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Testimony of Ambassador Charlene Barshefsky  
before the Trade Subcommittee of the House Ways and Means Committee  
March 18, 1997

Speeches

Thank you, Mr. Chairman and Members of the Committee. It  
am pleased to appear before you today.

*an important note I think  
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committees*

I appreciate this opportunity to set forth the Administration's  
views on the direction of trade policy. When I entered the field  
of international trade twenty two years ago, trade was really the  
province of a relatively few academics, trade technicians, and a  
relative handful of interested members of Congress. Those days  
are long past. As trade has become more central to our  
economic health, it has understandably become a matter of great  
importance to virtually all members of Congress and to people  
in all walks of life across our country. This Administration, and  
any future Administration, bears the responsibility of explaining

our trade policy clearly and building broad political support for it. To advance that goal, I pledge today to engage---as much as possible---in what President Truman once called "plain speaking."

No discussion of ~~our~~ trade policy should begin without reaffirming our commitment to a bipartisan partnership with Congress. ~~No trade policy can ultimately succeed without the support of the Members. Bipartisanship has been a cornerstone of our past success, and will continue to be in the future.~~ I pledge to work closely with all members of this Subcommittee - and the full Ways and Means Committee - to advance ~~the cause~~ <sup>US trade interests</sup> of ~~opening foreign markets and thereby~~ <sup>expanding</sup> exports and creating <sup>e</sup> more and better jobs and opportunities for Americans in the workforce today, <sup>+ tomorrow.</sup> ~~and their children who will be joining it in~~

~~the coming years.~~

## Trade and the Strength of the U.S. Economy

We should begin by recognizing that our economy is the strongest in the world; that expanded trade has played an important role in building that strength; and that no country in the world is better positioned to take advantage of the enormous opportunities presented by a growing global economy. ~~In fact,~~ we are at a unique moment and we need to seize it now. Our competitors cannot beat us, but we can lose if we put ourselves on the sidelines.

As we look toward the next four years, consider our situation:

- Our economy is the envy of the world. We are in the sixth  
 year of the current economic expansion. Over the past four  
 years, we have created nearly 12 million new jobs, while  
 the <sup>Combined</sup> G-7 created roughly 600,000. We have the lowest  
~~budget deficit as a percent of GDP of all the G-7 nations.~~  
 Our combined unemployment and inflation---the so-called  
 misery index---<sup>is</sup> ~~are~~ at the lowest level since 1963.  
 Countries around the world seek to emulate the "American  
 model."
- We have seen a resurgence in U.S. competitiveness. We  
 are once again the world's largest exporter setting historic  
 records ~~in manufactured goods, high technology goods,~~

~~services, and agriculture.~~ Over the last four years, our manufactured exports are up 42%, high technology exports jumped 45%, service exports climbed 26% and farm exports rose 40%. We are the world's largest producer of semiconductors and the largest producer of automobiles.

~~The World Economic Forum has found America to be the~~

*We are the*  
 most competitive major economy in the world ~~for three~~  
 ^  
~~years running.~~

- Our economic expansion has been investment-led, building the foundation for even greater economic strength. In 1995, total business investment in the U.S. was more than \$800 billion. Our industrial production is up nearly 18% in real terms over the last four years. Japan's <sup>industrial</sup> production is up <sup>at</sup> 5 percent and Germany's has declined by 2 percent over

this period. Growth of our industrial capacity ~~growth~~ is at its highest level since the 1970's. We have more manufacturing jobs than we had four years ago. The industrial Midwest has gone through a virtual renaissance of manufacturing and productivity.

Trade policy has contributed significantly to the economic strength of our country today. From the early weeks of the Administration, the President made it clear that we would compete, not retreat behind walls. We would not accept the status quo whereby too often our trading partners took advantage of our open market while maintaining closed markets at home. We have relentlessly pursued an agenda of opening foreign markets, and breaking down foreign market barriers--- multilaterally, regionally and bilaterally. ~~add~~ we have

We committed to work for a system where all trade nations, developed and developing, would adhere to the same set of basic rules, and we have made important strides in that regard with the creation of the WTO and elsewhere. We have not yet fully leveled the playing field for U.S. companies, workers and farmers, but we have clearly made progress. <sup>And</sup> The world is <sup>even</sup> generally more open to U.S. exports than it was when the President took office, and far more open than when Congress, on a bipartisan basis, passed the landmark 1988 Trade Act which gave us and our predecessors the clear direction and the tools to open markets around the world.

~~This Administration has~~ negotiated over 200 trade agreements, all designed to advance our economic and trade interests. In the past four years:

- We completed the Uruguay Round, the largest trade agreement in world history, which will add \$100-200 billion to GDP annually when fully implemented.
- We completed the NAFTA, which increased our exports to Mexico, and kept Mexican markets open despite the worst economic crisis in Mexican modern history.
- *have* We worked tirelessly to break down market access barriers in Japan, which have presented one of the central trade challenges for the past twenty years, reaching 24 agreements and increasing our exports 43% in four years (with exports covered by these agreements growing roughly twice as fast).

- <sup>have</sup> We led the world in setting tougher standards for trade with  
China: battling to open a highly protected market,  
negotiating landmark agreements in intellectual property  
and textiles, and insisting that China's accession to the  
WTO occur only on commercially meaningful terms.
- We breathed new life into APEC, starting with the  
President's leadership in 1993, spelling out a long term  
vision for free and fair trade, making progress more  
concrete year by year, culminating with the key role played  
by APEC in completing the Information Technology  
Agreement (ITA), and anchoring our country more firmly  
in the fastest growing region of the world.
- We have led the multilateral effort in this hemisphere to

build the Free Trade Area of the Americas (FTAA) by 2005, with concrete progress by 2000, ~~deepening our commitment to our own hemisphere,~~ recognizing the extraordinary progress of open markets and democracy throughout the region.

- We initiated the effort regarding the creation of the U.S. - EU Transatlantic Marketplace. ~~We have been working closely with the private sector to improve market access.~~
- We took the lead in combating bribery and corruption in government procurement, in respecting core labor standards, and in pursuing the agenda to make trade and environmental policies mutually supportive.

- We have vigorously enforced our trade laws and

agreements using every tool possible and making it clear that agreements, if not implemented by our trading partners, will be enforced. ~~In the past four years we have~~

*brought* brought 48 trade enforcement actions. We have filed 23 ~~cases to enforce U.S. rights under the new dispute~~

*WTO*

*13 last year alone.*

~~settlement procedures of the WTO, having filed 15 complaints last year alone.~~

*And*

Over the last three months, we have completed the ~~an~~ <sup>*historic*</sup> Information Technology Agreement (ITA) and the Agreement on Basic Telecommunications---two far-reaching multilateral agreements reducing trade barriers around the world for our high technology industries. The ITA will benefit producers of such products as

*most competitive industries with 21.5% cent.*

semiconductors, computers, telecommunications equipment and software. These industries support 1.5 million manufacturing jobs and 1.8 million related service jobs. This agreement amounts to a global tax cut of \$5 billion. The telecommunications accord is expected to generate approximately 1 million U.S. jobs over the next 10 years and save billions of dollars for the American consumer. We estimate the average cost of international phone calls will drop by 80 percent -- from \$1 per minute on average to 20 cents per minute over several years. The cost of U.S. domestic calls should also fall as the agreement helps raise investment in the U.S. in competitive telecommunications networks.

We pursued these initiatives because we recognized that trade is

increasingly important to the future of our nation. Trade is now equivalent to nearly 30 percent of GDP, up from 13 percent in 1970. Exports over the last four years have generated roughly one quarter of our economic growth. And these are good jobs; they pay 13-16% more than non trade-related jobs. ~~That's one reason why~~ over 68% of the jobs created in the U.S. between 1994-96 paid above the median wage. Exports support an estimated 11.3 million U.S. jobs, and over 1.4 million of these jobs were generated by increased exports over the last four years.

None of this is to suggest that we don't face challenges and continuing problems. Many markets around the world remain closed to our exports and, to the extent our trade deficit is the result of these barriers, particularly on a bilateral basis, they

must be reduced. ~~What~~ <sup>T</sup> too many Americans are left behind in the current economic expansion, without the skills or education to benefit from the increased opportunities. Neither government nor the private sector should rest while that is the case. And I recognize that for those Americans who have lost jobs because of trade or technological change, or corporate downsizing, it is cold comfort that the overall picture is positive.

In considering the direction of future trade policy, however, we need to start by recognizing that our economy is stronger than it was four years ago, and far stronger than it was ten years ago. OK  
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~~None of us should be complacent, but our country's economic success is no accident. We put our government's market opening efforts behind our companies, workers and farmers at precisely the time when they were at their most competitive.~~

After years of doubt and soul-searching about our country's ability to compete, we have together succeeded in defining a distinctively American partnership to <sup>win</sup> ~~succeed~~ in a tough global economy. As we consider what comes next, we can take pride, ~~for a moment,~~ in what we, together, have accomplished.

### **A Moment of Choice; The Dangers of Inaction**

~~But only for a moment.~~ <sup>Bm</sup> This is not the time for resting on our laurels. As we contemplate the next four years in trade, we face a very clear choice.

↓ the choice is this:

We can recognize that the American economy is the model for the world, and continue to open foreign markets and seize the initiative when it comes to international competition. We can

recognize the extraordinary opportunities presented by the growing global economy, in which developing nations, which want and need the full range of our manufactured goods, services and agricultural products, are poised to fuel continued global growth. We would face up to problems as we identify them together: working to put in place education, training and adjustment policies needed to help those who are not benefitting from the new economy; advancing core labor standards and protecting the environment; being vigilant to the consequences and potential threat of forced technology transfer. But we would be starting from the proposition that we have been basically on the right track, and we should stay fully engaged, using all our tools, taking advantage of <sup>all the</sup> opportunities that present themselves as we did when we saw the chance to reach an ITA.

Or we can convince ourselves, against the evidence, that we are on the wrong track. We can choose our course guided by a picture of economic decline and disinvestment that bears no resemblance to what is happening in our country. We can ignore our trading interests and opportunities around the world, and let ourselves instead bog down in an endless debate over NAFTA, ~~and~~ primarily our relations with Mexico. We can, in short, lose our momentum, abdicate our position of strength, either permit markets to stay closed, or let others seize the initiative from us and gain preferential treatment. The choice is that clear.

*As we contemplate the next*

With all we have accomplished in the past four years, the world  
~~has continued to change in ways that are critically important to~~  
 understand. We must recognize the dangers of inaction! In

*↓ I want to  
 turn to this for  
 a moment*

• *NA*

MERCOSUR (Argentina, Brazil, Paraguay, Uruguay) is a developing customs union with ambitions to <sup>expand</sup> ~~expand~~ its association agreements to all of South America.

*S. 61*

MERCOSUR is the largest economy in Latin America and has a GDP of roughly \$1 trillion and a population of 200 million. ~~These association agreements are eliminating tariff barriers and border restrictions to commerce.~~ Such *It has*

~~agreements have already been struck~~ <sup>with</sup> Chile and Bolivia. ~~MERCOSUR~~ is discussing agreements with a number of Andean countries (Colombia, Venezuela, ~~etc.~~) as well as countries within the Caribbean Basin. The MERCOSUR ambition is in part driven by the decades old vision of a Latin American free trade area, but also has a clear strategic objective regarding commercial expansion and a stronger position in world affairs.

every region of the world, but particularly Asia and Latin

America, the two fastest growing regions of the world, our

govts

~~competitors~~ are pursuing strategic trade policies and, in some

~~cases~~, preferential trade arrangements, that will open up markets

forming relations as much as rather than with

~~for their exporters, their products, their workers, their farmers.~~

In short, in this post Cold War global economy countries are

creating new exclusive trade alliances to the potential detriment

of U.S. prosperity and leadership. Example abound:

US

720

→ • MERCOSUR

Insert

←

• The EU has begun a process aimed at reaching a free trade

agreement with MERCOSUR, the largest market in Latin

America, comprised of Argentina, Brazil, Paraguay, and

Uruguay, with a GDP of over \$1 trillion. They have also

concluded a framework agreement with Chile that is set up

to lead to a free trade agreement. The President of France,

just in the region, said we ~~will have to set the foundations~~

~~for a new and ambitious partnership,~~ with Latin America,

adding that Latin America's "essential economic interests...

lie not with the United States but with Europe." President

Chirac was traveling with four Cabinet officials and 20

leading French businessmen.

- China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" in Latin America. China wants to enhance commercial ties and ensure that key Latin countries are receptive to its broader global agenda as a rising power, both in the WTO and other fora. The Chinese leadership has undertaken an unprecedented number of trips to Latin America in that last two years, and Latin America is its second fastest growing export market.

- Japan has undertaken high level efforts throughout Asia and Latin America <sup>in country after country</sup> to ~~enhance commercial ties through investment and financial initiatives.~~ The Prime Minister of Japan recently visited Latin America seeking closer commercial ties and a greater Japanese commercial presence in all respects.

- ASEAN is forming a free Southeast Asian trade area that will include 400 million people and some of the fastest growing economies in the world. It is a region where China, Japan, Korea and the EU are focusing competitive energies. ~~In a bold initiative indicative of the new dynamic in the global economy,~~ Argentina's President Menem recently suggested a MERCOSUR -ASEAN free trade area

- an agreement that would encompass over 600 million people.

- ~~Countries within this hemisphere are equally aggressive.~~

Mexico wants to be the commercial hub between North and South America, ~~but also~~ serve as a venue in which to enter North, Central and South America from Asia and Europe.

It is jointly pursuing a free trade area with Europe and is reaching out to Asia. President Zedillo and his Cabinet have undertaken numerous missions to Asia and have been well received. It has reached trade agreements with

Colombia, Venezuela, and Costa Rica and is negotiating with Honduras, El Salvador and Nicaragua. It has initiated talks with MERCOSUR.

- Chile has a similar strategy. It has concluded agreements with MERCOSUR, Mexico, Colombia, Venezuela and Ecuador. It intends to start similar negotiations with Central America and has an eye toward agreements with Asia. Japan is its largest export market, but Chile sees itself as a bridge from MERCOSUR to Asia and back, and is positioning itself with its MERCOSUR neighbors for that purpose. It has also struck <sup>a FTA</sup> ~~an agreement~~ with Canada <sup>^</sup> that includes a range of market opening elements.

- In the Asia-Pacific region, competition comes from many sources, ~~all of which have contributed to a declining share of U.S. exports to the region.~~ <sup>well</sup> Competition within Asia is <sup>\*</sup> the most intense. Japan has been ahead of the U.S. in East Asia in terms of corporate presence, and especially in the

past decade, in terms of the amount of overseas development assistance (ODA) it is willing to spend to advance its commercial interests. In more recent years, Korean chaebols have likewise pursued an aggressive strategy to both invest and attain market share in dynamic East Asian economies, ranging from textiles to steel to autos.

- The countries of Southeast Asia, some of the most dynamic economies in the world, are integrating through <sup>the</sup> ~~its~~ ASEAN Free Trade Area. The integration gives other ASEAN countries access in some key areas where U.S. exporters would otherwise have an advantage, such as in agricultural products, particularly processed food products.

The point, Mr. Chairman is that

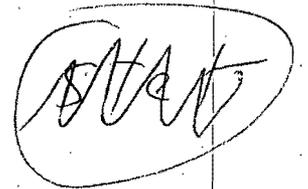
Ninety five percent of the world's consumers live outside our boundaries, and 85 percent of them reside in developing

~~countries. These are the large growth regions. Last year, the developing world imported over \$1 trillion in manufactured goods from the industrialized countries, and this is the tip of the iceberg. The infrastructure needs alone of the developing world are estimated to be enormous. For example, in just 8 of the large developing countries, traditional infrastructure needs (telecommunications, power, transportation and petroleum infrastructure) are estimated to be over \$1.6 trillion.~~

Our ability to create jobs and sustain our living standard in the next century will depend, in no small part, on how successful we are, relative to our competitors, in embracing the trade opportunities offered by these emerging markets. We should not

be indifferent to currents that can be identified simply by reading the newspapers. In my view, we have all the talents needed to compete successfully, but our competitors are determined, sophisticated, strategic and focussed. Many U.S. firms are already seeing evidence that their competitors are engaged in an intensive effort to rework the rules of these dynamic marketplaces to their advantage.

~~A recent example illustrates the dangers. In November 1996 Canada reached a comprehensive trade agreement with Chile that will eliminate Chile's 11% across-the-board tariff starting this year. Northern Telecom recently won a nearly \$200 million telecommunications equipment contract over U.S. companies in part because to buy from a U.S. producer meant an additional \$20 million in costs (duties) relative to purchasing from Canada.~~



~~We have done much to level the playing field in the past four years, but in this case, we are sitting on the sidelines, spotting Canadian competitors an 11% price advantage every time we compete in the Chilean market. We will suffer that handicap again and again, in country after country, if we do not stay in the game of opening markets for our companies and workers.~~

Looking at this sobering pattern, <sup>that I have just outlined,</sup> we need to reaffirm the commitment of the President in 1993, to "compete, not retreat."

### **Our Global Trading Agenda**

*My Chairman, I believe*

Our trade policy must be driven by two factors: <sup>an</sup> ~~our~~ emphasis on building prosperity at home through the expansion of our export

and trade opportunities built on a strong foundation of

(2)

reciprocity as we proceed; and ensuring we are strategically well

positioned in the world to advance ~~our~~ economic and trade + broad

interests <sup>including regional stability</sup> through a growing number of enduring trade

arrangements, particularly where those arrangements put us at

the center of activity. ~~Both of the~~ <sup>underlying</sup> principle of our trade policy must be

to support U.S. prosperity, U.S. jobs and the health of U.S.

companies; <sup>the outgrowth of that policy is control</sup> leadership, <sup>the ability of</sup> the world's indispensable nation <sup>transmission</sup> values of demo, hr <sup>the</sup> rule of law to our partners.

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Given the evidence of concerted efforts by our competitors to improve their position, around the world, <sup>and the potential erosion of</sup> we need to respond

*Handwritten note: leadership*

with our most effective and strategically powerful trade policy.

We need to position ourselves as the most important player in

the global constellation of trade activity now and into the future.

We need to be positioned to play a catalytic role in all key

regions of the world. We must utilize the full range of our tools of leverage on the trade front while at the same time continue to enforce our trade laws and agreements vigorously.

There are some who believe that simply opening markets on a global scale is the be-all-and-end-all, no matter how it is done or no matter who benefits. I subscribe to a different view. It is imperative that we open markets in a manner consistent with the rules of the WTO, but we must make sure Americans benefit directly from this process, and to do that Americans must drive the rules of the new global landscape and the opening of markets. There is simply no other way to protect our jobs, our vital trading interests or our global leadership on trade.

In the next four years, the Administration believes we should

keep on opening foreign markets, and breaking down foreign

trade barriers. We believe in this for our own export performance, for our own jobs and for own prosperity at home.

The ITA and the telecommunications agreement provide vivid evidence of how our country can benefit from important sectoral

agreements. We will continue to use the multilateral system, and have provided recent evidence of just how much can be

accomplished multilaterally. ~~At the same time,~~ We cannot fully

confront the competitive challenges we face or open the major emerging markets around the world without an aggressive,

reciprocity-based push on the <sup>multilateral</sup> regional and bilateral fronts.

*Let me touch on <sup>for a moment</sup> ~~the~~ <sup>multilateral</sup> ~~regional~~ <sup>and</sup> ~~bilateral~~ fronts.*

Multilateral Efforts

Within four years, major WTO negotiations will occur <sup>by</sup> ~~in several~~

areas where the United States is a top global competitor:

agriculture, services, and the rules for intellectual property

rights. This year we will be resuming WTO negotiations on

financial services, <sup>And we will</sup> a sector where U.S. companies excel. At the

same time, the Administration will work with industry and

workers to search out ever more opportunities in key sectors.

We will continue <sup>seek out</sup> ~~to look for~~ sectoral opportunities to benefit

U.S. exporters to build on the successes we have had in recent months.

Building on the positive outcome of the negotiations on the ITA and telecommunications, we are turning our attention to the WTO financial services negotiations which resume in April. We are committed to achieving a meaningful and comprehensive agreement by the end of the year. Earlier efforts to reach

agreement were not successful due to inadequate offers by key countries. To successfully conclude these negotiations this year, our trading partners must significantly improve their commitments based on the GATS principles of market access, national treatment and MFN. However, with the precedent that has now been established in the telecommunications agreement, we hope to see improved offers in the financial services talks.

Negotiations to further open the \$526 billion global agriculture market are to be initiated in 1999. While the Uruguay Round reduced some of the most difficult barriers to agricultural trade, helping us to attain a record level of agricultural exports in 1996, our work is far from done. Removing agricultural barriers wherever they exist is one of our highest priorities of the next four years, so follow-on negotiations in the WTO are

extremely important. We will work hard with our allies on this issue to move ahead.

Services negotiations to expand this \$1.2 trillion global market - - where U.S. firms exported more than \$220 billion in 1996 (est.) with a surplus of \$74 billion -- are to start in January 2000.

The trade related intellectual property rights (TRIPs) agreement which protects, for example, the interests of fast-growing U.S. copyright industries exporting over \$400 billion a year, is to be reviewed, with key elements examined beginning before then.

We must do everything possible to expand opportunities for such vibrant industries.

The "built-in agenda" from the Uruguay Round provides other opportunities to open foreign markets. In a world trading

environment increasingly less characterized by traditional tariff barriers, the built-in agenda is in many respects aimed at clearing away the impediments left by non-tariff barriers -- be they deliberate or the unintended consequence of bureaucracy and inefficiency.

*we will be reviewing sanitary and phytosanitary rules*

→ • For example, ~~the rules governing~~ technical barriers to trade,

~~(covering product standards, technical regulations and associated procedures such as testing and certification) are scheduled to be reviewed by December of this year, just as~~

→ sanitary and phytosanitary rules affecting trade in agricultural goods will be reviewed by January of next year.

~~These reviews will play an important role in our broader efforts to ensure that the development and application of product standards and environmental, health and safety~~

regulations are technically justified and do not serve as disguised protectionist measures.

- ~~Similarly, bringing about the full implementation of the~~

→ ~~customs valuation agreement by 2000, particularly by~~

~~WTO members in key emerging markets, will help to~~

ensure that our exports to those markets are not impeded by

improper or incorrect customs valuation methods which

might artificially distort the price of our products and erode

the benefits of Uruguay Round market access gains.

- • ~~Likewise, the upcoming reviews of pre-shipment inspection~~ ✓

→ ~~and import licensing procedures can make a big difference~~

in opening up access to the growing markets of low- and

~~middle-income countries, where governmental reliance on~~

pre-shipment inspection and import licensing to compensate for underdeveloped domestic customs administrations can sometimes result in unjustified trade barriers through commercial uncertainty and corruption.

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• ~~negotiated to~~

Negotiations for harmonizing the rules for determining the

origin of internationally traded products are also due to be completed by July 1998. A harmonization agreement will significantly enhance commercial predictability and will reduce the ability of governments to manipulate origin rules as a means of "reclassifying" products under a higher tariff. For those U.S. industries which source their parts and components from around the world for production in various countries, these rules are critical to their ability to predict costs and conduct business.

↓  
We will

- ~~The launch <sup>^</sup> this year~~ ~~new negotiations to improve and~~

~~expand the coverage of WTO rules on government~~

~~procurement~~ <sup>this year</sup> ~~and facilitate U.S. efforts to improve our~~

~~access to the lucrative infrastructure projects now planned~~

~~or under way in the rapidly growing regions of the world.~~

~~We estimate that Asia alone will provide opportunities for~~

~~up to \$1 trillion in business for such projects over the next~~

~~decade.~~

- ~~The U.S. will~~ <sup>We will</sup> ~~push for broader and clearer reporting of~~  
state trading activities <sup>particularly in the agricultural sector.</sup> ~~which will lead to a better~~

~~understanding of the relationships between state trading~~

~~enterprises (STEs) and governments and of the types of~~

~~activities in which STEs engage. Due to our concerns~~

about the state trading activities of other countries, especially in agricultural products, there is heightened scrutiny of STEs in the WTO.

We also have a full agenda of accession negotiations regarding the WTO. As always, we are setting high standards for accession in terms of adherence to the rules and market access. Accessions offer an opportunity to help ground new economies in the rules-based trading system. As I indicated earlier, the Administration believes that it is in our interest that China become a member of the WTO; however, we have been steadfast in leading the effort to assure that China's accession to the WTO would occur only on commercial, rather than political, grounds. The pace of China's accession negotiations depends very much on Beijing's willingness to improve its offers.

While China's accession has attracted far more attention, the United States takes every opportunity to pursue American interests with the 28 applicants that are now seeking WTO membership, and to give leadership to the process. Russia's WTO accession could play a crucial part in confirming and assuring Russia's transition to a market economy, governed by the rules of law and international trade. Discussions so far on Russia's accession, while still at an early stage, have been quite positive and we look for more progress. We are excited about the prospects of the accession of many of the former Soviet Republics, and the Baltic States. Others, like Saudi Arabia and Vietnam, are also becoming more active.

Within the Organization for Economic Cooperation and Development, we are in active negotiations over the Multilateral

Agreement on Investment to ensure equitable and fair treatment for U.S. investors. In both this forum and the WTO, we are also actively engaged in negotiations on bribery and corruption, competition policy and transparency in government procurement.

2nd  
— Regional Efforts

Latin America and the Caribbean were the fastest growing market for U.S. exports in 1996. If trends continue, it will exceed the EU as a destination for U.S. exports by the year 2000, and exceed Japan and the EU combined by the year 2010. It is also the second fastest growing region in the world, having transformed itself over the last decade in a manner unnoticed by some, but with profound positive implications for the United

States. The Administration recognizes the enormous opportunity to build on this historic transformation.

With regards the regional agenda, the United States is committed not only to concluding the FTAA by 2005, but also to concrete progress by 2000. A May 1997 hemispheric trade Ministerial meeting is to determine how and when these critical negotiations will be launched, and a second Summit of the Americas will take place in Chile in early 1998. We are at a key juncture in this process. The President will be visiting the region in April and May of this year. We are now turning to the negotiating phase of the FTAA and believe that the second Summit of the Americas set for March 1998 in Santiago is the venue to launch the hemispheric negotiations.

Chile is our first step in the ~~FTAA~~ process. The region views

what we do with Chile as a litmus test for our plans for the

~~region~~ Chile is symbolic of the opportunities in the region and

the region's rising ~~strategic~~ significance to our longer term

economic interests. U.S. exports to Chile area up 148 percent

since 1990. Chile is a leading reformer in Latin America and its

kind of reform is in the economic interests of the U.S. to ensure

a growing export market well into the next century.

At the same time, and with building the FTAA very much in

mind, the Administration remains committed to Caribbean Basin

Trade Enhancement and will be working with the Congress on

legislation to accomplish this objective. We believe it is

important to provide the countries of this vital region with the

right kinds of incentives to be full participants in the FTAA

effort while at the same time provide the most effective tools possible to assist them in this effort.

The Asia Pacific region is enormous in its scope and has major implications for the future of the United States in many ways. It contains the fastest growing economies in the world, largely emerging economies with a total population nearing 3 billion people. Within the Asia Pacific Economic Cooperation (APEC) forum, we estimate that reaching the goal of open markets would increase U.S. goods exports alone by 27 percent annually, or almost \$50 billion a year. ~~More specifically, APEC is embarked on a program of early liberalization in key sectors.~~ Sectoral initiatives, such as the ITA, will be critical to further anchor the United States in Asia through growing U.S. exports in key technologies. In addition, as a step towards the ultimate APEC

goal, market-opening agreements with key economies (or key sectors) of the Asian Pacific rim would provide U.S. exporters with a strategic advantage over U.S. competitors in the region.

It would also provide the United States with a strong economic anchor in Asia, *This has obvious longer term strategic significance as well* a key step in this region bursting with vitality and opportunity.

With Europe, our focus will be on non-tariff barriers which continue to impede transatlantic commerce, most particularly regulatory barriers and a variety of agricultural impediments.

~~Approximately half of our \$126 billion of merchandise exports to the EU require some form of EU certification in addition to U.S. requirements. Redundant testing and certification procedures increase the base cost of exports. Our business community strongly supports our current negotiations to~~

complete Mutual Recognition Agreements (MRAs) to eliminate redundant testing between the United States and the EU. The areas under discussion include telecommunications, electronics, medical devices, pharmaceuticals and recreational craft. At the same time, we will be steadfast in our bilateral discussions and in the WTO to convince the EU to honor its commitments to U.S. agriculture. We recognize this is a major priority of the agricultural sector and it is a major priority of this Administration.

Africa is a region rich in resources and potential, which we should engage with determination to ensure its effective and sustainable development and democratic governance. We recently completed preparation of a report to Congress on the Administration's trade and development policies for Sub-

Saharan Africa. There is an urgent need to integrate Sub-Saharan Africa into the international trading system. We also believe the achievement of this goal lies in African countries reforming their own economies and in our encouraging this process.

3rd  
Bilateral agreements

We recognize that certain problems can only be addressed effectively, and with a degree of specificity necessary, on a bilateral basis. Thus, we will continue to be engaged in bilateral market opening efforts with virtually every country in which we have a trading relationship: from Japan on telecommunications, photographic film, paper and other issues, to Canada on copyright protection, to Argentina on patents, to Korea on autos, to China.

-- ~~the list is lengthy and significant.~~ There should be no misunderstanding. Now, as in the past, market access in many cases will only occur through intense bilateral efforts. This includes the intense scrutiny necessary under our enforcement capacity.

### **The Importance of Fast Track Authority**

We can pursue portions of our agenda with our existing tools. But, to seize the opportunities in the global economy and to fully meet the competition, the President needs a new grant of trade agreement implementing authority, or fast track. Fast track is a key component of our trade arsenal. For that reason, the President has emphasized the importance of renewing trade agreement implementation authority and has instructed me to

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work with members of both Houses and both parties to forge a strong and workable grant of fast track authority.

Clearly, this should not be a matter of party or politics. Every President since President Ford has had fast track authority for key periods. For over 60 years, reacting to the lessons of the Smoot-Hawley tariff, America has led the effort to open foreign markets and increase U.S. and global prosperity. When the

GATT was first formed in 1947, global tariffs averaged 40 percent among industrial nations. Today - after decades of bipartisan American leadership - global tariffs are closer to 5 percent and still declining with the Uruguay Round phase-in, and we have set the rules for bringing down many nontariff

barriers. ~~That~~ <sup>p</sup> persistent market opening has led to a period of increased global commerce unprecedented in world history. It

has created enormous opportunities for our companies and workers, provided a seedbed for democracy abroad and helped further greater stability in a still uncertain world. We should not turn our back on that pattern of leadership, which continues as recently as the completion of the ITA and the telecommunications pact.

There is no substitute for our ability to implement comprehensive trade agreements. The absence of agreed procedural authority ~~to do so~~ is the single most important factor limiting our capacity at this time to open markets and expand American exports and trade opportunities in the new global economy. Such authority is a prerequisite to U.S. negotiating credibility and success on major trade fronts.

## Fast Track and NAFTA in Context

Mr. Chairman, let me spend a moment discussing ~~NAFTA~~

~~because I think it is very important to put it in the right context~~

~~as we move forward.~~

There is no question that many important issues characterize our relationship with Mexico: trade, drugs, immigration, worker welfare and the environment, to name a few. Those issues existed before we negotiated NAFTA and they will exist in the future. Mexico is a developing country with which we share a huge border. It is inescapable that issues of this type will be part of our bilateral agenda for some time. NAFTA is not - and cannot be - the full, long-term solution to problems we may encounter, but by keeping Mexico on the path to prosperity

through market reforms, it can be a part of the solution.

Print Mr. Chairman, the fast track debate is and should be about our ability to conduct a global trade policy - and to advance our global trade interests. Many of the issues in the Mexico debate relate to our shared and unique border. They do not address the need to seize the trillions of dollars in global infrastructure opportunities in Asia to be created in the next decade. They do not give us the tools to continue cutting European agricultural subsidies. They do not help us respond to preferential trading relationships, or exclusionary practices that limit the United States. We must focus on the challenges of tomorrow.

Our competitors would like nothing better than for us to sideline ourselves, debating NAFTA and our relationship with Mexico

for several more years while they move ahead. It would be a serious, self-inflicted wound. America is poised to seize great opportunities. Our competitors cannot beat us; we can only lose by removing ourselves.

### **Trade, Labor and Environment**

Similarly, we can no longer allow our disagreements over the relationship between trade, labor standards and environmental protection to prevent us from granting the President fast track authority. We simply have to forge a consensus <sup>on</sup> of this subject which eluded us in 1994 and 1995. I have been consulting broadly with members of Congress, business, labor and environmental groups, and will continue to do so. I do not intend to put forward a specific formulation today, but wanted to

share several thoughts in this area.

It is important to recognize that a commitment to protection of core labor standards and their relationship to trade, is not new, nor is it unique to the United States. The international commitment to address this issue goes back as far as the Havana Charter, which was the effort to establish the International Trade Organization after World War II. We were gratified that at the WTO Ministerial in Singapore, ~~the trading of the nations of the~~ world acknowledged, for the first time in a Ministerial declaration, the importance of core labor standards ~~to trade~~, although we fought for stronger steps. Advancing worker rights and labor standards is in our national interest and it is consistent with our deepest national values.

Making environmental and trade policy mutually supportive, although a somewhat newer public policy phenomenon on a global scale, similarly enjoys strong support in our country, and internationally. The 1992 Rio Sustainable Development Summit, the 1994 Summit of the Americas, and ongoing work in the WTO all reflect an international commitment to the importance of making these policy areas mutually supportive.

In my view, the challenge is how to maximize progress in three areas which are of major importance to us: expanded market access, advancing worker rights and core labor standards, and promoting environmental protection and sustainable development. We are committed to a ~~strong~~ strategy of pursuing our goals, and maintaining flexibility rather than pretending that one prescription would fit all countries or all cases. Based on

my experience over these past four years, I think there is no substitute for building a consensus at home behind a strategy to advance our objectives on core labor standards and environmental protection. I am also certain that we will not convince other nations to improve their labor standards or environmental protection <sup>or adhering to a rule of law</sup> by denying the President the ability to negotiate trade agreements with them. We will, however, cripple our own export performance and lose jobs at home.

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### Conclusion

President Kennedy once described himself as “an idealist without illusions.” I think that description captures well President Clinton’s approach to trade. He, and those who work for him, genuinely believe that expanded trade can contribute to

our prosperity, and to those around the world, particularly in the developing world where poverty is still widespread. But we have no illusions about the challenges ahead. Every trade barrier facing us is there for a reason: economic, political, bureaucratic, cultural. Some only want to export and not import. The competition around the world will continue to be intense. We have reasons to be confident, but only if we forge a domestic consensus that allows us to move ahead. We need to get down to business. The hard work of the past four years gives us only the opportunity to do the hard work of four.

Speech

**Draft of Remarks by  
USTR Charlene Barshefsky  
before the  
ITIC First Annual Awards Banquet  
March 19, 1997**

Thank you, David [Erwin], and I would also like to thank Rhett Dawson and the members of ITIC. **I am very grateful and honored to receive the first annual David Packard Award.**

There are many, many people -- from President Clinton to our team at USTR to leaders in the IT industry -- who deserve credit for what we have accomplished in trade over the last few years.

What we have tried to do with trade policy, in one sense, is follow in the legacy of David Packard.

He had a clear vision. He believed that trade could be a force for stability, prosperity, and peace. He believed that business and government could

work hand-in-hand to resolve problems and open markets. And he believed that America's interests abroad should be articulated clearly and defended forcefully.

His advice, in fact, might be fitting at this point. At his retirement from Hewlett-Packard, he was asked to reflect on his success and he gave three pieces of advice: Do something useful. Don't gloat about it. And then find something better to do.

In that spirit, I would like to talk to you about the better things we hope to do.

**Our recent efforts, as you know, have gone toward encouraging and stimulating trade in the new infrastructure of the world economy: information technology and telecommunications. The ITA and the Telecommunications Agreement are far-reaching multilateral agreements**

that will reduce trade barriers around the world for our most competitive industries into the 21st century.

**The Information Technology Agreement** by the year 2000 will virtually eliminate tariffs on all information technology products, including semiconductors, computer hardware, software, and related components. These tariff reductions will amount to a \$5 billion annual tax cut for the IT industry.

**The Telecommunications Agreement** breaks a 60-year tradition of telecommunications monopolies and closed markets, and replaces it with the principles of open markets.

**Together these agreements accomplish several things at once:**

- they capitalize on America's preeminence in high-tech industry;
- they increase our presence in the Asia-Pacific and Latin America,

the two fastest-growing markets in the world;

- they use the force of competition to stimulate dormant economies;
- and, over the long run, they underscore the power of the free exchange of ideas and information, the ideas inherent in democratic society.

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**The common denominator in these efforts is American leadership.**

Time and time again, we have seen that other nations will not move, issues will not be resolved, and agreements will not be signed unless the United States is there to lead. Our leadership in trade affects more than American exports; it affects the entire world of trade.

**The continuing strength of American trade policy, however, rests on**

**the support of the American people. This, frankly, is where we need your help and the help of the IT industry. The companies represented by ITIC alone represent 1.5 million employees. We need all that help and more to build a consensus for further progress in free trade.**

**Our economy is stronger than it was four years ago, and far stronger than it was 10 years ago. We put our government's market opening efforts behind our companies, workers, and farmers at precisely the time when they were at their most competitive. After years of doubt and soul-searching about our country's ability to compete, we have together succeeded in defining a distinctively American partnership to win in a tough global economy.**

**But as we contemplate the next four years in trade, we face a very clear choice. The choice is this:**

We can recognize that the American economy is the model for the world, and continue to open foreign markets and seize the initiative when it comes to international competition. We can recognize the extraordinary opportunities presented by the growing global economy, in which developing nations that want and need the full range of our manufactured goods, services, and agricultural products are poised to fuel continued global growth.

We can face up problems as we identify them together: working to put in place education, training, and adjustment policies needed to help those who are not benefitting from the new economy; advancing core labor standards and protecting the environment; being vigilant to the consequences and potential threat of forced technology transfer.

In short, we can start from the proposition that we have been basically on the right track, and we should stay fully engaged, using all our tools, taking

advantage of all the opportunities that present themselves as we did when we saw the chance to reach an ITA.

Or, we can convince ourselves -- against the evidence -- that we are on the wrong track. We can choose our course guided by a picture of economic decline and disinvestment that bears no resemblance to what is happening in our country. We can ignore our trading interests and opportunities around the world, and let ourselves instead bog down in an endless debate over NAFTA, but primarily our relations with Mexico. We can lose our momentum, abdicate our position of strength, and either permit markets to stay closed or let others seize the initiative from us and gain preferential treatment. The choice is that clear.

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**We must recognize the dangers of inaction.** In every region of the world, but particularly Asia and Latin America, the two fastest growing regions in the world, governments are pursuing strategic trade policies and

preferential trade arrangements, forming relations around us rather than with us. In short, in this post-Cold War global economy, countries are creating new exclusive trade alliances to the potential detriment of U.S. prosperity and U.S. leadership.

**Given the evidence of concerted efforts by our competitors to improve their position around the world, and the potential erosion of U.S. leadership, we need to respond with our most effective and strategically powerful trade policy. We need fast-track authority.**

We need to position ourselves as the most important player in the global constellation of trade activity now and into the future. We need to be positioned to play a catalytic role in all key regions of the world.

We must use the full range of our tools of leverage on the trade front while at the same time continue to enforce our trade laws and agreements

vigorously. **One area of enforcement that will continue to be a priority for this administration is the protection of intellectual property rights -- an issue of fundamental importance to the IT industry.**

In the next four years, we should keep on opening foreign markets, and breaking down foreign trade barriers. We cannot fully confront the competitive challenges we face or open the major emerging markets around the world without an aggressive, reciprocity-based push on multilateral, regional, and bilateral fronts.

We have reasons to be confident, but only if we forge a domestic consensus that allows us to move ahead. We need to get down to business. The hard work of the past four years gives us only the opportunity to do the hard work of the next four.

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Speech

Remarks by  
USTR CHARLENE BARSHEFSKY  
before the  
Council on Competitiveness  
March 20, 1997

I'd like to  
talk with  
for a few  
minutes about  
~~our economic~~

~~performance~~  
On ITA Telecom  
agreements & then talk  
about the bigger picture

In trade policy, as much as in any other discipline, it is useful to recall  
the parable that "to understand where we are going, we must remember  
where we've been."

A C  
ITA  
Telecom  
US leadership as long

For the last four years, our trade policy has been driven by a market-  
~~opening strategy to help U.S. businesses sell products and services~~  
*for our own prosperity*  
overseas and in our own hemisphere. That strategy is paying-off. You  
know that as a result of our two most recent trade agreements -- the ITA  
and the global agreement on Basic Telecommunications Services. As I  
look around the room I see many of you who were instrumental in  
developing the partnerships that made the ITA and telecom agreements  
possible.

These two agreements will unlock billions in new opportunities for U.S. companies and encompass the hardware, software, services and infrastructure package to dramatically expand the reach of the Information Superhighway around the world. For the United States, the ITA levels the international playing field by dropping tariffs to zero by the year 2000. The telecom agreement -- which includes 69 countries and covers 99% of the global marketplace -- opens the world for telecommunications trade as never before.

Before this Agreement, only 17 percent of the top 20 telecom markets were open to U.S. companies; now they have access to nearly 100 percent of those markets. Today, telecommunications is a \$600 billion industry; under this agreement that figure will double or even triple over the next ten years.

There is no substitute for our ability to implement comprehensive trade agreements. The absence of <sup>fast track</sup> agreed procedural authority is the single most important factor limiting our capacity <sup>now</sup> ~~at this time~~ to open markets. Such authority is a prerequisite to U.S. negotiating credibility and success on major trade fronts. *in a comprehensive fashion. There is*

*important for  
US leadership*

### Trade, Labor, and the Environment

We can no longer allow our disagreements over the relationship between trade, labor standards and environmental protection to prevent us from granting the President fast track authority. It is important to recognize that a commitment to protection of core labor standards and their relationship to trade, is not new, nor is it unique to the United States. Advancing worker rights and labor standards is in our national interest and it is consistent with our deepest national values.

we estimate that reaching the goal of open markets would increase U.S. goods exports alone by 27 percent annually, or almost \$50 billion a year. Market-opening agreements with key APEC partners offer the potential to catalyze this process and strengthen U.S. strategic relationships.

- [With Europe, our focus will be on non-tariff barriers which continue to impede transatlantic commerce, especially regulatory barriers and agricultural impediments. ]
- Africa is a region rich in resources and potential, which we should engage with determination to ensure its effective and sustainable development and democratic governance.

• And what about the ITA (Telecom type agreement - These type of regional arrangements are critical

With regards to the regional agenda, the United States is committed not only to concluding the FTAA by 2005, but also to concrete progress by 2000. Chile should be our first step in this process. The region views what we do with Chile as a litmus test for our future plans.

- Latin America and the Caribbean were the fastest growing market for U.S. exports in 1996. If trends continue, it will exceed the EU as a destination for U.S. exports by the year 2000, and exceed Japan and the EU combined by the year 2010. It is also the second fastest growing region in the world.

*Clinton*

- With building the FTAA very much in mind, the Administration remains committed to Caribbean Basin Trade Enhancement.
- The Asia Pacific region contains the fastest growing economies in the world, encompassing nearly 3 billion people. Within APEC,

authority. ~~What are we looking for?~~ The United States must be positioned at the center of a global constellation of trade activity. To the extent that our trading partners are engaged in the development of exclusive trade relationships around us, that can only mean that our long term strategic interests will suffer around the world -- if we cannot intervene to redirect those alliance in our favor. We have important

work ahead of us:

*If we want the right rules, we better be ~~in~~ in a position to ~~write~~ write the rules.*

- Within four years, major WTO negotiations will occur in key areas where the United States is again a top global competitor with much to gain: agriculture, services, and the rules for intellectual property rights. *Procedural rules will be in place* This year we will be resuming WTO negotiations on financial services. In the OECD, we are in active negotiations over the Multilateral Agreement on Investment to ensure equitable and fair treatment for U.S. investors.

in duties that if it had contracted with an American company, thanks to the Chile-Canada free trade agreement.

[o The competitive advantage of lower Chilean tariffs as a result of these exclusive trade relationships with select trading partners extends to U.S. industrial and intermediate goods as well. In Chile, Goodyear -- a major supplier of tires and heavy mining equipment -- now obtains its raw materials and intermediate products from Mexico, instead of the United States. Caterpillar will supply some of its lines of earth moving equipment to the mining industry from Brazil, rather than the United States.]

### **Our Global Trading Agenda**

We should respond to these global challenges with the full arsenal of trade policy tools at our disposal including "fast track" negotiating

- China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" in Latin America to ensure that key Latin countries are receptive to its broader global agenda as a rising power, both in the WTO and other fora.

- Japan has undertaken high level efforts throughout Asia and Latin America in country after country.

- Mexico wants to be the commercial hub between North and South America and serve as a venue in which to enter North, Central and South America from Asia and Europe. *- It has entered into commercial agreements toward the east*

*- Chile has concluded to become a day of association in Merc.*

The cost of inaction is already upon us:

*a practical reality*

o Southwest Bell selected Northern Telecom for a \$180 million telecommunications project it has in Chile to avoid paying \$20 million

Examples of such new exclusive alliances among our foreign competitors abound:

- MERCOSUR (Argentina, Brazil, Paraguay, Uruguay) is a developing customs union with ambitions to expand to all of South America. MERCOSUR has struck agreements with Chile and Bolivia, and is discussing agreements with a number of Andean countries (Colombia, Venezuela) as well as countries within the Caribbean Basin.

*Any wants or requires to area*

- The EU has begun a process aimed at reaching a free trade agreement with MERCOSUR. They have concluded a framework agreement with Chile that is set up to lead to a free trade agreement. The President of France, just in the region, said Latin America's "essential economic interests... lie not with the United States but with Europe."

Or, we can convince ourselves *for some would* -- against the evidence -- that we are on the wrong track. We can choose our course guided by a picture of economic decline and disinvestment that bears no resemblance to what is happening in our country. We can let ourselves instead bog down in an endless debate over NAFTA and Mexico. We can permit markets to stay closed and let others seize the initiative from us. The choice is that clear.

### The Threat of Inaction

We must recognize the dangers of inaction. In every region of the world, but particularly Asia and Latin America, the two fastest growing regions in the world, governments are pursuing strategic trade policies and preferential trade arrangements, creating trade alliances around us rather than with us and the consequences of disengagement are unacceptably high for our economy. - *in terms of prospects + leadership*

We can recognize that the American economy is the model for the world, and continue to open foreign markets and seize the initiative when it comes to international competition. To do so, we must position ourselves to take advantage of the extraordinary opportunities presented by the growing global economy.

*We would also recognize*

~~This approach also calls for us to recognize that some Americans are being left behind by the global economy. We can face up to this problem by working to put in place education, training, and adjustment policies for workers in need; advancing ~~care~~ labor standards and protecting the environment; and being vigilant to the consequences and potential threat of forced technology transfer in foreign countries.~~

*ster*

*Sub* ~~we can start~~ *we would be starting*

In short, ~~we can start~~ from the proposition that we have been basically on the right track and should stay fully engaged, using all our tools, taking advantage of all opportunities.

In short, no country in the world is better positioned to take advantage of the enormous opportunities presented by a growing global economy.

Our competitors cannot beat us, but we can lose if we put ourselves on the sidelines.

### The Challenges Ahead

~~To start in the way to write to~~

None of this is to suggest that we don't face challenges and continuing problems. Too many Americans have been left behind in the current economic expansion, without the skills or education to benefit from the increased opportunities. Neither government nor the private sector should rest while that is the case. But <sup>as to the director of the FTC</sup> we face a very clear choice. The choice is this:

Along the way, we have negotiated more than 200 trade agreements, all designed to advance our economic and trade interests. We pursued these agreements including GATT and the NAFTA because we recognized that trade is increasingly important to the future of our nation. Trade is now equivalent to nearly 30 percent of our GDP, up from 13 percent in 1970. Exports support an estimated 11.3 million U.S. jobs, and over 1.4 million of these jobs were generated by increased exports over the last four years.

Our economic expansion has been investment-led, building the foundation for even greater economic strength. Our industrial production is up nearly 18 percent in real terms over the last four years. Japan's production, by contrast, is up 5 percent and Germany's has declined 2 percent over this period. Growth of our industrial capacity is at its highest level since the 1970s.

barriers to expand the reach of this deal. We will need further negotiating authority to make more progress.

**Let's look at the larger picture of U.S. trade...**

~~you may replace the fact that because of this demand~~

We are the strongest and most competitive economy in the world, and expanded trade has played an important role in building our strength.

Over the past four years, we have created nearly 12 million new jobs, while the G-7 combined created roughly 600,000. We are once again

the world's largest exporter, setting historic records. Over the last four

years, our manufactured exports are up 42 percent, high technology exports jumped 45 percent, service exports climbed 26 percent, and farm exports rose 40 percent.

The ITA which involves 36 countries that account for more than 92% of global technology production, will in turn will fuel the pace of global technological development by eliminating tariffs on a huge array of technology products. In 1995, trade in information technology products exceeded \$500 billion. By the year 2000, it will eclipse \$750 billion.

Your role ITA taken

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I want to underscore a point that most of you here understand: U.S. companies are the most competitive in the world with exports which

increases

tech products

approached \$100 billion in 1996. Our technology exports were up 44%

in 1996. For our companies and the 1.8 million high tech manufacturing workers in the United States, the ITA amounts to a \$5 billion annual tax

jobs

cut because tariff barriers on technology products overseas are so much higher than ours. It is worth noting that we were able to gain an ITA agreement because we had the tools -- specifically, fast track negotiating authority -- which strengthened our hand. While the ITA was basically a tariff deal we specifically included the ability to go after non-tariff

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We should be a model

## Conclusion

*Let me close with one observation →*  
I want to thank ~~all of you in this room for making helping us achieve the~~  
~~very important agreements we reached on IT products and~~ ~~the~~  
~~telecommunications. But I want to caution you that those agreements~~  
~~are not an end but a beginning.~~ *most inf. of one ITA/telecom* The ~~one~~ lesson ~~that we cannot afford to~~  
~~forget~~ is that if the United States is not leading the fight -- as we did with  
ITA and telecom -- these agreements ~~cannot~~ *will not* happen. *(Rangel)* With the  
emergence of exclusive trade alliances around us, we must continue our  
fight to eliminate foreign trade barriers. I look forward to your  
continuing engagement as we seek other sectoral trade pacts, and assure  
that the United States is always at the center of a constellation of  
regional trade alliances whether they are in Asia or our own hemisphere.  
Thank you.

*We need to be in a  
position to keep  
showing the way*

# Council on Competitiveness

**Head Table List**  
**Council on Competitiveness Annual Meeting Dinner**  
**The Hon. Charlene Barshefsky-Speaker**  
**March 20, 1997**

Paul Allaire, Chairman and CEO, Xerox Corporation, Council Chairman  
Charlene Barshefsky, United States Trade Representative  
George M.C. Fisher, Chairman, CEO and President, Eastman Kodak Company  
Raymond Gilmartin, Chairman and CEO, Merck and Company  
William Hambrecht, Chairman, Hambrecht & Quist, Inc.  
Sally Hambrecht  
Heinz Prechter, Chairman and CEO, ASC Incorporated  
Jack Sheinkman, Chairman, Amalgamated Bank of New York, Council Vice-Chair  
Gary Tooker, Chairman, Motorola, Inc.  
Charles Vest, President, Massachusetts Institute of Technology, Council Vice-Chair

*Meets*

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**National Cattleman's Beef Association  
Regulatory Conference Meeting  
Talking Points  
Ambassador Barshefsky  
March 21, 1997**

**I. Introduction**

- I would like to begin by thanking Max Deets, President of the National Cattleman's Beef Association for his warm introduction. I know that Max got his start in the beef industry over 40 years ago and has held numerous positions of importance in the cattle and beef industry. I feel honored to be introduced by an individual with such distinguished credentials.
- Let me start by underscoring up-front this administration's and USTR's continued commitment to U.S. agriculture. I am well aware of the challenges we face on agriculture and we must be poised to meet them head-on. As part of that commitment, I plan to dedicate more USTR resources to opening agricultural markets abroad and ensuring greater reciprocity for US exports. This augmentation of USTR's agricultural staff should pay big dividends in the months and years ahead.
- In addition, Secretary of Agriculture Dan Glickman and I intend to enhance the coordination between USDA and USTR so that we can maximize our impact and results for US agriculture.

**II. What you plan to talk about.**

- Today, I'd like to touch briefly on the value of trade to our economy and the key role played by agriculture. I will also discuss where we've been on agriculture and where we are going.

### III. The Importance of Trade:

#### A. Economics

- During the Cold War, the United States used trade policy as part of a strategy to help rebuild the economies of Europe and Japan and resist communist expansion. During that period, we often opened our markets to the products of the world without obtaining comparable commitments from others.
- As the dominant economic power in the world, we could afford to do so. And as part of our foreign and strategic policy, we needed to do so.
- The situation we face today is very different. We remain the world's largest economy -- and the largest trading nation. But our economy, which represented over 40% of the world's output following World War II, now represents about 22%.
- Where our economy was once largely self-contained, we are now increasingly interdependent with the rest of the world.
- We are only 4% of the world's population and are approaching zero

population growth. At the same time, our industries are among the most productive in the world. That means exports are now critical to our economic health and to the vitality of American business, particularly agribusiness.

- Each year, American farmers and agribusiness enterprises are significantly more productive due to a combination of hard work and technological innovation. Given the limitations inherent in US demand-led growth, we must enhance market access opportunities for American Agriculture if we are to remain the world leaders and if we are to increase our own domestic prosperity.

#### **General Statistics:**

- We have worked very hard over the last few years to open markets on all fronts. Let me cite a few examples:
- As you know, total US exports are at record levels.
- Goods and services exports (excluding investment earnings) in 1996 were \$836 billion, some 35% or \$218 billion higher than 1992.
- US exports of manufactured products were \$523 billion in 1996, or 42% higher than in 1992.

- US exports of advanced technology products have grown even faster. They were \$155 billion in 1996, some 45% higher than in 1992.
- Since 1992, jobs supported by exports rose by an estimated 1.5 million to an estimated level of 11.3 million in 1996. Every billion dollars of US goods and services exports supports approximately 14,000 jobs. (Keep in mind that jobs supported by exports average 13-16% higher than the US national wage average.)

**B: Agriculture Statistics**

- Agriculture exports follow a similar pattern:
- In 1995, the U.S. set a historical record by exporting \$54.6 billion worth of agricultural goods.
- The Department of Agriculture reported this month that US Agricultural exports in 1996 did even better by climbing to \$59.8 billion, another new record. This represents a 40.4% increase in agricultural exports over the last 4 years.
- Already today -- one out of every three farm acres in America is dedicated to exports.
- 50% of our wheat acres, 57% of our rice acres, 37% of our soybean acres,

24% of our corn acres, 35% of our fruit and vegetable acres and 42% of our cotton acres are dedicated to producing product for export.

**Beef Specific Statistics:**

- In 1996, new highs were reached in fresh, frozen and chilled red meat exports, 4.1 billion, a 32 % increase since 1992.
- Let me give you a few examples of what is driving this surge in beef exports.
- Since 1995, US beef exports to Saudi Arabia have jumped 37%, and over 100% to the United Arab Emirates. And within the Middle East as a whole beef exports have surged 35% in one year.
- Also in the last year, exports to Mexico jumped from 29, 000 metric tons to 58,000, a 100% increase by weight and 89% increase by value.
- We have also had great successes in the last year in places like Hong Kong, where we jumped from shipping 4,600 metric tons to almost 12,000 metric tons of beef, a 150% increase in tonnage and a doubling in dollar value.
- Because of statistics like these, US agriculture has become the single largest net exporter of goods.

- These days, we hear a lot about US trade deficits. I'm happy to report that US farmers and agribusiness this last year created an estimated \$27.4 billion trade surplus -- the largest ever.

### **Overall Statistics**

- The overall statistics are encouraging and they reflect in part an already aggressive campaign to open agriculture markets around the world.
- We have fought and successfully ensured that bio-engineered products are getting access to the EU (France, Luxemburg and Austria). As part of this effort, the US has urged the EU to begin streamlining its approval process so that GMOs are treated fairly and are consistently, and reviewed on a scientific basis in a timely and transparent manner.
- We've used the sanitary and phytosanitary principles in the NAFTA and the Uruguay Round of the GATT to open markets for cherries, citrus and apples. U.S. citrus exports are now entering Thailand, Brazil and Mexico.
- As a result of our WTO case against Korea, Korea has converted to a manufacturer's shelf-life system which will significantly open the Korean market to US agricultural products.
- During the Uruguay Round, we negotiated new access to Japan for U.S. pork and rice exports. As a result of these negotiations, U.S. pork exports

increased 60%. Before these negotiations, Japan refused to purchase US rice. Over the last two years they have purchased approximately 420,000 metric tons of our rice.

- During the Uruguay Round we secured market access for U.S. orange and grape exports to Korea.

- In 1990, before NAFTA and our bilateral agreements with East Asia, we exported \$1.6 billion in beef every year. 5 years later -- after we opened the doors -- we exported \$1.7 billion to Japan alone.

- These are but a few recent achievements.

- This is the good news, but there are also persistent, and new problems. These problems must be attacked bilaterally, multilaterally and regionally. Let me turn for a moment to each method.

**A: Bilateral**

- U.S. exports of beef produced with growth promotents are banned by the European Union. We took this case to the WTO, arguing that the ban is a violation of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures of the GATT 1994. We expect the panel report to be issued in May.

- The Philippines continues to place barriers in the path of U.S. exports of pork and poultry. We have had enough. We are going to request formal WTO consultations on this matter.
- The EU has not delivered on its commitment regarding the cumulative recovery system for brown rice and certain duty reductions for malting barley. In response, just last week we requested a panel on the EU's grain import valuation system. As a result of our request, the EU has now agreed to follow through on their commitments.
- As you know, some of our fruit and vegetable exports face unjustified sanitary and phytosanitary barriers. We will use the Agreements on the Application of Sanitary and Phytosanitary Measures in the NAFTA and the GATT 1994 aggressively to eliminate these barriers, and will back up our efforts with dispute settlement consultations where necessary.
- Hungary violated its WTO export subsidy commitments in both 1995 and 1996. Despite protracted consultations to get them to comply, they have not. Four countries (Australia, New Zealand, Argentina and the United States) made a second request for a dispute settlement panel two weeks ago.

**B: Multilateral**

- These are all areas of largely bilateral focus but multilateral progress is also

critical.

- We see 3 broad areas of multilateral work:
- 1st, we have to challenge instances where countries are not fully living up to their Uruguay Round commitments. We will use the WTO Committee on Agriculture to bird dog member countries to implement their Uruguay Round commitments. The Commission will also begin to address emerging agricultural trade problems like tariff rate quota administration, state trading enterprises, domestic support and export subsidies. We will also use WTO dispute settlement and US trade laws where necessary.
- Second, all WTO accessions must proceed on a commercial basis. This is as true for China as for the other 30 pending accessions. Regardless of other concessions, agricultural issues must be appropriately resolved or there will be no entry into the WTO. Accession offers must be a good deal for US agriculture.
- Third, we need to begin to think about how to prepare for the next round of agriculture negotiations in 1999 so that the process of reform can pick up where the Uruguay Round left off.
- The bottom line is that we must keep countries moving in the direction of open markets. This Administration is committed to that task.

C: **Regional Initiatives**

- Finally, a word about our regional initiatives:
- First, under the umbrella of the Free Trade Area of the Americas (FTAA), three hemispheric working groups have been created that will focus directly on agricultural interests. One group will address market access, another sanitary and phyto-sanitary issues, and a third will address subsidies. We will ensure that the work done by these working groups reflects this administration's strong support for US agricultural trade interests.
- Second, we also hope to use the Asia-Pacific Economic Cooperation Forum (APEC) to shape the free trade agenda in the Pacific Rim. APEC economies account for over half of the world's GDP. Nearly 43 percent of our agricultural exports go to Pacific Rim countries.
- Last year, the APEC member countries laid the foundation to achieve free and open trade and investment by the year 2010 for industrialized economies and 2020 for developing ones. APEC's commitment to comprehensiveness means that no APEC economy can exclude agriculture from the goal of free and open trade. This year, an APEC task force will complete the analytical work that will help determine how best to move forward toward this goal.

## IX. Conclusion

- President Clinton has fought hard to expand free and fair trade. Market opening initiatives have been and will continue to be the driving force of international trade policy. Future prosperity on the farm, in the countryside and in our nation's cities depends on our continued success in opening up new markets and tearing down trade barriers. Failure to do otherwise would hurt farmers, city dwellers and our nation as a whole.
- Thank you.

## Cattle and Beef Imports from Canada

### Talking Points:

- Although many beef producers consider cattle and beef imports from Canada as a major cause of currently low cattle prices, large domestic meat supplies, high feed costs, and poor pasture and range conditions are the driving forces gripping the beef market. The market impact of cattle and beef imports is considered small.
- While slaughter cattle imports from Canada at 1.3 million head in 1996 were up 23 percent from year earlier levels, they represented only 3 percent of total cattle slaughter. Imports of fresh, chilled and frozen beef from Canada totaled slightly over 500 million pounds in 1996, up 32 percent from 1995. While imports from Canada were up, imports from Australia and New Zealand were significantly smaller. Therefore, total fresh, chilled and frozen beef imports in 1996 were unchanged from 1995 levels.
- We and our USDA colleagues have been watching the beef and cattle import situation closely. We know that the U.S. cattle industry is facing a very difficult situation. Even though imports of Canadian cattle represent a small portion of our total slaughter supply, the impact of these larger imports on local and regional markets can be considerable. We are particularly concerned about any Canadian subsidies that may have altered the cross-border terms of competition in the cattle and beef industry.
- In that regard, the International Trade Commission (ITC) is currently conducting a 332 investigation and will prepare a report on the impact of the North American Free Trade Agreement (NAFTA) and the Uruguay Round Agreements on U.S. imports and exports of live cattle for slaughter and fresh, chilled and frozen beef. The study will also review steps taken by the United States, since enactment of NAFTA, to prevent transshipment of live cattle and beef through Canada and Mexico into the United States. The ITC report is due July 7, 1997. A public hearing will be held on March 20, 1997. The ITC report could provide the foundation for further action by the U.S. Government.

### **Background**

Although larger cattle imports have added to the domestic beef supply, they remain a small portion of the U.S. cattle inventory and slaughter. In 1996, cattle imports from Canada and Mexico accounted for less than 5 percent of the domestic herd, and those imported for immediate slaughter totaled less than 3 percent of the U.S. cattle slaughter.

Cattle imports declined from 2.8 million head in 1995 to 1.95 million head in 1996. Lower cattle imports from Mexico are the primary reason. In 1995, cattle imports from Mexico jumped because of the Mexican economic slowdown following the December 1994 peso devaluation and drought in parts of northern Mexico. In 1996, cattle imports from Mexico were down 72 percent from year-ago levels, reflecting improved stability in the Mexican livestock economy.

Canadian cattle exports to the United States reached 1.5 million head in 1996. Most of these cattle were shipped directly to U.S. packing plants for immediate slaughter. Since 1992, Canadian cattle exports to the United States have consistently exceeded 1 million head per year, but 1996 represents a record high. A larger cattle inventory in western Canada and the depreciation of the Canadian dollar have caused exports of cattle and beef to the United States. Planned slaughter capacity expansion in Alberta is expected to result in lower Canadian cattle exports, but higher beef exports, to the United States in the years ahead.

## Northwest Pilot Program

### TALKING POINTS:

- I met yesterday with my Canadian counterpart Minister Eggleton and pressed him on this issue.
- He said that he felt that Canada would be able to move forward on the program but there were just some minor issues that needed clearing up.
- I pressed him again and agreed to speak with Agriculture Minister Goodale on this matter as soon as he returned home to see if he can expedite the approval process.
- I have asked my staff to press the Canadians until this program gets approved.

### BACKGROUND:

Live cattle imports from Canada increased from 1.1 million head in 1995 to 1.5 million in 1996. Imports from Canada reached a record high in 1996 due to large cattle numbers in western Canada, the beginning of herd liquidation in Canada, and a shortage of choice-grade cattle in the U.S. market. Most of the cattle imported were fed cattle being shipped to the United States for immediate slaughter. Canadian live cattle exports to the United States in 1997 are expected to fall 20 percent reflecting increased cattle slaughter in Canada.

The purpose of the Northwest Pilot Project is to help expedite the export of live cattle between Montana and Alberta, with the hope of expanding the project to other states. On the Canadian side of the agreement, AgCanada would create special feedlots which could import U.S. feeders without tests for anaplasmosis, brucellosis, or tuberculosis, subject to strict requirements for identification and records indicating all sales are to packers only. AgCanada is currently only evaluating way to amend their import test requirements to allow for the entry of untested feeder cattle. APHIS has already agreed to waive the import test requirement and recognize Canada's disease free status for brucellosis and tuberculosis for the purpose of this pilot project. The State of Montana has already started the process of amending their state requirements concerning mandatory brucellosis vaccination for imported animals.

U.S. Cattle Imports from Canada, by type:	1995	1996	Change
Slaughter:	1,070,392	1,312,365	up 23 percent
Feeder:	62,229	196,771	up 216 percent