laying the foundations for a new period of global prosperity. Like our predecessors, we must seize new opportunities.

The global economy will not wait for us. Technological change is advancing rapidly - all over the globe - in the West and in the East. We salute the foresight of Prime Minister Mahathir for his vision to establish the Multimedia Super Corridor plan that will lead to an information technology city of 100,000 inhabitants as well as the creation of the world's first paperless national government by the year 2000. The World Bank estimates that the world's economies will demand US\$1.5 trillion in capital over the next decade for high quality infrastructure, advanced information technology and telecommunications systems.

We have an opportunity to meet these challenges. If we can succeed in three important negotiations - information technology, basic telecommunications services and financial services - we can build the infrastructure for a more interconnected global economy of the 21st century.

The first of these, the Information Technology Agreement, would be the first concrete demonstration of the WTO's ability to move forward in concert with the changing world around us. By creating a tariff-free environment for trade in information technology products, we can help lower consumer costs, make our businesses more competitive and give our entire economies the benefits that flow from access to greater information.

The biggest benefit may be to our economies more broadly. These products increasingly are used in virtually every major industry sector. The largest users of semiconductors worldwide are auto makers. Computers and computer driven-machines increasingly are essential for textiles, apparel and steel

Computers and computer driven-machines increasingly are essential for textiles, apparel and steel manufacturing. And we all know the vital role a modern telecommunications system plays in the growth of our economies.

That is why we must reach an agreement this week. Remaining issues are ripe for decision. We have an historic opportunity to eliminate tariffs on these products. We must seize it.

Our second challenge is to proceed expeditiously to conclude the basic telecommunications negotiations by 15 February 1997. Investors increasingly seek predictability in telecommunications as part of a well-functioning international trade and investment regime. Telecom is a strategic industry and a generator of economic growth and employment. If we are successful in the WTO, basic telecom liberalization will spur investment and the use of new technologies in wider geographic and product areas.

The United States and Europe have recently announced improvements to the offers tabled in the basic telecom negotiations, and we urge others to match our offers. This is certainly our hope and expectation. With such a short amount of time after this Ministerial to conclude this negotiation, we hope all WTO Members will contribute meaningfully to an agreement that provides market access and investment opportunities in the 21st century.

But let me be clear. Today, the United States accounts for nearly 50 per cent of all telecom revenue worldwide. We cannot, and we will not, settle for a situation where we are unable to operate in the other half of the world's markets. We are ready to lead by making the first best offer, but we cannot succeed unless others come forward on a mutual basis.

This leads me to the third set of critical negotiations - financial services. For our part, we are committed to achieving a comprehensive and meaningful agreement by the end of next year. Our first try at the negotiations did not succeed. Why? Because the commitments of key countries were far below what was necessary to achieve a truly liberalizing agreement. In fact, some countries would not even obligate themselves to their existing levels of liberalization. To successfully conclude these talks, it is critical that WTO Members significantly improve their commitments based on the GATS principles of market access, national treatment and MFN.

We are convinced that an agreement is possible. We can and should look more carefully at phase-in commitments, where appropriate, so there are assurances that after a reasonable period our financial services providers will enjoy substantially full market access and national treatment in key markets. The benefits of binding open regimes in this sector should be clear: to achieve increased access to international capital and stronger "infrastructure" for continued investment and economic growth.

If we can succeed in the ITA, the basic telecom negotiations, and in the upcoming financial services negotiations, we will have taken a major step toward building the kind of global economy that will benefit all of our citizens.

Of course, our vision for the WTO extends beyond these three negotiations. If the WTO is to stay relevant and responsive to new commercial realities, we must look ahead and create more market access opportunities, and, when necessary, create new rules.

Work must continue in many areas. Those who already have benefited from the global trading system must find new ways for those less advantaged to reap the system's benefits. We must continue the reform effort called for in the WTO Agreement on Agriculture. In addition to encouraging further cuts in tariffs and subsidies, the WTO should develop disciplines against disguised subsidies and non-traditional forms of protection, such as the trade-restraining and non-transparent activities of state trading enterprises. The TRIPS Agreement should be fully implemented as rapidly as possible and existing obligations should be met now. We also must continue efforts to ensure that the WTO is open and transparent. Opening this Ministerial to outside observers is a good step forward. We will address these and other issues more fully in the working sessions.

Public confidence in the integrity of government procurement decisions would be enhanced if all WTO countries agreed to basic standards of transparency and due process. We believe this is the time to take the first step toward a WTO agreement on transparency in government procurement.

The Committee on Trade and Environment must continue its work, recognizing the contribution that can be made to sustainable development when trade liberalization complements appropriate national environmental policies. It is critical to the WTO's credibility that the Committee take a more balanced approach to dealing with trade and the environment, taking both policy perspectives fully into account. Fulfilling the mandate for sustainable development which resulted from the Rio Summit demands more from the WTO than simply a committee. The pursuit of sustainable growth and development should be a common thread woven throughout all the work of this Organization.

With regard to broadening the WTO's agenda, we are prepared to consider whether the WTO should begin careful examination of new issues some feel should be debated. Like others, we are concerned about finding the right balance of interests. That is why we have been willing to go along with others who wish to begin a modest work programme in the areas of investment and competition, as part of a balanced overall agenda for the WTO.

To remain viable, the WTO must reflect the needs of various constituencies involved in world trade. Each of our economies will be facing more pressure from globalization in the coming years, and we must help workers adjust to and benefit from an open trading system. We must do more to acknowledge that there is a mutually reinforcing relationship between an open trading system and respect for core labour standards.

That is why we hope to have an agreement that the WTO should, in cooperation with the International Labour Organization, examine in greater detail the important nexus between trade and labour standards. We believe strongly that increased trade and the economic growth that it brings should also engender greater respect for the basic human rights which are the focus of our core labour standards proposal.

We are not proposing an agreement on minimum wages, changes that could take away the comparative advantage of low-wage producers, or the use of protectionist measures to enforce labour standards. We are proposing that the concerns of working people - people who fear that trade liberalization will lead to distortion - be addressed in a modest work programme in the WTO. Trade liberalization can occur only with domestic support; that support, and support for the WTO, will surely erode if we cannot address the concerns of working people and demonstrate that trade is a path to tangible prosperity.

We do not lack challenges as we look ahead, but I am highly optimistic. This week we can send a strong message that the WTO is ready to move forward with will and determination, to become the strong, vibrant, and pragmatic institution we all want it to be. With much hard work, we can continue the historic tradition of trade liberalization to which we are dedicated.



Webmaster @ USTR - 16 December 1996

**REMARKS BY ACTING USTR CHARLENE BARSHEFSKY  
before the  
American Chamber of Commerce in Singapore, and the  
US-ASEAN Business Council  
in Singapore  
Dec. 12, 1996  
[as prepared for delivery; check against transcript]**

Thank you. It's a pleasure to be here with you.

When you get this far into a trade summit, there is a tendency by the press and many of the participants to focus their attention only on the immediate developments, what happens day-in, day-out.

What I would like to do, in starting out this morning, is make just one point about the World Trade Organization to put this week in perspective.

Over the first half of this century, countries encompassing one-third of the world's population decided to experiment with some form of command economy. Later, with the Cold War, these nations all but froze their trade with market economies. They turned inward.

Now, at the end of the century, one-third of the world's population is turning back toward the free market. These nations want to reintegrate themselves with the global economy. That is an awesome potential waiting to be tapped, but it will be a gradual process.

Therefore, the ultimate test of the WTO will not be what happens this week. It will be whether, over the long run, the WTO continues to establish and uphold the principles, rules, and infrastructure of trade for all nations. The WTO is not an event to expand trade, it's a continuous

opportunity.

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Let me sketch for you, in brief, how we think opportunities can be created and how they can be taken.

Along with the work of the built-in agenda and the implementation that is being pursued on various fronts, we see **three areas of liberalization** as vital to the global infrastructure of trade.

Foremost, we must bring down the barriers to trade in **information technology products** so that all nations -- developed and developing, large and small -- will have the means to be competitive in the era of the Information Society.

An Information Technology Agreement is possible now that, starting in 1997, will benefit an extraordinarily diverse array of industries in the United States and elsewhere. Information technology, by its very nature, is highly integrated -- it synthesizes products from different companies, different sectors of the economy, and different nations.

Rubber casings, copper wirings, silicon chips, high-speed assembly, software programming: these are component products needed in all four corners of the earth. That is why the world's biggest information-technology exporters are also the biggest importers. Product integration means economic interdependence.

More importantly, IT products are necessary for building the infrastructure of any economy seeking to compete in the 21st century. Power distribution, trains, airports, trucks, automobiles, telephone networks -- all of these parts of the economy that once operated without

computers are now powerless without them.

The second area of liberalization on which we should press ahead, an area that is very important to IT, is **telecommunications**. These negotiations, as you know, are scheduled to conclude by February 15. Liberalization in this sector will spur investment and the use of new technologies in wider geographical and product areas. Businesses in remote rural regions, for instance, will be able to hook up to cities via satellite.

The United States and Europe have recently announced improvements to their offers in these negotiations, and we hope and expect that others will offer similar improvements. With such a short amount of time, post-Singapore, to conclude this agreement, we hope other WTO members will advance this common goal and live up to the standards they have set for trade liberalization.

Think about the opportunity before us. Two-thirds of the people on this planet have never made a phone call. Half the world's population lives more than two days' walk from the nearest phone. Reaching these populations is not only going to help those of us in the developed world. It's going to help them.

The third area of negotiation that is critical to growing economies is the negotiation on **financial services**. The United States is committed to achieving a meaningful agreement in financial services by the end of 1997. We are convinced that this is possible, but it will take a significant improvement in offers by key countries, and these offers will have to be consistent with the GATS principles of market access, national treatment, and MFN.

We can and should look more carefully at phased-in commitments as

long as there are assurances that the end result will be substantially full market access and national treatment in key markets. However, the United States will be unable to support the MFN principle in services negotiations unless we received contributions from substantial participants.

The benefits of binding open regimes in this sector are clear: increased access to international capital and insurance, and a stronger financial infrastructure for continued investment and economic growth.

If we can succeed in these three areas -- an ITA, basic telecomm negotiations, and financial services negotiations -- we will be on our way to establishing the a solid infrastructure for trade and trade liberalization in the next century.

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Obviously our vision for the WTO extends beyond the deadlines assigned to these three important negotiations. There are a number of other issues that I would like to underscore just briefly.

- **With respect to agriculture**, we look forward to continuing the reform effort called for in the WTO agreement. Our work has just begun, and our experience with implementation of the Uruguay Round Agreement should enable us to move ahead with determination. We believe the WTO should develop disciplines against disguised forms of protection, such as production subsidies, and nontraditional forms of protection, such as state trading enterprises, that should no longer be shielded from the progress we are making elsewhere in agricultural trade.

- We believe we have a genuine opportunity to make progress in the coming year in the sector of **professional services** -- an area that will benefit both consumers and professionals.
- Full and timely implementation of the **TRIPS agreement** is very much in the interest of the global trading system. Strong intellectual property protection as provided for by the TRIPS agreement will spur research and development. Full implementation should be as rapid as possible and existing obligations should be met now.

Countries benefitting from transition periods should be taking steps to ensure that the obligations are met as they come into effect. Countries benefitting from transition periods should accelerate implementation of the agreement to the maximum extent possible. There can be no weakening or undermining of the TRIPs agreement in the TRIPs Council or other fora.

- We are prepared to consider whether the WTO should begin careful examination of new issues that are emerging in the areas of **investment and competition**. Like others, we are concerned about finding the right balance in order to succeed. That is why we have been willing to go along with others who wish to begin a modest work program in these areas.
- With respect to the **environment**, the WTO has made important strides. The Committee on Trade and Environment has made a meaningful start to its work, recognizing, among other things, the contribution that trade liberalization in concert with environmental policies can make to sustainable development. However, much more needs to be done. Critical to the WTO's credibility is for the CTE to take a more balanced approach to dealing with trade and

environment, taking both policy perspectives fully into account.

To put it bluntly, objectively examining whether the trading system presents obstacles to environmental progress is just as important a role for the CTE as is ferreting out green protectionism. In this regard, we believe that the CTE can be made more effective by encouraging a greater level of participation of our environmental experts.

Finally, while urging that we all take the CTE's future work very seriously, I must caution that fulfilling Agenda 21's mandate for sustainable development demands more from the WTO than simply a committee. The pursuit of *sustainable* growth and development should be a common thread woven throughout all the work of this organization and all of its institutions, including this Ministerial.

- We believe it should be possible to negotiate a multilateral procedural agreement that would afford **transparency and due process to government procurement** practices. This is an omission in the WTO rules that should be possible to address. These are principles that should apply to the WTO itself as well as member governments. The work of the CTE has underlined the critical importance of making the WTO more open to the public. The decision on procedures for circulation and de-restriction of WTO documents was an important step in this direction but further progress is needed on access to documents and other facets of transparency.

For instance, the decision on Guidelines on Relations with NGOs, while welcome, did little by way of breaking new ground. At the same time, the decision to allow NGOs to observe this Ministerial

is a very welcome and useful step. From here, we must continue to find innovative ways to work with and receive input from the private sector.

- Finally, we would like to have the member nations reexamine the **distinction between developed countries and least-developed countries**. It may well be that, because of the changes in the world economy over the last few decades, these categories offer less and less useful information about the countries they are meant to describe. Any correction that would make our economic assumptions and terms of debate more precise is sure to benefit all the member nations over the long run.

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In closing, let me say that we should never forget the worker that is at the heart of any economy. **Workers in our economies** will be facing more pressure from globalization in the coming years, and we must use all our tools -- education, regulatory reform, and fiscal reform -- to help them make the necessary adjustments and to recognize the benefits of an open trading system. We must do more to demonstrate that there is a mutually reinforcing relationship between an open trading system and respect for labor standards.

That's why we hope to have an agreement that the WTO should, in cooperation with the International Labor Organization, examine in greater detail the important nexus between trade and labor standards. It is a modest proposal that should help all of us demonstrate that workers have nothing to fear.

We are not proposing an agreement on minimum wages, changes that

could take away the comparative advantage of low-wage producers, or negotiating an agreement where trade could be used as a weapon to enforce labor standards. We are proposing the beginning of a dialogue in the WTO that recognizes the primacy of the ILO.

We know that there have been concerns that the United States wants to pursue this issue in the WTO for protectionist ends. The motivation is exactly the opposite, in fact. The WTO can and should play a role in helping allay the concerns and fears of our workers. By the conclusion of this week, we should be able to send a strong message that trade and economic growth are not incompatible with the concerns of our workers.

I am optimistic about what we can accomplish here and about our determination to make the WTO a strong, vibrant, and pragmatic institution. We have set realistic goals for our first meeting, and we should be successful. Before us, there is only continuous opportunity.

Thank you.

## [ALTERNATIVE INTRO]

When you get this far into a trade summit, there is a tendency by the press and many of the participants to focus their attention only on the immediate developments: what happens today, what happens tomorrow.

I would like to speak with you this morning about the ongoing development of the World Trade Organization and, as a practical matter, what that means in the long run for business in this region, in the United States, and in the global trading system.

The "Road to Singapore," as you know, has been used as a catchphrase for the early years of the WTO. This will go down as a largely successful ministerial, so undoubtedly there will be a lot of discussion of the "Road from Singapore." Progress on that road will not always be fast. Nor will it be easy. But it will help us if, in pushing ahead, we try to recall where we started.

Where did the "Road to Singapore" start? Did it start in Marrakesh? Geneva? Washington? Did it start when the Berlin Wall fell? Uruguay? Tokyo? Did it start at Bretton Woods?

It started, of course, in all of those places. It started every place where leaders in business and government in the 20th century came together and recognized that trade is more than a transaction between two companies, that trade is more than a dialogue between two nations.

Trade integrates the work and resources of *all* nations in a way that

inherently promotes the prosperity and peace of *each* nation.

That was an insight shared by President Woodrow Wilson at the start of this century, President Franklin Delano Roosevelt in its darkest hour, and President Bill Clinton as this century ends -- free trade is not just a theory, it works. Wherever free trade gets stronger, the danger of conflict gets weaker. But neither side ever entirely prevails.

Gen. Douglas MacArthur understood that constant tug-of-war. He said, "there is no security on this earth, there is only opportunity."

I mention this because of where we are today. When this ministerial is over and you gauge whether it is a success, I urge you to consider the long view. I think it will have been a tremendous success for the simple fact that after two years we've reached this point and agreed to keep working for freer trade *every day* from here forward. The WTO is not a week-long event. The WTO is not an intermission between trade rounds. The WTO is an established institution working on trade liberalization continuously. Why? Because free trade never has security. *There is only opportunity.*

Let me sketch for you, in brief, how we think opportunities can be created and how they can be taken.