

Mussey

**Draft of Remarks for USTR Charlene Barshefsky
before the Founder's Week Luncheon
of the Washington College of Law, American University
April 3, 1997**

- Thank you Dean Grossman. I would also like to thank the faculty and students of the law school. It is a special privilege to be recognized for the first of these awards.

- Emma Gillett and Ellen Spenser ^{Mussey} more than a century ago, had the courage to become pioneers for their beliefs. Women in their day were hardly allowed in the workforce, much less the courtroom. Fewer than 17 percent of women worked outside the home or farm.

- But these two women had hope and determination, and they had a vision that has endured. It is an honor to be part of that legacy. Since the founding of this school, as you know, a lot of progress for women in the workplace and in the practice of law has been made. Much of it has come only in the last two or three decades.

- When I began practicing law here in Washington with Steptoe & Johnson, there were only six other women in the firm. Women in the field of trade law

were rare. That was 1975. By the time I left Steptoe to join the Clinton Administration, ^{in 1993} more than half of my colleagues at the firm were women.

■ So there is progress. Today, more than 40 percent of the political appointees in the Clinton Administration are women. Consider their roles: Janet Reno, Attorney General; Madeleine Albright, Secretary of State; Ruth Bader Ginsburg, Supreme Court Justice; and the list goes on.

■ Every day I can see this firsthand at USTR, where roughly half of the career staff and the political appointees are women -- talented women. I have yet to find an agency that demands such a uniformly high standard of performance.

■ Nonetheless, a lot of work remains. In Congress and in state legislatures across the country, women are still severely under-represented. Qualified women in many fields are under-paid or under-employed. Outside the United States, the situation is worse.

■ With the exception of China's trade negotiator, not one of my counterparts is a woman. Even in our negotiations with Japan, the only women in the room are the translators. In this day and age of global media, it is astonishing how little

progress has been made in other countries.

- So it is important to remember that America's role as an exporter is not just about selling goods and services, it is about exporting our values. Economic growth, political freedom, the rule of law -- they all go hand-in-hand.

- The rule of law means fairness, and what defines fairness? Equality. Participation. Opportunity. Competition. Those are the values that lift up men *and* women and give them dignity. Those are the values that sustain and renew a nation's economic strength. I would like to take just a few minutes to talk to you about the challenge we face, the challenge of sustaining our economic growth.

- The U.S. economy today is the envy of the world. It is the strongest, it is the most competitive, and it is now in the sixth year of a solid, investment-led expansion. We have created nearly 12 million new jobs since 1993, while the G-7 nations combined have created roughly 600,000.

- Expanded trade has played an important role in building our strength. 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.

- Those exports mean jobs here at home. Exports now support an estimated 11.3 million U.S. jobs. More than 1.4 million of those were generated by increased exports in the last four years.
- These are good jobs. The wages for jobs supported by goods exports are some 13 to 16 percent higher than the national average.
- We recognize 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.
- That is why this Administration has negotiated more than 200 trade agreements to advance our economic interests.
- We have confidence in America's ability to compete worldwide, today *and* tomorrow. Our industrial production is up nearly 18 percent in real terms over the last four years. Japan's, by contrast, is up 5 percent and Germany's has

declined 2 percent.

- The United States is the largest exporter in the world, and no country is better positioned for the enormous opportunities in the growing global economy. After years of doubt and soul-searching about our ability to compete, we have forged a distinctively American partnership to win in a tough global economy.

 - None of this is to suggest that we don't face continuing challenges. Too many Americans are still left behind, without the skills or education to benefit from the current economic expansion. Neither government nor the private sector should rest while that is the case. But as a nation, we are a fundamentally stronger competitor than ever.

 - Our competitors cannot beat us, but there is a way we can lose. We can lose if we keep ourselves on the sidelines.
-
- We face a very clear choice. The choice is this. We can recognize that the American economy is the model for the world, and we can continue to open foreign markets and seize the initiative.

■ We can face up to our problems by educating and training workers in need and facilitating job transitions; by advancing core labor standards and protecting the environment; and by being vigilant about unfair practices like forced technology transfers.

■ 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 and opportunities.

■ Or, we can convince ourselves -- against the evidence -- that we are on the wrong track. We can be guided by a picture of economic decline and disinvestment that bears no resemblance to America today. We can let our global trade progress bog down in an endless debate over NAFTA and Mexico. We can permit markets to stay closed and let others seize the initiative. The choice is that clear.

■ We must recognize the dangers of inaction. In every region of the world, but particularly Asia and Latin America, the two fastest growing regions, governments are pursuing strategic trade policies and preferential trade arrangements, forming relations around us rather than with us. They are

creating new exclusive trade alliances. Examples abound:

- MERCOSUR (Argentina, Brazil, Paraguay, Uruguay) is a developing customs union with ambitions to expand to all of South America. It is the largest economy in Latin America and has a GDP of roughly \$1 trillion and a population of 200 million. It has struck agreements with Chile and Bolivia, and it is discussing agreements with a number of Andean countries (Colombia, Venezuela) and Caribbean Basin countries.
- The EU has started development of a free trade agreement with MERCOSUR. Its framework agreement with Chile is set up to lead to a free trade agreement.
- China has targeted Mexico, Argentina, Brazil, Chile, and Venezuela as “strategic priorities” to ensure these key Latin countries are receptive to its broader agenda as a rising global 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 the commercial link from Asia and Europe to North, Central, and South America. It is pursuing a free trade area with Europe and is reaching out to Asia. 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.

- The point is that 95 percent of the world's consumers live outside our boundaries, and 85 percent of them reside in developing countries. Our ability to create jobs and sustain our living standard in the next century will depend on taking the trade opportunities offered by these emerging markets. It will depend on anchoring ourselves as the most important player in the global constellation of trade activity.

- We need to respond to these global challenges with our most effective and strategically powerful trade policy, using the full range of our policy tools. Let me cite just a few of these challenges:
 - Within four years, major WTO negotiations will occur in key areas where we are a top global competitor: agriculture, services, and the rules for intellectual property rights. This year we will be resuming WTO negotiations on financial

services.

- The "built-in agenda" from the Uruguay Round provides other opportunities to open foreign markets, especially by eliminating non-tariff barriers.
- We will review technical barriers to trade, sanitary and phytosanitary rules, customs valuation, pre-shipment inspection and import licensing procedures. We will negotiate to harmonize the rules of origin. We will launch new negotiations on government procurement this year. We will push for broader and clearer reporting of state trading activities, particularly in the agriculture sector.
- 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 engaged in negotiations on bribery and corruption, competition policy, and transparency in government procurement.
- Latin America, including the Caribbean, was 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.

- 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.
- 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 the Asia Pacific Economic Cooperation (APEC) forum, we estimate that reaching our goal of open markets would increase U.S. goods exports alone by 27 percent annually, or almost \$50 billion a year.
- 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 and give the U.S. a strong economic

anchor in Asia.

- With Europe, our focus will be on non-tariff barriers that 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.

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- 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.
 - There is no substitute for our ability to implement comprehensive trade agreements. The absence of agreed procedural authority is now the single most important factor limiting our capacity to open markets. Such authority is a prerequisite to U.S. negotiating credibility and success on major trade fronts.
 - We can no longer allow disagreements over the relationship between trade,

labor standards and environmental protection to prevent us from granting the President fast track authority. A commitment to protection of worker rights and core labor standards is neither new nor unique to the United States. It is consistent with our deepest national values.

- Making environmental and trade policy mutually supportive, although a somewhat newer global issue, similarly enjoys strong support here and internationally. The 1992 Sustainable Development Summit in Rio, the 1994 Summit of the Americas, and ongoing work in the WTO all focus on this goal.
- It should be noted, however, that we will not convince other nations to improve their labor standards or environmental protection or adhering to a rule of law 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.
- 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. However, 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.

Spill the

DRAFT OF REMARKS FOR USTR CHARLENE BARSHEFSKY
before the
Emerging Issues Forum
Raleigh, North Carolina
April 10, 1997

- Thank you Governor Hunt. I appreciate your inviting me here today.
- Governor Hunt stands out as one of the most thoughtful and progressive governors in the nation. And there are few, if any, who have more experience.
- For years, he has been a clear voice in our national debate, stressing the critical link between economic growth and education at all levels. His program for young children, Start Smart, sets a great example for the nation.
- He has done this by combining the talent and energy of people from all walks of life: Democrats, Republicans; public sector, private sector; churches, secular organizations. This forum is a testament to that.
- It's easy to see why businesses from across the United States and around the world find North Carolina their Number One place to locate.

not only job econ growth & development but also

■ This state recognized a long time ago that in a diversified, rapidly-changing economy -- one that includes everything from cotton to computers -- education is the best way to prepare for the 21st century.

■ That's paid off. The number of jobs in this state supported by exports has grown to more than 34,000 -- an increase of 29 percent since 1992. Manufacturing exports, in particular, have increased by ^{or} 50 percent just in the last two years, to a level of \$11.8 billion.

(Insert)

■ I'd like to talk to you today about how the United States, as a nation, is using trade to lay the groundwork for prosperity ^{and stability} in the 21st century.

■ The U.S. economy today is the envy of the world. It is the strongest economy, and it is the most competitive. It is now in the sixth year of a solid, investment-led expansion.

■ It has created nearly 12 million new jobs since 1993, while the G-7 nations

together have created roughly 600,000.

*Our exports
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historic
high*

- Expanded trade has played an important role in this growth. 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.
- Exports abroad mean jobs here at home. Exports now support an estimated 11.3 million U.S. jobs. More than 1.4 million of those jobs were generated by increased exports in just the last four years.
- These are good jobs. The wages for jobs supported by goods exports are some 13 to 16 percent higher than the national average.
- It is clear 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.
- That is why this Administration has been aggressive on trade, and we

negotiated ^{my} more than 200 trade agreements to advance our economic interests. ^{by}

*pursuing an aggressive
market opening push*

- We have confidence in America's ability to compete against other nations today *and* tomorrow. We're growing stronger. Our industrial production is up nearly 18 percent in real terms over the last four years. Japan's, by contrast, is up 5 percent and Germany's has declined 2 percent.

- The United States today is the largest exporter in the world, and no country is better positioned for the enormous opportunities in the growing global economy. After years of doubt and soul-searching about our ability to compete, we have forged a distinctively American partnership to win in a tough global economy. North Carolina is an excellent example of this type of partnership.

- None of this is to suggest that we don't face continuing challenges at home. Too many Americans are ~~still~~ left behind, without the skills or education to benefit from the current economic expansion. Neither government nor the private sector should rest while that is the case. But as a nation, we are a fundamentally stronger ³ competitor than ever.

-
- President Clinton deserves a lot of credit for this. One of his first moves upon coming into office was to bring trade to the forefront of his economic plan.
 - He recognized that we have an extremely rare opportunity ~~today~~. Never before have so many nations looked to the free market and believed in it enough to let competition come right to their doorstep. This is a season of open minds on the value of open markets.
 - Of course it is in our self-interest to prosper from that. As the government planners of failed economies step back, American business can step in. But it is also in our self-interest to help those nations become partners in an open and fair global economy rather than victims of those who don't play by the rules.
 - Our trade strategy ~~continues to open existing markets~~ ^{to develop} but it is also helping other nations to build new markets from the ground up.
 - What are the building blocks of these new markets? One is the rule of law. Many nations in the big emerging markets need the rule of law and the legal

structure of trade agreements to bring them into the world economy and ensure competition is fair. This creates a safe, sound basis for trade and investment.

imparted by
the spill-over effect of legal concepts into other aspects of econ. & social life cannot be underestimated.

■ That is one of the reasons we have devoted a lot of energy to crafting institutions such as the World Trade Organization, APEC, NAFTA, the Free Trade Area of the Americas, and the TransAtlantic Marketplace. We have also led the fight to make the laws of our trading partners transparent and explicit, so we can reduce bribery and corruption.

in the EU
the single most pernicious barrier we face.

■ These nations also need the economic essentials. America is the world leader in the very goods and services these nations need most to build their economies: agriculture; the infrastructure of energy, transportation, and computer systems; and core services, such as financial services and telecommunications.

■ These are the building blocks ~~they~~ need most and America does best. Since the start of this year there has been a clear demonstration of these priorities. ~~With respect to agriculture, we've added more muscle to our agricultural trade team by appointing a full-time trade ambassador for agriculture.~~

emerging markets
most recently
The elevation of agriculture issues to the forefront of trade policy

- ~~With respect to computers and other high-tech equipment, we've completed an~~ ^{10m of}
Information Technology Agreement, which will bring virtually all tariffs ~~in~~ ^{on}
~~this global market down~~ ^{products related to the info superhighway,} to zero by the year 2000.

INSET B

- ~~We've completed~~ [&] a global telecommunications agreement, which will bring ^{from market}
access, deregulation, and competition to this vital industry. Together, ^{the 17th of July} these two
agreements cover more than \$1 trillion in products and services worldwide.

- Another element of President Clinton's trade strategy has been to shift our
geographic focus. The Asia-Pacific and Latin America, ^{regions} as many of you know,
are the two fastest growing regions in the world. The President has
championed our economic ~~integration~~ ^{integration} with these areas so that America is not
shut out by small exclusive trading blocs. ^{Spec} ~~The President~~

- The Asia-Pacific is the largest consumer market in world, with a population of
2.2 billion and \$16 trillion in combined income. To cite one example of local
interest: China alone is projected to import \$2 billion in agricultural goods
from the United States this year, and a good portion of that will be in cotton

and soybeans.

- Latin America, including the Caribbean, was 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.

→ Our ability to compete + win globally + our longer term strategic positioning around the world demand engagement by the US in these critical regions of the world.

Let me also underscore here that tough, vigorous enforcement of our existing trade agreements and trade laws, ~~is a powerful tool~~ that we are going to continue to use. Enforcement is the glue that holds fair trade agreements together.

- In the past four years we have brought 48 trade enforcement actions. We have filed 23 cases to enforce U.S. rights under the WTO's dispute settlement procedures. New agreements are worthless if we are not prepared to enforce existing agreements. Failure to do so would only undermine our negotiating abroad ~~and~~ ^{but also} the ~~invaluable~~ support of the American people at home.

Of course, for a third to my of the strategy has been to create

world. While the Pacific Cup of America is a big thing. We intend to pursue a comprehensive + vigorous program in the Pacific nations. Continuing too long see with

■ It is ^{very} ^{today} important that the American people believe in ^{prosperity} ^{understand the critical role played by exports & trade in our own} ~~what we are doing~~ because we face a very clear choice. The choice is this. We can recognize that the American economy is the model for the world, and we can continue to open foreign markets and seize the initiative.

■ We can face up to our problems by educating and training workers in need and facilitating job transitions; by advancing core labor standards and protecting the environment; and by being vigilant about unfair practices like forced technology transfers.

■ 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 and opportunities.

■ Or, we can convince ourselves -- against the evidence -- that we are on the wrong track. We can be guided by a picture of economic decline and disinvestment that bears no resemblance to America today. We can let our global trade progress bog down in an endless debate over NAFTA and Mexico. We can permit markets to stay closed and let others seize the initiative. The choice is that clear.

We are 49% of the world's population
the U.S. is a
major econ
& we are
approaching zero
pop. growth

- ~~Roughly~~ ^{49%} 95 percent of the world's consumers live outside our boundaries, and 85 percent of them reside in developing countries. Our ability to create jobs and sustain our living standard in the next century will depend on tapping these emerging markets.

- We need to respond to these global challenges with our most effective and strategically powerful trade policy, using the full range of our policy tools. Let me cite just a few of these challenges:

- Within four years, major WTO negotiations will occur in key areas where we are a top global competitor: agriculture, services, and the rules for intellectual property rights. Starting this week we will be resuming WTO negotiations on financial services.

- ^{WTO power} The "built-in agenda" ~~from the Uruguay Round~~ provides other opportunities to open foreign markets, especially by eliminating non-tariff barriers.

- ^{over the next 4 years} We will review technical barriers to trade, sanitary and phytosanitary rules,

customs valuation, preshipment inspection and import licensing procedures. We will negotiate to harmonize the rules of origin. We will launch new negotiations on government procurement ~~this~~ year. We will push for broader and clearer reporting of state trading activities, particularly in the agriculture sector.

- Within the Organization for Economic Cooperation and Development, we are in active negotiations over ~~the~~ Multilateral Agreement on Investment to ensure fair treatment of U.S. investors. In both this forum and the WTO, we are also engaged in negotiations on bribery and corruption, competition policy, and transparency in government procurement.

- In Latin America, 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.

*negotiations
to
a
hemispheric
trade
zone*

- With building the FTAA very much in mind, the Administration remains committed to Caribbean Basin Trade Enhancement.

- Within the Asia Pacific Economic Cooperation (APEC) forum, we estimate that reaching our goal of open markets ^{in ASIA} would increase U.S. goods exports alone by 27 percent annually, or almost \$50 billion a year. Market-opening agreements with key economies ^{across} or key sectors can give the U.S. ^{rich} a strategic advantage. ^{in this region}
- With respect to Europe, our focus will be on non-tariff barriers that 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} Even while we work on these regional issues, we face some extraordinary challenges in our bilateral relationships --- China, Japan, Korea, and Russia, just to name a few.

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- There is a lot of work to be done. And we must recognize the dangers of inaction. In every region -- but particularly the Asia-Pacific and Latin America, the two fastest growing regions in the world -- other nations are pursuing strategic trade policies and preferential trade arrangements, forming ^{exclusive} relationships ^{h.p.s} around us rather than with us.

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- We need to respond with our most effective and powerful trade policy. "Fast track" negotiating authority for President Clinton is a key part of our trade arsenal. Such authority is a prerequisite to U.S. negotiating credibility and success ^{on} major trade fronts.

- The absence of fast track authority is now the single most important factor limiting our capacity to open markets and expand American exports. For every President since ^{WW} Ford, it has been a critical element of American leadership on trade. And trade, as you know, is clearly more important to our economy than it was in his day.

- As we work with Congress in the coming weeks to reach a consensus on fast

track authority, we are going to need your help to sustain that legacy of leadership. We owe it to the next generation to give them a fair chance to compete.

~~WASAWA~~

■ We ^{must} ~~need to~~ cement America's position ~~strategically, economically, and politically~~ as the pivotal player in ^{the range of} global ~~trade~~ activity. That is the best way to preserve our ^{prosperity} ~~markets~~, to promote our values, and to project our leadership into the 21st century.

■ Thank you.

for 50 years, the U.S. has lead the world in building a foundation for peace + prosperity. We have now reached a point where in the post c.w. era, our global relationships will be significantly defined by our economic alliances.

Insert A

This farm today could not be more timely.

- Throughout the twentieth century the United States has embraced the unique and difficult responsibility of making the world a more secure place by ensuring the peace and providing a foundation for prosperity.
- We have asked more of our people in World War I, World War II, and throughout the Cold War than any other nation could have possibly delivered.
- Those special responsibilities of sustaining global security continue today quite visibly in Bosnia, the Middle East, in Haiti, within the context of NATO and literally encircle the globe with the presence of dedicated personnel in the Armed Forces.
- Our responsibilities today in the post-Cold War era run even deeper. Just as we are the world's military superpower, we are the most competitive, dynamic, and leading economy.

*also
now embrace
responsibility
global security
as we've
before*

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North Carolina: Talking Points on the ITA

- The recently concluded ITA demonstrates the President's determination to remove international market access barriers. It will create jobs and generate tremendous new commercial opportunities for leading North Carolina exporters.
 - This Agreement is like a massive global tax cut in a sector that accounted for \$500 billion in international trade last year. Based on current trade levels, the industry estimates that the ITA will reduce tariffs paid on U.S. exports by about \$4.5 billion annually. 
 - The lower cost and greater availability of IT products will benefit a wide range of other sectors -- from textiles to agriculture -- that increasingly rely on state of the art information technologies to improve productivity and international competitiveness.
 - North Carolina is well-placed to take full advantage of the opportunities created by the ITA.
 - Many leading IT exporters -- like Motorola, IBM, AT&T, Northern Telecom, Corning, Alcatel and Eriksson -- have major production centers in this state.
 - The IT sector employs 105 thousand North Carolina workers. Their average wage is almost double the average for the private sector as a whole.
- North Carolina's annual exports of IT products exceed \$5 billion, accounting for 30% of the state's total export revenues.
- Lowering the cost of exporting may make it possible for firms here in North Carolina's "Research Triangle" to bolster their R&D spending, ensuring that the U.S. will maintain its leading role in developing the technologies of the 21st century.

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Draft Remarks on Fast Track

... For fifty years the United States has led the world in building a foundation for peace and prosperity. (Assumes earlier discussion of NATO, UN initiatives) We have now reached a point in the post Cold War era where our global relationships will be significantly defined by our economic alliances as well as our security alliances. ~~America is uniquely positioned to lead the world in both respects.~~

By measure of our military strength and readiness we are indisputably the world's military superpower. We are also the world's economic leader. For the fifth year in a row, the International Institute for Management Development has ranked the U.S. economy the most competitive in the world. Our competitiveness is based on a solid strategy which has worked to bring the deficit down, invest in our people, and increase the productivity of our workers and companies.

We lead the world in job creation: The United States has created eleven-and-a-half million new jobs from 1992 thru 1996 while the balance of the G-7 -- now G-8 countries -- have had near zero job growth over the same period. So it is hardly surprising that our unemployment rate of 5.2% in March, matching its lowest level in eight years. Trade has played an important role in our domestic economic expansion. From agriculture to aerospace, we are the world's export leader. Our exports are up over 40% in the last four years and fully 25% of our economic growth over the past four years is related to trade. More than 11 million U.S. jobs -- 1.4 million created in the last four years -- are now directly dependent on trade and these jobs pay more than non trade-related jobs in the domestic economy.

Even as our economy is far and away the world leader, and we are better positioned than our competitors as we open emerging markets, we must also consider one important reality: The United States is just 5% of the world's population. Ninety-five percent of the world's population is outside our borders. If we are going to continue to grow domestically, we must sell our goods and services in foreign markets. For four years, we have recognized this in our market opening trade strategy which is most clearly expressed in the simple principle of reciprocity. Just as our market is open to foreign goods and services, we expect others to open their markets to us. In the two-hundred plus trade agreements negotiated by this Administration, we have pushed market-opening initiatives bilaterally, regionally, and multi-laterally, and the return is unprecedented growth for U.S. exports.

The issue is not whether our market should be opened further. Since the global trade agreements of the 1960s' and 1970s', our economy has been among the most open in the world, and in part, that is responsible for our prosperity today. The average tariff rates -- the levy on foreign goods at our border is now just 3.5% -- while the tariff rates today in the fastest growing markets in the world are in the range of twenty to thirty percent. That's not fair and those barriers must come down so that our workers and companies are not at a competitive disadvantage.

Consider two recent examples: The Information Technology Agreement (the ITA) and the

agreement on Basic Telecommunications Services. Together, these agreements encompass more than a trillion dollars in world trade in areas where the United States' has the most competitive companies and workers. These two agreements will unlock billions in new opportunities for U.S. companies and allow us expand the reach of the Information Superhighway around the world.

The telecom agreement includes 69 countries, and opens the world for telecommunications trade as never before. Before this Agreement, only 17 percent of the top 20 telecommunications 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, and no country will gain more in export opportunities than we do.

For the United States, the Information Technology Agreement levels the international playing field by eliminating tariffs on the vast range of technology products -- semiconductors, computers, telecommunications equipment, and software -- by the year 2000. Our technology exports were up 44% in 1996. For 1.8 million U.S. workers that manufacture technology products and our companies this agreement amounts to a \$5 billion annual tax cut because foreign tariffs are so much higher than ours. The ITA will fuel growth among 39 countries that account for more than 92% of global technology production: the \$500 billion technology market today will eclipse \$750 billion by the year 2000.

I raise these agreements because they exemplify our strategy to level the international playing-field and open foreign markets for our most competitive industries. 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.

In the overall trade picture, 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. [To those that use the trade deficit as an excuse, I say look at all the numbers. Our goods and services trade deficit amounted to 1.3% of GDP in 1996, down sharply from the recent high of 3.3% in 1987.]

There are incredible opportunities in the global economy which our workers and companies are prepared to capture. We owe it to them to ensure that they are competing on fair and equal terms, and that is why I am seeking special fast track trade negotiating authority from Congress.

We are unquestionably better-positioned than our competitors to capture the opportunities of a growing global economy. 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.

Our competitors cannot beat us, we can only lose if we out ourselves on the sidelines. Our export

growth is coming in the most important fast-growing markets of Asia and Latin America. From 1992 to 1996, our exports in Latin America grew from \$35 billion to more than \$52 billion, a growth rate of about 50%. Among the Pacific Rim countries (excluding Japan and China) our exports grew from \$69 billion to more than \$108 billion, a growth rate of more than 55%. The developing countries of the world now account for more than 42% of U.S. and this is where future opportunities about. The OECD estimates that if China, India and Indonesia grow by an average of 6% a year (as they are now), and income distribution remains at the same levels, by 2010 some 700 million people in these three countries -- roughly equal to the current combined populations of Japan, the European Union, and the United States combined -- will have an average income equivalent to that of Spain today, forming a vast market for consumer goods.

Our prosperity, however, is not automatic in a global economy of ever-intensifying competition. Both Asia and Latin America are busy with Nations' in pursuit of strategic trade alliances which seek to work around us, not with us. The 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. *Cen & Am*
- 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. President Chirac, on a recent trip to South America said the region's "essential economic interests... lie not with the United States but with Europe."
- 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.

In this hemisphere, 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. Why is this important? 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.

Similarly, within APEC, 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 offers the potential to catalyze this process and strengthen U.S. strategic relationships. 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. It is also unacceptable that Europe has a 30% market share in Africa while the United States has but 7% of the African marketplace.

back to p 13

There is no substitute for our ability to implement comprehensive trade agreements. Former Undersecretary of the Treasury, Fred Bergsten, recently advised Congress that renewal of fast track authority would be "one of the most beneficial steps the Congress could take this year to help our economy. It is the absence of agreed procedural authority that stands out as the single most limiting factor at this time in our ability to open foreign markets. Such authority is a prerequisite to U.S. negotiating credibility and success on major trade fronts.

This is not to suggest that we don't face challenges at home. Too many Americans have been left behind in the current economic expansion -- even as our unemployment rate is at historic low levels -- because they do not have the skills or education to benefit from the increased opportunities. Neither government nor the private sector should rest while that is the case.

I am calling on Congress to provide trade negotiating authority at the same time we increase training and education initiatives -- as I have outlined in my budget -- so that all Americans can fully participate in the opportunities of the global economy. I believe that it also in our interest to advance core labor standards and protect the environment in the context of our trade agreements wherever such opportunities are available to us. These initiatives are also fundamentally consistent with our national values and the advancement of democracy and civil rights abroad. We must also be vigilant to the consequences and potential threat of forced technology transfer in foreign countries. [need specific initiative here]

Whenever Congress considers trade expansion legislation there is a vigorous debate. I welcome that debate. However, I am concerned about those who would use the fast track debate to focus solely on the relationship between the United States and Mexico. Our competitors would like nothing better than for us to sideline ourselves debating our relationship with Mexico while they move ahead with trade relationships in their interest.

The debate about fast track should be about our ability to conduct a global trade policy and to advance our global trade interests. Congress can recognize that the American economy is the model for the world, and continue to open foreign markets and seize the initiative, or take another path that would seek to retreat from the global economy. I am seeking fast track negotiating authority consistent with that provided to President Ford, President Carter, President Reagan and President Bush on a bi-partisan basis, because it is so important for the United States to continue to lead the world economically, consistent with our role in seeking to strengthen global security.

REMARKS BY USTR CHARLENE BARSHEFSKY

before the

Economic Strategy Institute

[revised version: incl. cb markups]

April 16, 1997

- Thank you for that kind introduction. It's a pleasure to be here with you today.

- ESI is always at the cutting edge of America's trade policy, and Clyde Prestowitz and the scholars here do a tremendous job of bringing depth and clarity to the complex issues defining trade.

- That is an invaluable service to those of us in the trade community and to the nation, particularly at this pivotal time for the world economy.

- Let me talk for a few minutes on where we have been in trade and our challenges ahead.

- The U.S. economy is the envy of the world. It is the strongest economy, and it is the most competitive. We are now in our sixth year of a solid, investment-led expansion.

- We have created nearly 12 million new jobs since 1993, while the G-7 nations together have created roughly 600,000.

- Expanded trade has played a pivotal role in U.S. economic growth and accounted for about one fourth of the increase in our GDP over the last 4 years. It's no wonder our manufactured exports are up 42 percent, high technology exports jumped 45 percent, service exports climbed 26 percent, and farm exports rose 40 percent.

- Exports abroad mean jobs here at home. Exports now support an estimated 11.3 million U.S. jobs. More than 1.4 million of those jobs were generated by increased exports in just the last four years.

- These are good jobs, with wages some 13 to 16 percent higher than the national average.

- It is clear 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.

- Recognizing the vital role of expanded trade in our own economic prosperity, this Administration has been aggressive on trade, negotiating more than 200 trade agreements over the last four years to advance our economic interests by pursuing market-opening abroad.

- The United States today is the largest exporter in the world, and no country is better positioned for the enormous opportunities in the growing global economy. After years of doubt and soul-searching about our ability to compete, we have forged a distinctively American partnership to win in a tough global economy.

- None of this is to suggest that we don't face continuing challenges at home. Too many Americans are left behind, without the skills or education to benefit from the current economic expansion. Neither government nor the private sector should rest while that is the case. But as a nation, we are fundamentally stronger than ever.

-
- President Clinton recognizes that we have an extremely rare opportunity. Never before have so many nations looked to a freer market and believed in it enough to let competition come right to their doorstep.
 - This is a season of open minds on more open markets -- markets the United States must access more fully and more effectively if we are to continue to enhance our domestic prosperity and maintain our competitive vitality.
 - That is one of the reasons we have devoted a lot of energy to crafting institutions such as the World Trade Organization and initiatives such as APEC, the Free Trade Area of the Americas, and the TransAtlantic Marketplace with the EU.
 - The architecture of trade -- the rule of law, transparency, fairness, and accountability -- these are all pursued in each of these forums to help create in the long run more reciprocal and fundamentally more sound trading relationships.

- In line with emerging reality, we have also shifted our geographic focus. The Asia-Pacific and Latin American regions, as many of you know, are the two fastest growing regions in the world. The President has championed our economic interests in these regions so that America is not shut out by small exclusive trading blocs.
- The Asia-Pacific is the largest consumer market in world, with a population of 2.2 billion and \$16 trillion in combined income.
- Latin America, including the Caribbean, was 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.
- Our ability to compete and win globally and our longer term strategic positioning around the world demand engagement by the U.S. in the critical regions of the world beyond Europe. While Latin America and the Pacific Rim capture our immediate attention, Africa must also be attended to.

- Finally, our ability to compete and win globally will also continue to depend on the pursuit of bilateral trade agreements and strict enforcement of existing agreements.

- It is important that the American people understand the critical role played by exports and trade in our own domestic prosperity and economic growth, and the importance of an aggressive, forward-leaning U.S. posture on trade because today we face a very clear choice. The choice is this. We can recognize that the American economy is the model for the world, and we can continue to open foreign markets and seize the day.
- We can face up to our problems by educating and training workers in need and facilitating job transitions; by advancing core labor standards and protecting the environment; and by being vigilant about unfair practices like forced technology transfer.

- But we would be starting from the proposition that we have been basically on the right track and must stay fully engaged, using all our tools and opportunities.

- Or, we can convince ourselves -- against the evidence -- that we are on the wrong track. We can be guided by a picture of economic decline and disinvestment that bears no resemblance to America today. We can let our global trade progress bog down in an endless debate over NAFTA, but primarily our economic relations with Mexico. We can permit markets to stay closed and let others seize the day. The choice is that clear.

- We are 4 percent of the world's population. Ours is a mature economy, and we are approaching zero population growth. 96 percent of the world's consumers live outside our boundaries, and 85 percent of them reside in developing countries. Our ability to create jobs and sustain our living standard in the next century will depend on tapping these markets.

- We need to respond to these global challenges with our most effective and strategically powerful trade policy, using the full range of policy tools. Let me

cite just a few of these challenges:

- Within four years, major WTO negotiations will occur in key areas where we are a top global competitor: agriculture, services, and the rules for intellectual property rights. Last week, we resumed WTO negotiations on financial services.
- Over the next four years, we will review technical barriers to trade, sanitary and phytosanitary rules, customs valuation, preshipment inspection and import licensing procedures. We will negotiate to harmonize the rules of origin. We will launch new negotiations on government procurement. We will push for broader and clearer reporting of state trading activities, particularly in the agriculture sector.
- 31 countries have applied to accede to the WTO, including China, Russia, and the former Soviet Republics. Each of these accessions must be done right.
- And just as we pursued successfully the ITA and telecomm agreements

-- opening more than \$1 trillion in global trade for U.S. companies -- we will pursue other sectoral initiatives as we look ahead.

- Within the OECD, we are in active negotiations over a Multilateral Agreement on Investment to ensure fair treatment of U.S. investors. In both this forum and the WTO, we are also engaged in negotiations on bribery and corruption, competition policy, and transparency in government procurement.
- In Latin America, the United States is committed not only to concluding negotiations to create a hemispheric trade zone 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.
- Within the Asia Pacific Economic Cooperation (APEC) forum, we estimate that reaching our goal of open markets in Asia would increase U.S. goods exports alone by 27 percent annually, or almost \$50 billion a year. Market-opening agreements with key economies or across key

sectors can give the U.S. a vital strategic advantage in this region.

- With respect to Europe, the challenge will be non-tariff barriers that 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 even while we work on all of these multilateral and regional issues, we face some extraordinary challenges in our bilateral relationships --- China, Japan, Korea, and Russia, just to name a few.

-
- There is a lot of work to be done. And we must recognize the dangers of inaction. In every region -- but particularly the Asia-Pacific and Latin America -- other nations are pursuing strategic trade policies and preferential trade

arrangements, forming exclusive relationships around us rather than with us.

- Since 1992, more than 20 free trade agreements have been struck in the Asia-Pacific and Latin America regions that do not include the U.S.

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

- And now, a MERCOSUR-ASEAN pact is under contemplation.

- 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 a free trade agreement. President Chirac, on a recent trip to South America, said the region's "essential economic interest . . . lie not with the United States but with Europe."

- China has targeted Mexico, Argentina, Brazil, Chile, and Venezuela as “strategic priorities” in Latin America to ensure that key Latin American 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.
-
- We need to respond with our most effective and powerful trade policy. As the President recently noted, “fast track” negotiating authority is a key part of our trade arsenal.
 - Its absence is now the single most important factor limiting our capacity to open closed foreign markets and expand American exports. More concretely, without the residual authority from the Uruguay Round, there would have been no ITA. For every President since President Ford, it has been a critical element of American economic leadership on trade.

- For that reason, we will be working closely with Congress and a variety of interested groups on fast track authority over the coming weeks.

- Let me close by saying that for 50 years, the U.S. has led the world in building a foundation of peace and prosperity. We have now reached a point where, in the post-Cold War era, our global relationships will be significantly defined by our economic alliances.

- We must cement America's position as the pivotal player in the full range of global trade activity. That is the best way to preserve our prosperity, to promote our values, and to project our leadership into the 21st century.

- Thank you.

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

April 16, 1997

MEMORANDUM FOR AMBASSADOR CHARLENE BARSHEFSKY

FROM: Suzanna Kang

SUBJECT: Washington International Trade Association (WITA)
Annual Awards Banquet
Thursday, April 17, 1997
Cocktails from 6:00 p.m. to 6:45 p.m. in the Buchanan Room
Dinner and Award Ceremony from 7:00 p.m. to 9:30 p.m. in the Ball Room
Location: Willard Hotel
1401 Pennsylvania Avenue, NW
Washington, D.C.
USTR Contacts: Suzanna Kang x59513
Clayton Parker x59505
WITA Contact: Bill Krist (202) 682-4420

You will be receiving one of the Distinguished Service Awards at the Annual Awards Banquet on April 17 from 7:00 p.m. to 9:30 p.m. Congressman Archer will be the other recipient. The award is presented to you to acknowledge your hard work on behalf of international trade in bringing home all the trade agreements last year.

Clayton Parker will meet you curbside and take you to the Buchanan Room for cocktails and to the Ball Room for dinner. You will be seated at one of the two head tables. The other table is headed by Congressman Archer. The award ceremony will begin after dinner is served.

The program will begin with welcoming remarks from Mr. Bill Frenzel, Master of Ceremonies. He will introduce Mr. William Hudson, President and CEO of AMP, who will speak for approximately five minutes. He will introduce Congressman Robert Matsui who will also speak for five minutes. He will introduce Congressman Archer who will accept the award and speak for approximately fifteen minutes.

Following Congressman Archer's presentation, Mr. Frenzel will introduce Mr. Dick Cunningham who will speak for approximately five minutes. He will introduce Ambassador Carla Hills who will also speak for approximately five minutes. Both Ambassador Hills and Mr. Krist will present the award to you. After you accept the award, you will speak on general trade issues with some emphasis on the WTO, fast track authority, and China for approximately fifteen minutes. There will be no questions and answers session.

The audience will consist of approximately 300-400 mid to high level members from various WITA member companies. **The dinner and speech is open to the press.**

Clayton Parker will meet you curbside at 6:45 p.m.

cc: Margaret Sullivan

Attachments: TAB 1 Speech (to be supplied by J. O'Keefe)
TAB 2 Agenda
TAB 3 List of attendees and list of attendees at your table
TAB 4 Bios of introducers and the master of ceremonies
TAB 5 Information on WITA
TAB 6 Diagram of the Ball Room

DRAFT OF REMARKS BY USTR CHARLENE BARSHEFSKY
before
Washington International Trade Association (WITA)
Annual Awards Dinner
April 17, 1997

- Thank you Carla, and thank you Dick, for those very kind words. I appreciate them very much.

- I've been privileged at various times to draw on the remarkable talent and valuable experience of both of these people. Without fail, their counsel has been candid, thoughtful, and one step ahead of the curve. So I'm very honored, personally and professionally, that they are here tonight and part of this program.

- I'm also glad to see the work of Congressman Archer acknowledged. I don't think you could find a more deserving individual on Capitol Hill. He is steadfast, he is shrewd, and he has a keen appreciation of how our decisions today are going to affect our economy in the future. He's been a champion for us.

- I want to thank you -- William Krist, the WITA, and the WITF -- for this

recognition.

- If you'll allow me, I want to accept this on behalf of myself and the whole team at USTR. Your work supports USTR's efforts in so many ways and on so many issues that it really has been a team effort.

- I don't have to remind you that trade is an extremely demanding field: it's complex, the stakes are high, and it requires a lot of persistence. So your role in bringing people together, exchanging ideas and keeping people informed is invaluable. We appreciate your work and leadership.



- Let me say just a few words about where we are in trade and the challenges we have ahead.

- The U.S. economy is the envy of the world. It is the strongest economy, and it is the most competitive. We are now in our sixth year of a solid, investment-led expansion.

- We have created nearly 12 million new jobs since 1993, while the G-7 nations together have created roughly 600,000.

- Expanded trade has played a pivotal role in U.S. economic growth and accounted for about one fourth of the increase in our GDP over the last 4 years. It's no wonder our manufactured exports are up 42 percent, high technology exports jumped 45 percent, service exports climbed 26 percent, and farm exports rose 40 percent.

- Exports abroad mean jobs here at home. Exports now support an estimated 11.3 million U.S. jobs. More than 1.4 million of those jobs were generated by increased exports in just the last four years.

- Some Americans, of course, are still left behind, without the skills or education to benefit from the current economic expansion. They should not be forgotten. Neither government nor the private sector should rest while that is the case. But as a nation, we are fundamentally stronger than ever.

■ We are only 4 percent of the world's population, 96 percent of the world's consumers live outside our boundaries. But we are also the world's biggest exporter. No country is better positioned for the enormous opportunities in the growing global economy.

■ We have an extremely rare opportunity. Never before have so many nations looked to a freer market and believed in it enough to let competition come right to their doorstep. This is a season of open minds on more open markets.

■ But we are going to be left on the sidelines unless the American people understand the critical role played by exports and trade in our own domestic prosperity and the importance of an aggressive, forward-leaning U.S. posture on trade.

■ We have a choice. We can seize the day and face up to our problems by educating and training our workers in need and facilitating transitions; by advancing core labor standards and protecting the environment; and by being

vigilant about unfair practices like forced technology transfer.

■ Or we can stand by and let the American people -- against the evidence -- be convinced that we are on the wrong track. We can let others create a picture of economic decline and let the debate bog down in an endless debate over NAFTA, but primarily our economic relations with Mexico. The choice is that clear.

■ In sector after sector, region after region we have clear opportunities to achieve more open markets. Consider what is coming up: financial services, agriculture, government procurement, rules for intellectual property rights, technical barriers to trade, customs valuation, rules of origin, government procurement, state trading enterprises, and that's just the start.

■ We have to work on building markets from the ground up. More than 120 countries are in the WTO and another 31 -- including China, Russia, and the former Soviet Republics -- have applied to accede. These are huge markets and each of these accessions must be done right.

□ Sectorally - pursue options as we did in NAFTA telecom:
look for new initiatives
□ Regionally - Chile, ASEAN, TRANS ATL. Mkt
I bilateral challenges - JAP, CH, Korea, Russia

-
- There is a lot of work to be done. You know the dangers of inaction. Since 1992, more than 20 free trade agreements have been struck in the Asia-Pacific and Latin American regions that do not include the United States. China, Japan, MERCOSUR, ASEAN -- they are on the move without us.

- We need your help to make sure we have the most effective and powerful trade policy. As the President recently noted, "fast track" authority is a key part of our trade arsenal. Its absence is the single most important factor limiting our capacity to open closed foreign markets and expand American exports.

- For that reason, we are going to be working with Congressman Archer, other members of Congress, and interested groups over the coming weeks. I am convinced that we can craft a solution and find a way to go forward. It is in the national interest.

- Let me close by saying that for 50 years, the U.S. has led the world in building a foundation of peace and prosperity. We have now reached a point where, in

the post-Cold War era, our global relationships will be significantly defined by our economic alliances.

- We must cement America's position as the pivotal player in the full range of global trade activity. That is the best way to preserve our prosperity, to promote our values, and to project our leadership into the 21st century.

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~~Urgent~~

~~John A~~

~~DRAFT OF~~ REMARKS BY USTR CHARLENE BARSHEFSKY

before the
Council of the Americas

"Bridging the Gap to the Year 2005"

April 28, 1997

meadows

*Did you
review
carefully?*

*The speech
needs to be
good, concrete
not too
fast
out.*

- Thank you. It's a pleasure to be here with you.
- The Council of the Americas has excelled over the years in bringing together the best minds and talent of business, government, and the academic world in our hemisphere to learn from each other and promote the welfare and advancement of all the citizens of the Americas.

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- An important element of our mutual prosperity is the commerce among our countries. *in this hemisphere &*
- ~~I would like to talk to you today about where we are in U.S. trade policy on Latin America and our goals for the coming years.~~

*It is to the topic that I will turn.
It is impossible to discuss.*

*and the trade policy that ~~underlies that~~ help
catalyze it. I would like to touch briefly on
those policies, but it*

- It is important, for perspective, to remember what a sea change we have witnessed in Latin America in the span of a few years. The leadership of Latin

*What are the themes?
thesis statements?*

America today has more determination, more pragmatism, and more willingness to experiment than any in history.

■ ~~Never before have so many nations looked to a freer market and believed in that idea enough to let competition come right to their doorstep.~~

■ Where before nations asked themselves *whether* they would open their markets, now they are asking *how fast* should it be done.

■ Where before nations asked themselves *whether* democracy would work, now they are asking *how well* can it work.

■ These are not hypothetical questions. They go to the core of the principles that are going to decide Latin America's stability, its prosperity, and its integration with its neighbors and the rest of the world economy.

~~So far from the perspective of the~~

■ So while this forum covers the nuts-and-bolts of trade in the region, it's also a great opportunity to share our perspectives on the depth and breadth of these principles, particularly the economic principles of openness, competition,

■ That Latin Am has embraced ~~the~~ pro-growth strategy ^{is} reflected in ~~the~~ W/LatAm trade ~~as well as in~~ ^{as well as in} subregional trading instruments.

Latin Am embracing ~~the~~ ~~subregional trading instruments~~ ^{as well as in} subregional trading instruments.

~~fairness, transparency, responsibility, and the rule of the law.~~

-
- Latin America is the most dynamic market in the world for U.S. exports. Last year our exports to Latin America and the Caribbean grew by more than 14 percent, reaching \$109 billion. That growth rate is more than twice the rate of U.S. exports to the rest of the world.
 - If this pace continues, U.S. exports to Latin America and the Caribbean will exceed our exports to the European Union by the middle of next year.
 - Mexico already is on the verge of replacing Japan as our second largest export market; ~~in fact, in October 1996 Mexico did exceed Japan in purchases of U.S. exports.~~
 - The United States also is the most significant market for Latin America's products. Last year Latin American countries increased their exports to the U.S. by 17.2 percent, reaching \$122 billion.

-
- No region in the world has a more active agenda of free trade area negotiations than Latin America. During the past year we have witnessed:

- The conclusion of the Chile-Canada free trade area,
- The MERCOSUR-Chile free trade area,
- The MERCOSUR-Bolivia free trade area,

- We have seen the initiation of negotiations:

- between MERCOSUR and the Andean Pact, and;
- between Panama and Chile,
- between Mexico and the Northern Triangle of Central America (Guatemala, El Salvador and Honduras),
- and between Central America and the islands of the Caribbean.

- Properly done, such sub-regional agreements can contribute both to ^{trade} hemisphere-wide liberalization ^{and growth} through the Free Trade Area of the Americas and to ~~multilateral liberalization in the WTO.~~

- They can serve as laboratories of trade, both within and among nations. As

firms and farmers face ever more competition through sub-regional free trade areas, they become prepared for competing with the entire hemisphere.

- However, it is essential that all sub-regional arrangements adhere scrupulously to the disciplines of the WTO. These arrangements must cover essentially all trade between the member countries and must not raise ~~the level of overall~~ restrictions on countries outside the arrangement.

- Freedom of trade in the global economy is a common field. We cannot let each individual take away a piece of freedom, forever expecting his neighbor to worry about the good of the whole, and pretend there will be no consequences for us all. As many of you know, that is what economists call the tragedy of the ~~commons~~.

- We must accept the responsibility of ensuring that the individual sub-regional arrangements contribute to -- rather than detract from ^{Growth} ~~the hemispheric trade,~~ ~~“commons.”~~ ^{Growth.}

- At present most of the free trade areas in the hemisphere other than NAFTA

are essentially tariff elimination arrangements. They are not as comprehensive as NAFTA in covering other trade and trade-related measures, such as government procurement, investment, IPR, sanitary and phytosanitary measures, product standards, and services.

- Thus there is a danger that various sub-regional arrangements could develop incompatible provisions in the non-tariff areas. This would not be in anyone's interest. It would be beneficial, therefore, to move rapidly to develop a single set of disciplines in these areas throughout the ~~ETAA~~ ^{hemisphere}. In order to

justify this effort,

- That will require U.S. leadership. We ~~should not~~ ^{must} stand on the sidelines as these sub-regional arrangements are negotiated. We don't want to be shut out of preferential agreements in the markets of Latin America. ~~Nor do we want to~~ ^{can afford to} be a bystander as the ~~standards~~ ^{codes} for trade ~~behavior~~ in the next century are negotiated, *in our own hemisphere.*

- ~~There is a danger of inaction.~~ ^{US.} Since 1992, more than 20 free trade agreements have been struck in the Asia-Pacific and Latin American regions that do not

include the United States.

- 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. Nations are on the move without us.
- Our shares of the import markets in Latin America are larger than our shares anywhere else, with the exception of Canada. But we will see them erode if we remain outside the network of preferential agreements in the region.
- Our ability to engage outward-looking countries in negotiations---either in the FTAA or bilaterally---can reinforce their first moves toward the open trade policies that we espouse and practice.
- Central America, for example, is impressive in its willingness to work with the United States on the basis of reciprocal market-opening rather than as a recipient of unilateral trade preferences.

~~basic~~, we will be

■ ~~What we should be doing is~~ working with like-minded countries on the building blocks ^{of} ~~of~~ more open trade and investment. Among these building blocks are: bilateral investment treaties; government procurement agreements; ~~bilateral~~ IPR agreements; closer cooperation on sanitary and phytosanitary matters; anti-corruption efforts, and customs procedures.

■ In addition, ~~we should promote~~ ^{promote} accelerated implementation of Uruguay Round commitments ~~by the developing countries~~. This would be of great significance in the areas of customs valuation; intellectual property protection, or ~~TRIPS~~; and trade-related investment measures, ~~TRIMS~~.

■ ~~For most countries in the region, this is probably the most important step they can take now to prepare for the FTAA.~~ ^{the most important building blocks of growth}

■ We encourage countries to step forward. It is a great anomaly that hardly any country in Latin America has yet joined the Information Technology Agreement that was negotiated at the WTO Ministerial in Singapore. Only Costa Rica has joined the ITA, although both El Salvador and Panama have

3) Felimon

indicated their intentions to do so.

- This is ~~very~~ unfortunate. It makes no sense for a country to forgo the information technology marketplace. Participating countries will become better competitors as they eliminate tariffs on information technology products by the year 2000.
- Active participation in upcoming WTO negotiations on financial services, agriculture, and other elements of the WTO's "built-in agenda" also should be part of each country's negotiating agenda.

Apart from the pursuing bilateral trade and
subregional trading arrangements, ~~we must take~~

■ In a few weeks we will hold the Third FTAA Trade Ministerial meeting in Belo Horizonte, Brasil. And next Spring, the Second Summit of the Americas ~~will be held~~ in Santiago, Chile.

- We must use the period between Belo Horizonte and the next Summit to ensure that our Presidents and Prime Ministers can launch the negotiating phase of the FTAA at the Santiago Summit. Most of the countries of the

hemisphere already have announced that they are ready to meet this objective.

- The Leaders at Santiago should agree to initiate negotiations on the full range of issues included in the Miami Declaration and Plan of Action. We know that negotiations will proceed at different paces for different subject matters. Some issues are more complicated or politically sensitive than others, but we should ~~start on everything at the same time.~~ *begin in a comprehensive fashion at Santiago*
- It's fine to implement business facilitation measures as we negotiate, but it would be a mistake to pursue business facilitation exclusively.
- The Belo Horizonte Ministerial should set out a very clear work plan for the FTAA countries so that Trade Ministers can provide their Leaders with the essential recommendations for launching negotiations.
- I underline the phrase "essential recommendations" because it is not necessary to complete an exhaustive analysis of every possible issue in the negotiations before we can start the negotiating process. Most issues get clarified or defined fully only through the process of negotiation itself. We experienced that in the

*Alde have been
this repeatedly
in GATT WTO
negotiations.*

Uruguay Round as well as in the NAFTA negotiations.

- Throughout the construction of the FTAA, we must remain sensitive to the vast disparities in economic size among the FTAA countries. On the one hand, we have continental-size countries with populations in the hundreds of millions. On the other hand, we have countries with populations and GDPs smaller than Arlington County, Virginia.

- These smaller economies face both great opportunities and significant challenges in the FTAA negotiations. We must ensure that they are able to participate fully in the negotiations (e.g., by providing technical assistance). And in the negotiations themselves, we must be willing to identify appropriate transition measures in those areas of greatest difficulty for ^{individual smaller} ~~the smaller~~ economies.

- ~~However, we have to be intellectually rigorous in our approach. For example, we cannot have a situation in which 28 countries out of 34 claim that they are "smaller economies." Nor should we blithely recommend the establishment of new financial institutions without determining whether there is a compelling~~

need for them.

- We also must be responsive to the various economic interests in our societies who wish to express their perspectives on the issues in the FTAA. We have seen how the Americas Business Forum has evolved since the late Secretary Brown hosted the first Forum in Denver in 1995. We need the advice of the private sector to help us define our objectives and priorities in the FTAA negotiations.

- Other economic interests, such as organized labor, have an equal right to provide input for Ministers. We understand that there will be such an opportunity in Belo Horizonte at the same time as the Americas Business Forum. We applaud the Government of Brasil for recognizing the value of such an event.

- These are the principal issues for the Belo Horizonte Ministerial. If they are addressed ambitiously and directly, then this year's Ministerial will be judged as a significant success.

MUST
^

-- the launch of negotiations for Santiago
the challenge of the smaller economies

(emphasis)

the necessary role of labor groups in pushing on

- The United States consistently has pressed for rapid movement in carrying out the Miami Declaration's vision of the FTAA. We will continue to work toward that end at Belo Horizonte and in the months leading to the Santiago Summit. I hope that all of our trading partners in the hemisphere will work with the same dedication and level of ambition.

-
- The rapid growth in this hemisphere, of course, is helping to accelerate the surge in the world economy. Over the next decade, the global economy is expected to grow at three times the pace of the U.S. economy.

- The lifeblood of that growth is trade, and that is true for both developing and mature economies. Over the last four years, one-quarter of the economic growth in the United States came from trade, and exports created 1.4 million new jobs.

- However, many Americans still have doubts about whether we should go further, toward more open and competitive trade, or retreat. We face a critical choice. We can recognize that the American economy is the model for the

world, continue to open foreign markets, and seize the initiative when it comes to international competition.

- Or we can convince ourselves -- against the evidence --- that we are on the wrong track, that we cannot succeed, and that we should not move forward.

The choice is that clear.

- The pivotal element in this choice is fast track negotiating authority -- the ability of the U.S. president to forge comprehensive trade agreements that are fair to American workers and good for the global economy.

- This issue hits home: it affects jobs across the United States, and it is an important signal to our allies and competitors. No other nation has the resources, the determination, and the leadership to advance fair trade the way we have. The Information Technology Agreement, to cite one example, would have been impossible without the fast track authority embodied in the Uruguay Round.

- Congress has consistently recognized that the President must have this tool.

Every President since Ford has had fast track authority for key periods with bipartisan support. Now, when trade matters more to this nation than ever, we should step forward, not stand down.

~~That~~ we can only benefit

~~American leadership~~

- ~~We need your help in getting Congress to approve this authority. It will make a marked difference for trade in Latin America, for Latin America's integration with the U.S. economy, and for the continued growth of the global economy.~~

- Thank you.

From the continued growth of the global economy, our hemisphere should lead the way.

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Press Conference Remarks

We have seen an important transformation in thinking across the region in the last three-plus years since Miami. Again and again today, leaders from throughout the Hemisphere expressed the view that in Miami, the FTAA was a U.S. idea which they embraced with ^{but} ^{some degree} ~~substantial~~ uncertainty, and ^{longer} ^{a leap of faith} apprehension about what the FTAA would mean for their economies. But today the FTAA is embraced by all the countries as ^{a broader} ~~an~~ integral to ~~their~~ agenda of stronger democracies, ^{the} ^{empowerment of people} alleviation of poverty, and sustainable development.

Today ^{striking in the session this a.m.} it was ~~truly phenomenal~~ to see the unanimity with which the leaders ~~now~~ embrace the three-part foundation of strong democracies and strong economies in the 21st century: ^{investing in peo (R)} ^{health care} ~~more~~ open trade, substantial investments in education, and ^{needs} civil society reforms -- exactly the agenda that the President has articulated for the last five years.

region
stability

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summit floor:
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Each part is integral to the other:
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 on trade

What you saw four years ago was the launch of a new idea in the FTAA, with little understanding about what it might mean. There was discussion about tariff barriers and non-tariff barriers to trade, but at a very basic level.

Today, the leaders engaged in a detailed dialogue about the transforming power of trade and economic integration.

President Caldera of Venezuela talked about how the FTAA equips us to deal with globalization, and provides a path to progress and growth.

as a means of ensuring that globalization will work for our people by

Brazil specifically said four years ago, the FTAA was the U.S. vision. President Cardoso said that the President's continued engagement in the region and what he described as a "historic" visit to Brazil have

already d. they

in fact some that a combination of 3 1/2 yr work or

shared common vision

over the last three years. President Cardoso expressed Brazil's strong support of the FTAA effort, and said flatly, "this is not a rhetorical launch."

absolute

of negotiations

El Salvador said the FTAA better prepares countries of the region to reach global goals, and the FTAA is irreversible.

small

Uruguay (President Sanguinetti) noted that 10-15 years ago, the region was sharply polarized in the following ways:

Alongside fledgling democracies, you saw dictatorships; open economies stood next to countries committed to protectionist practices; there was a deep North-South divide; relationships were defined by Cold War ties with the U.S. or Moscow.

Now free trade and democracy are embraced as companion initiatives throughout the region, and we recognize the need for a broader response to the concerns of our citizens. There is a ~~much~~ more mature relationship in the hemisphere -- ~~then~~

countries were begging ~~and~~ complaining about U.S. aid, now we are on to a ~~broader~~ inclusive dialogue.

What we see now is that the Leaders have embraced an agenda that connects FTAA, civil society reforms, investments in people/education, and providing the tools of ~~new technologies to empower the people of the region.~~

Today, again and again, the Leaders raised trade issues in ways that were not contemplated in Miami. More than a half-dozen leaders talked specifically about trade in services, the

strong

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agenda items that were either absent or controversial have taken

new imp. + rising level of concern

telcom, health, professions, services

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(b) CPEL - imp tech
(c) CMI Socy

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importance of new technologies, and in particular, global electronic commerce -- including small economies -- as tools to expand prosperty and ~~expand~~ sustainable development. (level per)

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Empowerment leaders line
~~Leaders at the same time expressed an awareness that 20% of the population receives 60% of the income.~~

President Iglesias said there are 50 million micro-enterprises in the Hemisphere today, that if they reach their full potential could employ 1/3 of Latin America. He described these enterprises as the sleeping giant of development to be awakened by the forces of education and technology. trade

We now have a consensus in the region that embraces sound macroeconomic policies, open trade, and civil society objectives. President Clinton captured this point in pointing

out that we need to take very seriously the views of civil society so that they have confidence that the benefits of democracy and globalization will be shared with them.

What you see in the Santiago Summit and the FTAA is that the region has experienced a dramatic evolution in thinking

and their
integral role to
prosperity &
democracy building

about trade and economic cooperation) There is ~~now~~ a unity
of purpose throughout the Hemisphere that ~~trade, new~~
~~technologies, and reaching out to civil society is our common~~
~~formula for greater prosperity stronger democracies in the~~
21st-century.

→ a greater
clarity of vision
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Testimony

**Draft Oral Testimony of Ambassador Charlene Barshefsky
before the
Trade Subcommittee of the House Ways and Means Committee
April 29, 1997**

- We welcome the opportunity to discuss the Administration's program for promoting trade and investment with the countries of Africa.

- I want to commend this Committee for its leadership in focusing on the need to develop a new trade approach to Africa.

- The Clinton Administration enthusiastically endorses the basic approach of the African Growth and Opportunity Act that you have introduced, and we look forward to working with the Committee to craft and pass legislation that will help build a new trade relationship between the United States and African countries.

- Today, I want to introduce the Clinton Administration's new economic approach to Africa, what we call the "Partnership for Promoting Economic Growth and Opportunity in Africa."

- This partnership begins with the simple but powerful idea that American interests are best served if we view African countries as partners in trade, not simply recipients of aid.
- We begin with the idea that building strong trade partnerships with Africa's rapidly growing and reforming economies is the key to generating growth and opportunity in the rest of the continent.
- The 48 countries in Sub-Saharan Africa are quite diverse. Some African countries are already showing that the continent can be a region of dynamic economic growth, and that there is no reason why they cannot achieve Asian levels of growth if they make the right choices.
- Only if we build on Africa's progress can we change the minds of those in the private and public sectors who doubt the continent's potential.
- Our plan highlights Africa's success stories. In the last few years, more than 30 countries have instituted economic reform programs. They have adopted the most critical reforms -- liberalizing exchange rates and prices, privatizing state-

owned enterprises, instituting tighter disciplines over government expenditures, ending costly subsidies, and reducing barriers to trade and investment. Many countries have also undertaken political reforms.

- Reform efforts have helped boost economic growth in Africa from 1.4 percent in the 1991-94 period to 3.4 percent in 1995 and 5.6 percent in 1996. The United States seeks to encourage these reforms and the growth that goes with them.

- The benefits for the U.S. are clear. In an increasingly competitive global economy, the United States cannot afford to neglect a largely untapped market of some 600-million-plus people, and the world cannot afford to see a vast region marginalized. The lowering of tariffs and other trade barriers will help African nations to grow. They will also help Americans by opening these markets to our goods and services.

- Increased growth will also contribute to social and political stability on the continent and to an enhanced capacity to address the problems with which we are all too familiar.

- We recognize that Sub-Saharan nations have much work to do. In the last 40 years, Africa's share of global trade has fallen from 3.1 percent to 1.2 percent.

 - The core premises of our plan are that those nations willing and able to undertake the most economic reforms -- principally by opening their economies to the world marketplace -- are the ones most likely to be the engines of growth on the continent and deserve significant support.
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- Many African countries have been able to make substantial achievements in restarting economic growth by taking bold steps to open, liberalize, and privatize their economies.

- The most dramatic progress has come when countries have focused on three areas: trade and investment liberalization, investing in human resources, and improving policy management. For this reason, our program seeks to

emphasize support for countries that are making strong efforts in these areas.

- In the area of trade and investment, we attach particular importance to the extent to which countries have made substantial progress towards reducing tariff levels, binding their tariffs in the WTO and assuming meaningful binding obligations in areas of trade such as services, and in eliminating non-tariff barriers to trade.

- We also think it is very important that any country in Sub-Saharan that is not already a member of the WTO should be actively pursuing membership in the WTO and be prepared to take on meaningful obligations. We are pleased that several African countries made commitments in the recently concluded WTO telecom services negotiations. We also hope that these countries will also make commitments in the WTO financial services negotiations which resumed last month.

- We also believe economic growth may be enhanced by factors in the trade and investment area such as the provision of national treatment for foreign investment, a readiness to begin negotiations with the United States on a

Bilateral Investment Treaty, privatization of sectors of the economy that are most likely to attract foreign investment, their compliance with their programs with and obligations to the International Monetary Fund and other international financial institutions and the introduction of current account convertibility.

- Mr. Chairman, I'd like to briefly discuss the Administration's ~~proposal for~~ Partnership for Economic Growth and Opportunity in Africa.

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- We recognize that not all African countries are ready or able to take the steps necessary to spur high levels of economic growth. Therefore, we propose to make available and to work with the relevant international institutions to make available the following opportunities to Sub-Saharan countries, according to their desired level of participation.
- To support efforts to achieve sustainable economic growth throughout Sub-Saharan Africa, the Administration will make broadly available the following

opportunities and assistance for what we are calling level I participation. Level I will include notably:

-- *enhanced market access* for African nations through continuation of the existing Generalized System of Preference (GSP) program, which authorizes less-developed countries to qualify for duty-free access for products in some 4,000 tariff lines and will authorize least-developed countries enhanced access on products in up to an additional 1800 tariff lines.

-- We strongly hope that the Congress will quickly to re-authorize the GSP on a multi-year basis. For 20 years it has authorized developing countries to have preferential tariff access to the United States, and we believe it can be even more effective with the expanded product coverage that was provided last year for the least developed countries.

-- *investment support* through OPIC guaranteed funds directed at equity investment in a variety of sectors and through funds that would focus on infrastructure projects.

-- *support for regional economic integration* through private and public sector cooperative activities, which would be provided under the U.S. Agency for International Development's Initiative for Southern Africa;

-- *support for American-African business relations* through an annual appropriation of up to \$1 million from USAID to help catalyze American-African business ties;

-- *encourage use of EXIM programs through* designation of a senior advisor on Africa to the EXIM Bank board and a campaign for outreach, particularly with the private sector; and

-- To ensure that trade issues with Africa receive proper attention, I have decided to create an *Assistant U.S. Trade Representative for Africa*.

- As Deputy Secretary Summers will discuss later, the Administration plans to work with international institutions such as the IMF, the World Bank, and the African Development Bank Group on greater support for private sector investment, trade development, and capacity building.

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- To support those countries pursuing aggressive growth-oriented policies, the Administration would offer, at the discretion of the President, the following additional opportunities, which we have characterized as level two participation:

 - *Additional Market Access through expansion of the GSP program* -- We are very pleased that the “Africa Growth and Opportunity Act” would provide authority for the President, after receiving advice from the U.S. International Trade Commission, to include in the GSP program for these countries a number of products that are presently excluded. This is the one major area of our proposed program for which we need legislative authorization before moving forward.

 - While we question the appropriateness of making eligible for GSP certain products mentioned in the bill, we wholeheartedly welcome this approach and want to work with the Committee on it. We understand the importance of the

textile sector to the sponsors of the bill. Our own approach to this issue also supports the goal of expanding our textile and apparel trade relations with the countries in Sub-Saharan Africa, and our approach emphasizes the benefits to both the United States and Africa of an outward processing program, such as the program that currently exists in the Caribbean countries.

- *Debt Reduction*, by which the Administration would support an approach that leads to the extinction of concessional bilateral debt for poorest countries, and we would urge the World Bank and IMF boards to provide maximum relief under the HIPC debt initiative,

- *Creation of a U.S.-Africa Economic Forum*, a Cabinet- and Minister-level forum to meet once per year in order to raise the level and caliber of the dialogue between the United States and Africa's strongest reformers,

- *Bilateral Technical Assistance to Promote Reforms*, up to \$5 million annually would be used by USAID to finance short-term technical assistance to African governments to liberalize trade and promote exports; comply with WTO obligations and assuming additional ones, and make financial and fiscal

reforms. The U.S. Department of Agriculture will provide technical assistance to promote agri-business linkages.

- *Support for Agricultural Market Liberalization*, up to \$15 million would be allocated under the new multi-year Africa Food Security Initiative to support freer markets, export development, and agribusiness investment,
- *Trade Promotion*. The Trade Development Agency(TDA) will increase the number of reverse missions to growth-oriented countries.
- *Programming commodity assistance*. To help countries experiencing budget shortfalls in the course of their growth-through reform programs, and to encourage more effective spending on human resource development and agricultural policy reform, the Administration will take steps to focus PL-480 Title I assistance more on growth-oriented countries in Africa and will explore the possibilities to increase funding for Title III assistance from within PL-480.
- *Support for Economic Policy Reform*. In FY-98, if the Administration's

budget request is approved and funds are made available, AID will make available up to \$10 million annually to finance specific growth-oriented programs, both technical assistance and program support funds.

- In addition to all of these bilateral measures, as Deputy Secretary Summers will discuss the Administration would actively support multilateral financial assistance for reform-oriented African economies.
- Finally, the Administration's program will hopefully lay the groundwork for a third level of economic involvement: the creation of free trade areas. We share your view that negotiations on removal of trade barriers and on eventual free trade agreements can be a catalyst for increased trade. We think that it is important that we send a signal to our private sector and that we are serious when we say that Africa has the potential to become a more significant U.S. trading partner. Therefore, we believe we should affirm that we are open to pursuing free trade agreement negotiations with our trading partners in Africa, who are ready to take on those obligations, just as we have affirmed with our partners in ~~Latin America and the Caribbean~~ and in Asia. The proposal in the

Wen Heerman

“Growth and Opportunity Act” that we report on plans for such agreements with African countries would provide such an opportunity.

- We invite all Sub-Saharan countries to pursue a course toward freer trade and open markets by participating in this comprehensive program. This graduated approach takes into account their diversity, commitment, and potential.

- Mr. Chairman, we look forward to working with you and the members of the committee, and please accept my thanks for this opportunity to speak with you.

Testimony

**Testimony of
Ambassador Charlene Barshefsky
United States Trade Representative**

**before the Senate Finance Committee
June 3, 1997**

Thank you, Mr. Chairman and Members of the Committee. I appreciate the opportunity to appear before you today.

Trade is essential to our domestic prosperity and to our long-term economic security. It is both a pocketbook issue and a strategic issue. More than 11 million Americans now work in jobs supported by exports; these jobs pay 13%-16% above the national average wage.

Our global exports are at record levels across the board. Over the last 4 years, manufactured exports have increased 42%; hi-tech exports, 45%; agriculture, 40%; and services, 26%. Virtually every state has contributed to this record export performance and has benefited from it. Exports from California are up 45%, Michigan, 68%; Illinois, 64%; Ohio, 42%; Texas, 40%; Nebraska, 54%; North Dakota, 76%; Montana, 52%. I could go on and on.

Over the last 4 years, trade has accounted for fully one-fourth of the

growth in our GDP. Export-driven growth is one of the reasons that the American economy today is strong and sound. Over the past four years, we have created nearly 12 million new jobs. The remainder of the G-7 countries combined created only 600,000. Unemployment is at its lowest level in 24 years. Inflation is down to a low of 2.5%, for the period ended April 1997. At the same time, family incomes are up significantly; home ownership has hit a 15-year high; growth of our industrial capacity is at its highest level since 1970; business investment has been stronger than at any time since the 1960s. Our current economic expansion has been investment-led, which establishes a firm footing for an even greater climb.

The best way to continue this prosperity is to give our workers and businesses a full and fair chance to tap into the global economy. This is essential: 96% of the world's population lives outside the U.S. 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. Over the next decade, the global economy is expected to

grow at twice the rate of the U.S. economy. Asia and Latin America will grow at 3 times the rate of our economy. We must work to create fair access to these expanding markets. This is not merely a matter of short-term economic prosperity, but implicates our long-term economic security. Trade alliances play a vital role in defining strategic relationships between countries and regions. Our commercial competitiveness is at stake, but so too is our leadership in the world.

We must seize the opportunities of the global economy. We must maintain the centrality of America's role in world trade. We must respond to a staggering increase in the number of preferential commercial alliances struck by Latin America, Europe, China, Japan and others -- arrangements that go around the United States, rather than with the U.S. We must fully meet sophisticated and determined international competition.

In order to win in the global market, the President will seek a new grant of authority to implement global, sectoral and regional trade agreements -- fast track authority. In consultation with the Senate and House leadership, we have determined that proceeding with fast track legislation in September provides the best opportunity for proper

consideration and passage of this legislation by year end. Between now and September, we will work with you toward developing legislation that will allow us to continue to move forward.

There is no substitute for our ability to implement comprehensive trade agreements. The absence of fast track authority is the single most important factor limiting our capacity at this time to open markets and expand American exports. Our market is already the most open major economy in the world. It's their markets we must access fully and fairly.

The scope and breadth of the agenda ahead of us underscores the importance of fast track authority. We have 3 basic uses for that authority:

(1) Multilateral. In the next 3 1/2 years, we will renew global negotiations in the WTO on agriculture, a \$526 billion global market; services, a \$1.2 trillion market; intellectual property rights; government procurement, a trillion dollar market in Asia alone over the next decade; and financial services. We will also review and try to improve upon agreements on standards, sanitary and phytosanitary barriers, customs valuation, pre-shipment

inspections, and import licensing. In the OECD, we are in active negotiations over the Multilateral Agreement on Investment and are engaged in efforts to address bribery and corruption, competition policy and transparency in government procurement.

Fast track is essential if we are going to capitalize on the additional market access opportunities presented by the full range of WTO-related negotiations, and OECD initiatives.

(2) Sectoral Efforts. We intend to use fast track authority to negotiate agreements in sectors where the United States is most competitive. The recent Information Technology Agreement, for example, eliminated tariffs and unshackled \$500 billion of trade in semiconductors, computers, telecommunications equipment and software, amounting to a \$5 billion tax cut in tariffs on American exports. With fast track authority, we can tear down more barriers in areas like medical equipment, environmental technology, and computer software, areas where America leads the world. Indeed, in the APEC and in the Quad, we have now achieved agreement among our trading partners to launch in the Fall the ITA II, that is, to expand upon the ITA in terms of product scope, to enter into

negotiation on non-tariff barriers, and to increase the number of participating countries. In addition, further market opening initiatives on a sector basis are likely to be announced at the APEC Leaders' Meeting in November of this year.

(3) Regional. The third area in our trade agenda for which fast track is needed is to complete regional and sub-regional free trade agreements. Continuing regional initiatives present vast opportunities. Look at just two regions:

- *Latin America and the Caribbean*. This is the fastest growing market for U.S. exports. If trends continue, Latin America and the Caribbean will exceed the EU as a destination for our exports by 2000 and exceed Japan and the EU combined by 2010. Chile is the first step.

- *Asia*. Asia contains the fastest growing economies in the world, with nearly 3 billion people. Independent forecasters put 1996 GDP for the region at \$2.8 trillion, and real growth of 6% to 7% is expected annually for the next 15 years. Market opening agreements with key economies or in key

sectors in Asia would provide both economic and strategic advantages to the U.S.

If we don't act, our competitors will. Other countries are breaking down barriers for their companies and workers. We talk a lot about leveling the playing field, but our competitors are leveling the field, while we sit on the sidelines.

Since 1992, our competitors have negotiated 20 regional trade pacts in Asia and the Western Hemisphere, none of which include the United States. In every region of the world, this process will continue.

MERCOSUR is a developing customs union with ambitions to expand to all of South America. The EU has begun a process to reach free trade with MERCOSUR, Canada and others. China's "strategic priorities" include Mexico, Argentina, Brazil, Chile and Venezuela. Japan has undertaken high-level efforts in Asia and Latin America. India and its neighbors are entering a free trade pact. Asean and Australia and New Zealand are in discussions, as are Asean and MERCOSUR. And individual countries are equally aggressive with bilateral or plurilateral FTAs -- countries like Mexico, Chile, Venezuela and others.

The costs of inaction are high and the consequences are real, not theoretical. For example, Canada has reached a free trade agreement with Chile that will eliminate Chile's across-the-board 11 percent tariff on Canadian products. That means every time an American company competes to sell to Chile, it will face an immediate 11 percent cost disadvantage vis-a-vis its Canadian competitors.

The costs are already being felt. Canada's Northern Telecom just won a \$180 million telecommunications contract over three U.S. companies in part because it could avoid paying \$20 million worth of duties.

Let me close by saying that as we approach a fast track bill, we must develop a bipartisan approach to the issues of labor, environment, and institutional prerogative. We simply must forge a consensus on these issues. The stakes are enormous and the cost of inaction is absolutely detrimental to our own prosperity and to our economic security.