

**Senate Finance Committee Hearing
Renewal of MFN Status for China
Statement of U.S. Trade Representative Charlene Barshefsky
June 10, 1997**

Mr. Chairman, distinguished Members of the Committee, I appreciate this opportunity to discuss the Administration's policy toward China, in particular, the trade aspects of that policy.

9 Our bilateral relationship with China is complex and multi-faceted, including political, strategic, human rights and trade elements. President Clinton has implemented a comprehensive policy with China, one which is based on continued engagement on the full range of issues. The reason for that policy is clear: U.S. interests are best served by a secure, stable, and open China.

On May 29, President Clinton sent to Congress the formal waiver recommending extension of MFN to China for another year. The President's decision to renew normal trading relations with China, MFN status, is based upon his judgment about what is in the national interest of the United States.

How China evolves over the next decades will be of profound importance to the American people. The manner in which we engage China will help determine whether it abides by international norms, and becomes integrated into the international community, or whether it becomes an unpredictable and destabilizing presence in the world. That is why we have pursued

a policy with China of engagement. It is the President's judgment that engagement with China, ~~rather than~~ ~~isolation from China~~, is in the best interest of the American people. Mr. Chairman, we will not achieve China's full integration into the international community by building walls that divide us. The most repressive periods in modern Chinese history did not occur in times of open

exchange--they occurred in times of isolation.

While the Clinton Administration policy toward China is one of engagement, let me be clear about what we mean by "engagement". Engagement with China does not mean *ignoring* our differences. It means actively engaging China *to resolve* our differences and it means *protecting our interests* when consultations do not produce results.

The vote on MFN is thus a vote on how best to protect U.S. interests, not an endorsement of China's policies. Engagement is not an end unto itself. Engagement is a means by which we can expand the areas of cooperation with China and deal face-to-face with the Chinese on areas of difference.

China's adherence to international norms is fundamental to advancing the entire range of issues between our two countries. Engagement furthers U.S. interests in many areas where China's cooperation is important, such as our ongoing efforts to dismantle North Korea's nuclear weapons program, fighting terrorism and drug trafficking, reinforcing UN peacekeeping efforts, and putting a halt to alien smuggling. We have seen some positive movement on the part of China in these areas, and Secretary Albright has described that progress. Much, of course, remains to be achieved. We continue to have basic disagreements with China on human rights and some of their weapons sales, each of which has been addressed by Secretary Albright.

The issue before Congress today concerns a choice--between engaging China and making progress on issues that Americans care about--or isolating ourselves from China by severing our economic and, in turn, our political relationship. Our friends and allies--the global community--will continue to conduct normal relations with China, displacing U.S. interests and diluting U.S. influence.

Let me turn to the trade aspects of the Administration's policy of engagement and why continuing normal trade relations is in the trade and economic interest^s of the United States. I use the term "normal trade relations" because that is precisely what we are talking about. Most-favored-nation or MFN status is a misnomer. MFN tariff treatment is the standard tariff treatment we accord virtually all governments. This "normal treatment," however, is a critical element of our relationship with China. We cannot determine China's direction, but we can help to influence its direction if we remain fully engaged with ^{China} ~~that country~~.

Maintaining Normal Trade Relations

As I noted, the U.S.-China relationship is complex and multifaceted. America has a range of issues with China that go far beyond trade. We have a deep and abiding interest in human rights, and are critical when basic international norms are not met. We have continuing concerns in areas ranging from non-proliferation to environmental protection. Trade, however, has played an increasingly central role in our relationship. Just as we should not make apologies *for China*, we should not apologize for our economic interest *in China*.

We cannot ignore the fact that the United States has a significant commercial stake in China. It is the fastest growing major economy in the world, with growth rates averaging more than 10 percent in recent years. Already possessing the world's largest population, by early in the next century, China may have the world's largest economy.

Today, China is the world's tenth largest trading nation and the United States' fifth largest trading partner. U.S. exports to China have quadrupled over the past decade. At least 170,000 Americans owe their jobs to U.S. exports to China.

The Administration has clear goals that it wants to achieve in its trade policy with China.

First and foremost, we continue to pursue actively market opening initiatives on a broad scale for U.S. goods ~~and~~ ^{and agriculture} services. U.S. businesses should have access--and the necessary protection for their properties--in China's market, equivalent to that which China receives in the United States. Especially in light of our trade deficit with China, we must see greater balance in our trade relationship--with high growth in our exports to China in areas where U.S. companies maintain a comparative advantage. Second, a fundamental principle of our policy has been working to ensure that China accepts the rule of law as it applies to trade--that is, ensuring that China's trade and economic policies are consistent with international trade practices and norms.

The Trade Relationship

The United States is China's largest export market. U.S. imports from China were nearly \$51.5 billion in 1996 (or nearly 25 percent of China's exports to the world). By contrast, U.S. exports of goods to China last year stood at only \$12 billion. While the large trade deficit with China is the result of many factors, China's multiple, overlapping barriers to trade and investment are clearly of serious concern.

Despite China's movement away from a centrally-planned economy toward a quasi-market economy in recent years, China still maintains one of the most protectionist trade regimes in the world. China appears to be following in the footsteps of other major trading nations in East Asia--maintaining export-led growth while protecting its domestic markets. China's failure to meet fundamental international norms--such as national treatment, transparency, or the right to import or export freely--holds back the U.S. side of the bilateral trade equation and hurts U.S. businesses and workers.

During the past several years, as a result of our bilateral initiatives, China has liberalized

its markets for many U.S. products. While U.S. access to China's market is far greater now than it was, U.S. access falls far short of what it should be. As we continue to press China on market access issues, we also intend to work with the Chinese Government in support of its economic reform program.

As I noted, a fundamental principle of our policy has been working to ensure that China accepts the rule of law as it applies to trade--that is, ensuring that China's trade and economic policies are consistent with international trade practices and norms, such as those of the World Trade Organization (WTO). Bilaterally our market access, intellectual property rights and textiles agreements have all been thoroughly grounded in the GATT and now the WTO. Clearly, the ongoing negotiations over China's accession to the WTO are part of our overall approach of creating an effective framework for our trade relationship.

In this respect, trade cannot be separated from the broader considerations of creating a more open, rules-based society in China. Reforms of China's legal system, institution of new laws and regulations, and notions of due process and transparency all build a better trade relationship. *and in part, will spring from that relationship* In the WTO accession negotiations, as in the case of our negotiations on IPR enforcement and other bilateral agreements, we will work together with China's negotiators to create a regime that strengthens the legal system and the rule of law in general.

The United States has pursued an aggressive, but balanced, trade policy toward China. To achieve our goals, we have put together a strong, complementary policy that combines *regional (APEC)* ~~of course we also add to the~~ bilateral and multilateral initiatives. Rather than severing the economic relationship through revocation of MFN, the Administration has sought, and has achieved tangible results on market access, intellectual property rights (IPRs) and textiles. We have carefully used targeted trade

sanctions as an effective tool to achieve U.S. trade objectives when other reasonable means have been exhausted.

Bilateral Initiatives

IPR Enforcement

In 1995, the United States reached an historic agreement with China on the enforcement of IPRs, particularly copyrights and trademarks, and improved market access for U.S. firms in the computer software, motion picture, publishing and sound recording industries. In the 1995 Agreement, China committed to put in place a basic structure for enforcement of IPRs at the central and provincial level and in the major cities. China also undertook improved Customs enforcement of IPRs at the border and to strengthen the protection for well-known trademarks. We reached this agreement after threatening to impose nearly \$2 billion in trade sanctions on China's exports.

Over the next year, we carefully monitored China's implementation of ^{the 1995} ~~that~~ Agreement. China created enforcement task forces and embarked on some enforcement efforts. However, overall piracy rates remained extremely high and U.S. companies were frustrated in their efforts to achieve market access. That is why, in May 1996, the Clinton Administration threatened to take action against China for failure to implement satisfactorily China's commitments from the 1995 Agreement.

In June 1996, after substantial verification activities on the part of the U.S. government and industry, we determined that a critical mass of enforcement actions in connection with the 1995 Agreement had been taken by the Chinese, and sanctions were averted. Among the steps confirmed at that time were the closure of 15 factories engaged in piracy, stepped up police

activity, arrests and imposition of fines, as well as issuance of regulations crack down on underground factories and the import of CD presses.

Since June, we have seen continued progress. IPR enforcement is now part of China's nationwide anti-crime campaign. Police are now involved in investigating IPR piracy on a regular basis. A nationwide campaign against pornographic and illegal publications has targeted copyright infringements. Pirates are being arrested and the courts are imposing fines and jail terms on people running "underground," i.e., unlicensed, CD factories.

In late 1996, Guangdong province (a region near Hong Kong that has been a center of pirating activity) launched a major crackdown on underground CD factories. The campaign began with an announcement of a reward of 300,000 RMB (US \$37,000) for information leading to the closure of underground ^{plants.} factories. According to State Council officials, so far Guangdong has paid out over 1.2 million RMB. The reward system has met with such ^{resounding} success that it has been extended to include six southern and coastal provinces.

Overall, 39 production facilities not approved by the central government have had their licenses confiscated or have been closed since June. According to U.S. industry sources, the 22 legitimate factories, i.e., those that have been thoroughly investigated and registered by central government authorities, have turned their attention to domestic production while piracy of foreign sound recordings has dropped dramatically. In all, over 10 million pirated CDs have been destroyed by Chinese government authorities.

Although we have seen significant improvements ⁱⁿ enforcement, serious problems remain. Piracy of computer software continues at high levels. While market access for copyrighted products has improved, particularly with respect to sound recordings, we need to

see further substantial improvement so that legitimate products are available to meet market demand. The problem of pirate CD factories also affects Hong Kong. Hong Kong is often used as a point for export of pirated product and import of CD production line equipment. We have been working with the authorities there to address these problems and expect further progress.

Textiles

In 1994 and in February of this year, the Administration concluded bilateral agreements to achieve fair trade in textile products. The February agreement builds on and improves the 1994 Textiles Agreement with China. For the first time, our bilateral agreement provides for market access for U.S. textiles and apparel into China's market. China has also agreed to ensure that non-tariff barriers do not impede the achievement of real and effective market access for U.S. textile and apparel exports.

China has agreed to bind its tariffs at its applied rates, thereby assuring security and certainty for U.S. exporters. In addition, China will lower tariff rates over the 4-year term of the Agreement. For certain high priority products, China has agreed to accelerate tariff reductions so that they are completed within 2 years.

The issue of illegal transshipments of textiles from China has been a significant concern in the past and the Administration has demonstrated its willingness to act against such imports. In 1994 and 1995, the Administration found and charged transshipped products against China's quotas. In 1996, we triple-charged China's quotas. In the February 1997 agreement, we reduced China's quotas in fourteen apparel and fabric product categories where there were violations of the 1994 agreement through transshipment or overshipment. The Agreement also includes procedural measures to improve the bilateral consultation process, including arrangements to

Following on cutbacks in China's textile shipments achieved by the 1994 agreement, the 1997 agreement further reduced the overall quota to address enforcement issues.

resolve

(had been agreement)

previous

implement an "electronic visa" information system to more effectively track textile and apparel shipments. Moreover, a special textiles import safeguard mechanism will remain in effect until four years after the WTO Agreement on Textiles and Clothing has terminated.

Market Access Agreement

Obtaining effective implementation of the October 1992 market access agreement is another example of the Administration's continuing pursuit of market opening. In that Agreement, China committed to make sweeping changes in its import regime. ~~Under the Agreement,~~ China committed to eliminate import substitution policies, publish its trade laws in an official journal, apply the same testing and standards requirements to domestic products and imports, decrease tariffs on certain products, apply sanitary and phytosanitary measures only on the basis of sound science and eliminate license ⁱⁿ and quota ^{measures} requires on more than 1,200 products over a 5-year period. ^{It} China has taken some significant steps in implementing the 1992 Agreement. China's trade regime is more transparent than previously, ^{or well has eliminated well} over a thousand non-tariff barriers, ~~have been eliminated, and~~ ^{also} China has lowered tariffs on many products. ^{and}

While China has removed a substantial number of ^{these} non-tariff barriers, we are concerned with China's tendency to give with one hand and take with the other. In some instances, for example, ^{in the medical sector,} China has replaced a quota with a tendering or registration requirement, ^{impeding market access.}

A number of other market access problems remain, in particular for U.S. agricultural products. In the 1992 Agreement, China committed to eliminate unscientific sanitary and phytosanitary restrictions used as barriers to market access. China's implementation of this commitment remains incomplete. Over the last four years, we have reached agreement on measures that permit the importation of live horses; apples from the states of Washington,

Oregon, and Idaho; cattle, swine, bovine embryos, and cherries. Just last month, our negotiators completed a bilateral protocol and work plan that will permit exports of U.S. grapes to China.

This new market for U.S. grape producers could reach more than \$45 million in the next two to three years. *China remain a major purchaser of US wheat, corn, cotton, coarse grains & other*

Restrictions affecting ^{such} U.S. exports ^{as} ~~of~~ pacific-northwest wheat, stone fruit, ~~tobacco~~, citrus, poultry and pork products ~~that~~ are not based on sound science, ^{and} ~~are~~ a particular ^{This is}

*grains & other
bilk
products.*

source of concern. We are engaged in ^{an} active work program to resolve these sanitary and phytosanitary restrictions on our exports. I have created the new position of Senior ~~A~~ Advisor and ~~N~~egotiator for Agriculture at USTR, with responsibility for leading our bilateral efforts to improve market access for this important sector of the U.S. economy.

WTO Accession

~~In the more than two years since the WTO has been in existence,~~ ^{The} process of negotiating the terms of accession to the WTO ^{China's} ~~Agreement~~ ^{is} has become a major focus of our efforts, ^{It is a means not only} to expand market access for U.S. exports ^{but also to bring China into the} and to strengthen the existing rules of the ~~international trading system.~~ ^{global trading system} This is nowhere more relevant than in the negotiations for China's accession to the WTO.

*international
rules-based
trading
system.*

President Clinton has repeatedly affirmed U.S. support for China's accession to the WTO, but only on the basis of commercially meaningful commitments that provide greatly expanded market access and ensure compliance with WTO obligations. At this juncture, while China has evidenced a new seriousness about the negotiations, it has yet to put forward acceptable offers on market access for industrial goods, services and agricultural products. In addition, significant reforms will be needed ~~to be made~~ to bring China's practices into

conformity with WTO rules. The timing of China's accession is in China's hands. We are prepared to move as quickly as China ~~is prepared to go~~ based on serious offers that provide ~~market access and~~ a means to achieve the balance that is lacking in our trade relationship.

genuine market opening + a means

~~Continuing~~ WTO accession negotiations ~~is~~ in the U.S. interest as a means to bring China into the international rules-based trading system. ~~Successful WTO accession would also achieve important broader objectives.~~ Upon accession, China would be required to

conform its current trade laws and practices to internationally-agreed rules and base any future laws on the same international norms that apply to the United States and other WTO members. Basic WTO principles, such as publication of all laws and regulations, the right to appeal administrative decisions, application of all of its trade laws uniformly throughout the country, and equal treatment for domestic and imported goods, all foster the rule of law. Moreover, China's implementation of these basic principles would be subject to dispute settlement based on the same rules that apply to all WTO Members. The United States has used the WTO dispute settlement system successfully against major trading partners, such as Europe, Japan and Canada, as well as against countries such as Korea and Pakistan.

WTO accession would also accelerate economic reforms, moving China toward a more market-oriented economy. WTO accession would require elimination of measures that protect state monopolies, take government out of commercial transactions through limiting the use of price controls and eliminate trade distorting subsidies, quotas and export performance requirements. In short, China would be required to open its market to a broad range of goods and services in areas in which U.S. companies are internationally competitive. We are now engaged in comprehensive negotiations to accomplish this objective. A commercially meaningful accession package would result in tangible gains for U.S. companies and workers.

Effects of MFN Revocation

Revocation of MFN tariff treatment jeopardizes our current and future bilateral and multilateral trade initiatives. MFN revocation ^Would cut U.S. exports to China, increase prices for U.S. consumers and cost jobs in this country. An added factor this year, is the destabilizing affect that MFN revocation would have on Hong Kong.

We estimate that revocation of MFN would increase tariffs on imports from China to a trade-weighted average of about 44 percent, from their current level of about 6 percent. Even accounting for changes in trade flows, revocation would result in U.S. consumers paying approximately \$590 million more each year for goods such as shoes, clothing, and small appliances. For manufacturers, the cost of goods made with Chinese components would increase, reducing the competitiveness of their finished goods in domestic and international markets.

If MFN tariff treatment is revoked, China is likely to retaliate against U.S. exports by increasing tariffs on these products and other measures. ^{simply} ~~This will exacerbate an already existing~~ China has threatened such actions in the ~~past~~ past in response to our use of trade sanctions.

U.S. exports to China have nearly quadrupled over the past decade. Those exports support more than 170,000 jobs in the United States. Jobs based on goods exports, on average, pay 13 to 16 percent more than non-export related jobs. Revoking MFN ^{would} ~~will~~ jeopardize U.S. exports and U.S. jobs, thus transferring those export opportunities and those jobs to Japan, Europe and other competitors.

Revocation of MFN ^{also} would derail current bilateral and multilateral negotiations. Instead of engagement, China may cease bilateral negotiations on sanitary and phytosanitary restrictions

for example,

on agricultural products and would likely decrease efforts to enforce our bilateral IPR agreements. Moreover, negotiation on WTO accession would stop, creating uncertainty over how China's markets will evolve. In short, we would lose the opportunity to shape the evolution of China's trading system in a manner compatible with international norms and U.S. expectations.

The situation in Hong Kong this year provides another compelling reason for continuing normal trade relations with China. MFN revocation would deal Hong Kong a devastating economic blow and would have a destabilizing effect. ~~AA 12/1/04~~ Trade is a particularly important part of the economic life of Hong Kong. More than 50 percent of U.S.-China trade is handled through Hong Kong, thus making it highly dependent on continued normal trade relations between China and the United States.

Hong Kong authorities estimate that MFN revocation would slash its trade volume by \$20 to \$30 billion, resulting in the loss of between 60,000 and 85,000 jobs. Hong Kong's economic strength is one of its chief assets in ensuring its autonomy and viability. Hong Kong leaders, including Democratic Party leader Martin Lee, British Governor Patten, and Anson Chan have spoken out strongly in favor of renewal of MFN. The implication is clear: bilateral trade between the U.S. and China, encouraged by MFN tariff treatment, provides needed stability at a time of dramatic change.

Mr. Chairman, as I mentioned earlier, providing MFN tariff treatment is the norm in U.S. trade, not the exception. In every year since 1980, every U.S. President has supported extension of MFN tariff treatment to China. Granting MFN treatment means that China will receive the same tariff treatment as nearly every other U.S. trading partner.

The United States has a long history of providing the same basic level of tariff treatment to other countries and maintaining normal trade relations with the global community. Congress has enacted into our law a presumption that normal trade relations will exist between us and other countries. Maintaining ~~normal trade~~ ^{the same} relations is vital to a broad array of U.S. interests; maintaining normal trade relations with China is no less vital.

Conclusion

Congress is again faced with a decision ^{on} whether to pursue a positive agenda for trade and our overall relations with China or to sever our economic relations with that country and isolate ourselves from it. While achieving our objectives through positive engagement and use ^{of} targeted measures is a slow and difficult process, it yields results. MFN treatment should be renewed.

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} }
[dev. of Reg. law as critical]

House Ways & Means Committee
Renewal of MFN Status for China

Oral Statement of U.S. Trade Representative Charlene Barshefsky

June 17, 1997

China integ. into global system, bound by the rule of law
Strategic vision
China integ. into global system, bound by the rule of law
adherence to norms
Tender its own
in a constructive manner not destruction or destabilizing

assist it to

expansive

How best to do this?
PC -> engage w/ ch. work w/ them more than
VS sever the econ + pol. relat.

Mr. Chairman, distinguished Members of the Committee, I

appreciate this opportunity to discuss the Administration's policy toward China, in particular, the trade aspects of that policy.

Our bilateral relationship with China is complex and multifaceted, including political, strategic, human rights and trade elements, to which the Secretary has testified. President Clinton has implemented a comprehensive policy with China, one which is based on continued engagement on the full range of issues. The reason for that policy is clear: U.S. interests are best served by a secure, stable, and open China.

How China evolves over the next decades will be of profound importance to the American people. The manner in which we engage

China will help determine whether it abides by international norms, and becomes integrated into the international community, or whether it becomes an unpredictable and destabilizing presence in the world. We will not achieve China's full integration into the international community by building walls that divide us. The most repressive periods in modern Chinese history did not occur in times of open exchange--they occurred in times of isolation.

Insert

While the Clinton Administration policy toward China is ^{thus} one of engagement, let me be clear about what we mean by "engagement."

Engagement with China does not mean *ignoring* our differences. It

means actively engaging China *to resolve* our differences and it means

protecting our interests when consultations do not produce results.

The vote on ~~NTR~~ or MFN is thus a vote on how best to protect U.S. interests, not an endorsement of China's policies. It poses a choice-

-between engaging China and making progress on issues that Americans care about--or isolating ourselves from China by severing our economic and, in turn, our political relationship. Our friends and allies--the global community--will continue to conduct normal relations with China, displacing U.S. interests and diluting U.S. influence.

Let me turn to the trade aspects of the Administration's policy of engagement and why continuing normal trade relations is in the ~~trade~~ ~~and~~ national economic interests of the United States. I use the term "normal trade relations" because that is precisely what we are talking about. Most-favored-nation or MFN status is a misnomer. MFN tariff treatment is the standard tariff treatment we accord virtually all governments. It is this normal treatment that the President's waiver seeks.

Maintaining Normal Trade Relations

As I noted, the U.S.-China relationship is complex and multifaceted. But, trade has played an increasingly central role in that relationship. Just as we should not make apologies for China, we should not apologize for our economic interest in China.

We cannot ignore the fact that the United States has a significant commercial stake in China. It is the fastest growing major economy in the world, with growth rates averaging more than 10 percent in recent years. Already possessing the world's largest population, by early in the next century, China may have the world's largest economy.

Today, China is the world's tenth largest trading nation and the United States' fifth largest trading partner. U.S. exports to China have quadrupled over the past decade. At least 170,000 Americans owe their jobs to U.S. exports to China.

The Administration has clear goals that it wants to achieve in its trade policy with China, neither of which would be furthered by MFN revocation. First and foremost, we continue to pursue actively market opening initiatives on a broad scale for U.S. goods, services and agricultural^e products. U.S. businesses should have access--and the necessary protection for their properties--in China's market, equivalent to that which China receives in the United States. Especially in light of our trade deficit with China -- due in part to multiple, overlapping barriers to trade -- we must see greater balance in our overall trade relationship--with high growth in our exports to China in areas where U.S. companies maintain a comparative advantage. Second, a fundamental principle of our policy has been working to ensure that China accepts the rule of law as it applies to trade--that is, ensuring that China's trade and economic policies are consistent with international trade practices and norms.

Mr. Chairman, neither of these goals will be achieved if MFN is
revoked. Rather, bilateral negotiations (and) the use of targeted trade
sanctions, where necessary, have resulted in landmark bilateral textiles
and IPR agreements with China (and) in the 1992 Market Access
Agreement. Each is based on international norms. Under the textiles
agreements, China's shipments to the U.S. have been reduced, illegal
transshipment punished and for the first time, market access for U.S.
textiles and apparel will be possible. Under the IPR agreements, China
has revamped its entire administrative and enforcement regimes at both
the central and provincial levels; closed some 40 pirating factories,
imposed harsh penalties and provided market access to our sound
recording and motion picture industries. While serious problems
remain, ^{part in computer software,} important progress has been made. And, under the 1992
Market Access MOU, China has eliminated over 1,000 non-tariff
barriers, made its trade regime more transparent and lowered tariffs.
While we have made some limited progress on market access for

agriculture -- the use of unscientific sanitary and phytosanitary barriers to our agricultural trade remains a persistent thorn. This must be rectified. But, MFN revocation would only set us back.

Maximizing market access and accelerating the development in China of the rule of law are also at the heart of our accession negotiations for China's entry into the WTO. At this juncture, while China has shown greater seriousness in the accession talks, it has yet to put forward acceptable market access offers for goods, services, and agriculture. We will continue to work with China on a commercially meaningful protocol of accession -- negotiations we should foster, rather than jeopardize were MFN to be revoked.

Effects of MFN Revocation

^{The} effects of MFN revocation go beyond our current and future bilateral and multilateral trade initiatives. MFN revocation would cut

U.S. exports to China, increase prices for U.S. consumers and cost jobs in this country. An added factor this year, is the destabilizing affect that MFN revocation would have on Hong Kong.

We estimate that revocation of MFN would increase tariffs on imports from China to a trade-weighted average of about 44 percent, from their current level of about 6 percent. Even accounting for changes in trade flows, revocation would result in U.S. consumers paying approximately \$590 million more each year for goods such as shoes, clothing, and small appliances. For manufacturers, the cost of goods made with Chinese components would increase, reducing the competitiveness of their finished products in domestic and international markets.

If MFN tariff treatment ¹⁵ ~~is~~ revoked, China is likely to retaliate against U.S. exports by increasing tariffs on these products and other

measures, exacerbating a negative ^{economic} situation.

U.S. exports to China have nearly quadrupled over the past decade. Those exports support more than 170,000 jobs in the United States. Jobs based on goods exports pay 13 to 16 percent more, on average, than non-export related jobs. Revoking MFN would jeopardize U.S. exports and U.S. jobs, thus transferring those opportunities and those jobs to Japan, Europe and other competitors.

The situation in Hong Kong this year provides another compelling reason for continuing normal trade relations with China. MFN revocation would deal Hong Kong a devastating economic blow and would have a destabilizing effect. Trade is a particularly important part of the economic life of Hong Kong. More than 50 percent of U.S.-China trade is handled through Hong Kong, thus making it highly dependent on continued normal trade relations between China and the United

States.

Hong Kong authorities estimate that MFN revocation would slash its trade volume by \$20 to \$30 billion, resulting in the loss of between 60,000 and 85,000 jobs. Hong Kong's economic strength is one of its chief assets in ensuring its autonomy and viability. Hong Kong leaders, including Democratic Party leader Martin Lee, British Governor Patten, and Anson Chan, the most senior civil servant, have spoken out strongly in favor of renewal of MFN. The implication is clear: bilateral trade between the U.S. and China, encouraged by MFN treatment, provides needed stability at a time of dramatic change.

Mr. Chairman, as I mentioned earlier, providing MFN tariff treatment is the norm in U.S. trade, not the exception. In every year since 1980, every U.S. President has supported extension of MFN tariff treatment to China. Granting MFN treatment means that China will

receive the same tariff treatment as nearly every other U.S. trading partner.

The United States has a long history of providing the same basic level of tariff treatment to other countries and maintaining normal trade relations with the global community. Congress has enacted into our law a presumption that normal trade relations will exist between us and other countries. Maintaining such relations is vital to a broad array of U.S. interests; maintaining normal trade relations with China is no less vital.

Thank you.

Insert

China's adherence to international norms is fundamental to advancing the entire range of issues between our two countries.

Through dialogue, we have built a record of cooperation on agreements to ban nuclear testing, outlaw chemical arms, and enhance nuclear safeguards. China is a contributor to maintaining stability on the Korean peninsula and bringing North Korea into peace talks. We have a strong bilateral program to combat alien smuggling, narcotics trafficking and terrorism. To protect the global environment, our two governments have worked together to establish the U.S.-China Environment and Development Forum to discuss collaboration on topics including energy policy and sustainable development. And, on human rights, while China's official practices still fall far short of internationally accepted standards in areas ranging from the treatment of political dissidents to the continuing problem of prison labor exports, some progress has been made. China has said that it will sign the International Covenant on Economic and Social Rights. It has invited the International Red Cross to China to discuss prisoner issues. Most recently, Chinese courts

overturned the conviction of four dissidents. Much more remains to be done, however. The State Department will discuss these and other related areas of engagement in a moment.

Spill

**Remarks of USTR Charlene Barshefsky
before the Board of Governors of the
National Electrical Manufacturer's Association
Washington, DC
July 15, 1997**

- Thank you, Malcolm [O'Hagan] for inviting me here.
- The leadership that NEMA has provided to American industry and the electrical industry throughout the world for the better part of this century has been exemplary.
- We are at a unique moment in history. The U.S. economy, as you know, is the strongest in the world, and it is the envy of other nations. Our economy has generated 12 million new jobs since 1992 and brought unemployment to its lowest level in 24 years.
- We have the lowest inflation rates in a generation. We have not had levels of home ownership this high since the early 1980s. Growth of our industrial capacity is at its highest level since 1970. And business investment has been stronger than at any time since the 1960s.
- No country is better positioned to take advantage of the enormous opportunities presented by the growing global economy. For three years running, the United States has been rated by the World Economic Forum as the most competitive major economy.
- Expanded trade has played an important role in building that strength. Since the beginning of this Administration, exports have accounted for fully one-fourth of our increase in GDP. Never before have the benefits of trade for average Americans been so deep, so diverse, so widespread, and so sustainable.
- More than 11 million Americans now work in jobs supported by exports of

goods and services. Those are good jobs. Jobs supported by goods exports pay 13 to 16% more than the national average.

- These are the types of jobs that represent the leading edge of the current economic expansion, now in its sixth year, and they cover the spectrum from agriculture to high tech, small businesses to multinationals, blue collar to white collar, and small-town Main Street to Wall Street.
- Over the last four years, 47 of 50 states have registered significant export growth -- in some cases, remarkable growth. Exports from Florida, Rhode Island, Louisiana, and West Virginia have increased more than 30%.
- Exports from California, Ohio, Texas, Nebraska, and Montana are up more than 40%.
- Michigan, Illinois, and North Dakota have seen their exports grow by more than 60%.
- If you look at these trends sector by sector, the story is the same. Exports of manufactured goods are up 42% since 1992; high tech exports are up 45%; agricultural exports are up 40%; and services exports are up 26%.

The Trade Agenda

- But that does not mean we can afford to be complacent, especially about public support for free trade. Indeed, the aggressive trade agenda we are pursuing is going to require that we make a more compelling case than ever.
- The best way to continue this prosperity to give our workers and businesses a full and fair chance to continue tapping into the world economy. If the American economy begins to lose some of its steam, the world economy can be tapped to help regain momentum.
- Roughly 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.
- Trade is increasingly one of the most effective mediums of diplomacy. In the aftermath of the Cold War, strategic alliances are increasingly founded upon economic relationships. Our ability to bring about the "rule of law" among nations, increase democracy and expand human rights is greatly affected by our trade relationships.
- So we must continue to lead. That is why the major focus of the President's trade agenda this summer and fall will be securing fast track negotiating authority.
- 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.
- 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. We must access their markets fully and fairly.
- The scope and breadth of the agenda ahead of us underscores the importance of fast track authority. We have three basic uses for that authority:

- **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 \$1 trillion 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.

Sectoral. 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 energy-related equipment, 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.

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 more than 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.

Japan has undertaken high-level efforts in Asia and Latin America. India and its neighbors are entering a free trade pact. China's "strategic priorities" include Mexico, Argentina, Brazil, Chile and Venezuela. 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.

Issues of Importance to NEMA: ITA, APEC, Etc.

- Markets do not open by themselves. It takes a President who is committed, persistent, and armed with the best tools we can give him. The ITA, as I noted above, is one case in point. He recognizes, as you do, how important these sectors are to American industry, particularly in the emerging markets of Latin America and the Asia Pacific.
- Electrical products are absolutely essential to any modern economy. Without access to efficient, reliable, and safe electrical products, every step along the path of economic development is harder. It is harder to go from an economy based on agriculture to one based on manufacturing; it is harder to go from a reliance on one or two industries to a diverse, advanced industrialized economy; and it is harder to go from a developed economy to a high-tech, information-based economy that combines all of these elements.
- So the spread of electrical products of all types -- from power drills to desktop printers -- has far-reaching consequences abroad and right here at home. Developing nations need to buy these products because their domestic synergy creates ever more opportunities; we want to sell these products because that synergy will help build markets.
- If your industry cannot get into a market to sell electrical and electronic equipment -- to literally light the way -- the rest of American industry will have a much tougher time selling its goods and services. We are going to continue to press for market access.
- We are encouraged by the start APEC has made in this direction. As some of you may know, in May the member nations of APEC met in Quebec and agreed to nominate sectors of their economies for further liberalization. In fact, the deadline for submitting those nominations is today.
- We are going to put forth, among other items, a proposal for beginning negotiations on liberalization of trade in energy-related equipment and

services, and we believe we will be able to make a strong case for it.

- NEMA members stand to gain much from this energy initiative. If successful, this proposal would result in liberalization of markets for electrical equipment such as power generators, cutters, and grinders. Indirectly, it will enhance the market for electrical equipment by improving energy delivery systems in APEC member economies.
- The APEC nations have tremendous needs in the power sector and American companies are clearly world leaders in developing innovative electrical technologies.
- Demand for electricity in the APEC region, for example, is projected to grow very substantially over the period to 2010, especially in developing and newly industrialized member countries. Electricity generation -- which is only one part of the development equation -- could be more than \$1.3 trillion for APEC as a whole. Almost \$1 trillion of that will be in developing and newly industrialized member economies.
- These figures do not include the equipment necessary to deliver that electricity to industrial and residential consumers. The delivery infrastructure is woefully inadequate throughout the region.
- Liberalization of barriers to energy-related equipment and services will help the APEC economies attract the private investment necessary to meet their electrical needs. It is widely recognized that the state-owned and -operated electrical monopolies are not up to the task of doing it by themselves.
- This is a fortunate coincidence. These nations can benefit from what the American industry is learning as it goes through a fundamental restructuring and makes advances in technology and efficiency. We can benefit by competing and winning in these new markets.
- Another sector that we are nominating for APEC negotiations is medical equipment and services. This initiative, which will have particular importance for NEMA members, promises to help liberalize markets for medical technology such as x-rays, electromedical equipment, and electro-therapeutic

devices.

- It proposes complete elimination of tariffs in these markets within three years, a move that would prove to be a great advantage for American manufacturers, who dominate this \$130 billion global market.
- Also, under APEC, we will be proposing a Mutual Recognition Agreement for telecommunications products and other information technology. Indeed, this is one area where USTR has already done quite a bit of groundwork, and we are encouraged by the way it is developing.
- Over the next few months, we will focus on building support for these initiatives among APEC members and non-APEC members. Industry's support in this will help ensure success in August; we look forward to continuing our work with NEMA in pushing forward these important initiatives. Ultimately, as in the case of the ITA, we hope to turn these initiatives into binding global commitments.

Clarification of the US-EU MRA Issue

- Let me, while I'm on the topic of MRAs, say a word about a topic that has been of particular interest to NEMA: the recently completed MRA between the United States and the European Union. I know that a number of you have followed this issue very closely and have some very legitimate concerns.
- In general, this MRA agreement will allow conformity assessment -- that is, testing, inspecting, and certifying -- to be performed in the United States to EU standards and regulations, and vice versa. This is a sound agreement, covering about \$50 billion in bilateral trade, and the final package protects the rights and interests of both our industry and our regulatory agencies.
- However, I want to underscore a point I made to your President, Malcolm O'Hagan: this MRA does not affect OSHA's role in carrying out its regulatory mandate, and OSHA has no plans to change its regulations in any way to implement the MRA.

- The MRA relies entirely on OSHA's existing National Recognized Testing Laboratory Program, the NRTL, and it does not extend the jurisdiction of this program in any way. We believe this is the appropriate balance to strike, and we do not anticipate any problems from it.
- At the same time, we recognize that what is appropriate in one context may not be appropriate in another. A cookie-cutter approach for MRAs will not work; what worked with the European Union will not necessarily work with APEC or the Free Trade Area of the Americas.
- When we go to the negotiating table, we do not intend to treat the MRA with the European Union as a binding precedent. There are going to be numerous issues that are going to require new and unique solutions, and when that time comes we will be looking to work closely with you to develop them.

Fast Track Authority

- Finally, I would like to close by thanking you for the work you've done so far, not only on fast track but on other issues as well. Many of you worked side-by-side with us to secure the China-MFN vote, which was an important precursor to everything we hope to accomplish with fast track.
- The push for fast track authorization is my Number One priority this year. I would like to sketch where we are with respect to fast track and what we are going to be doing in the coming weeks.
- As you know, we do not have a lot of time to get fast track approved, but the time we do have is a good time. Given the strength of the American economy, the climate for a positive endorsement of the President's economic leadership could hardly be better. The American people have one of their highest levels of confidence in years.
- On Capitol Hill, the timing of the fast track vote is absolutely critical this year. We have a small window of opportunity this fall to craft the final language, concentrate our efforts, get our message across, and generate the momentum we need for passage. It may be a long time before we get this opportunity again.

- The upcoming recess is a very important time. We must get information to members in their districts. We need to build on the work that we've done on the Hill so far, informing new members on the benefits of strong leadership in trade. We need to make it clear to the congressmen and senators, particularly those in leadership positions, that the President places a high priority on fast track and it is vital to his economic agenda.
- The task before us is enormous. The broad grant of fast track authority that we are seeking brings into play our presence in virtually every region and sector of the world economy. Our campaign must be as comprehensive as the issues.
- What does that mean in practical terms? First, it means a strong drive at the highest levels. Both the President and the Vice President will be out on the front lines making the case to the American people and spending the time and resources necessary to win fast track. They are going to give the issue the spotlight it needs.
- Second, it means focus. The number and breadth of the issues that fall under the debate for fast track authority, as I said before, is immense. That gives us a lot of options in terms of how we can marshal our forces and approach the debate. At the same time, it gives our opponents plenty of targets to hit when they start firing.
- One of the main missions in the next few weeks will be to further refine and focus the fast track message. We need to ensure that the debate is waged on our terms and that we are using the strongest message for each audience.
- If the debate is about maintaining the leadership of the United States in the world economy, we will win.
- If the debate is about giving our President the same power to negotiate that foreign leaders have, we will win.
- And if the debate is about whether the United States should stand on the sidelines while other nations gain advantages in the fastest-growing markets, we will win.

- At every turn, we need to underscore the idea that fast track is a referendum on our economic future not our economic past.
- Third, it means resources. I have already put my staff on notice that fast track is not just a priority on the trade agenda -- it is *the* priority. I have put all hands on deck and told them to be ready.
- The White House, too, has already started to assemble the manpower and resources it has pledged, and, as you know, that brings the power to draw on the resources of the rest of the Cabinet and agencies throughout the federal government. Secretaries Rubin, Daley, Glickman -- to name just a few -- have been very aggressive in promoting the President's trade agenda.
- We have the facts on our side. There is no question about that. But the facts are going to be worthless if they are not at your fingertips when the phone rings.
- We are going to keep a close eye on the gears of this operation and make sure that the best facts are available -- both inside and outside the government -- and that they are clear and to the point. That is absolutely vital.
- This is a battle we can win, but it has to be fought in every medium: print, radio, television, the Internet. But we have to be on the offensive and have the right type of information for the appropriate medium.
- Thank you, once again, for inviting me here today. If time allows it, I'll be happy to answer questions you may have.

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

July 16, 1997

MEMORANDUM FOR AMBASSADOR CHARLENE BARSHEFSKY

FROM: Suzanna Kang

SUBJECT: Country Music Association (CMA) Annual Meeting
Thursday, July 17, 1997

Lunch from 12:15 p.m. to 12:35 p.m.

Speech from 12:35 p.m. to 12:55 p.m.

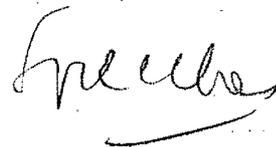
Q&A from 12:55 p.m. to 1:05 p.m.

Photo Session from 1:05 p.m. to 1:10 p.m.

Location: Four Seasons Hotel
2800 Pennsylvania Avenue, NW
Washington, D.C.

USTR Contact: Suzanna Kang x59513

WITA Contact: Debra McCullough (202) 857-9649



You will be speaking to the members of the Country Music Association Annual Meeting on July 17 from 12:35 p.m. to 12:55 p.m. Following your speech, you will answer questions for approximately ten minutes from 12:55 p.m. to 1:05 p.m. From 1:05 p.m. to 1:10 p.m., there will be a brief photo session with the CMA photographer.

Suzanna Kang and Jay Berman will meet you curbside and take you to Salon B for lunch. You will be seated next to Jay Berman at an assigned table toward the front.

The program will begin with opening remarks and introductions by Mr. Berman. You will speak on general trade issues with some emphasis on piracy and intellectual property rights issues for approximately twenty minutes and answer questions for ten minutes. Following your presentation, there will be a brief photo session with selected CMA board members who are seated at your table.

The audience will consist of approximately 80 CMA members. **Although the dinner and speech is closed to the press, there will be a photographer from the LA Times.**

Suzanna Kang will meet you curbside at 12:10 p.m.

cc: Nancy LealMond

Attachments: TAB 1 Speech (supplied by J. O'Keefe)
TAB 2 Agenda
TAB 3 List of attendees and list of attendees at your table
TAB 4 Bios of Jay Berman and select CMA Board Members
TAB 5 Information on CMA

From: Joseph O'Keefe
To: LANE ANNIKA, KANG SUZANNA
Date: 7/16/97 2:45pm
Subject: Remarks for CB at the Country Music Association

Attached is the draft of CB's remarks before the Country Music Association. The outline is:

- I. Intro re:CMA & General Trade Highlights
- II. Fast Track Message
- III. Intellectual Property Rights/Overcoming Barriers
- IV. Closing: Reiterate Fast Track

A Few Points to Note:

-- This text, as a whole, runs considerably longer than CB's allotted time, but she usually slashes and burns several pages in her final-hour edits, so it should be okay in the end.

-- The Intellectual Property material is essentially verbatim text from a speech that Claude Burcky/Joe Papovich prepared for Jeff Lang's appearance before the International Intellectual Property Association a few weeks ago, so it should be kosher.

-- If CB does not know the reference in the joke: Bocephus (pronounced BO-SEE-fuss) is the nickname that diehard fans of Hank Williams Jr. use for him because that's what his father, the legendary Hank Sr., used to call him as a boy. That is something every real country music fan knows. [I know the odds are long that she will use it, but it's worth a shot . . .]

CC: USTR_DC.R

**Remarks of USTR Charlene Barshefsky
before the
Board of Directors of the Country Music Association
Four Seasons Hotel
Washington, DC
July 17, 1997**

- Thank you. I appreciate the opportunity to talk to you today.
- Let me first say a word of thanks to Jay Berman. Jay has been a tireless voice for RIAA and its member organizations like the CMA. At the same time, he has been willing to work with my office and other agencies on trade issues in a constructive way, helping to craft solutions time and again to some very difficult problems.
- You are lucky. Very few industries have someone of Jay's caliber on the front line for them, and he has been a credit to the recording industry.

The Country Music Association

- I have been looking forward to this meeting for two reasons. The first is that I can share with you my own recent experience.
- I'll be the first to confess that I don't have a chance to keep up with all the latest country singers and concerts. However, by coincidence, just last night I went to the Willie Nelson concert at the Wolf Trap with my teenage daughter, and I'm happy to report that I embarrassed her with my singing.
- I tried to tell her that it was good for Willie's sales abroad, but I don't think she bought it. She said: Mom, you don't know country music. You couldn't tell Bocephus from beans. And I said: That's not true. Bocephus goes great with gravy, and it's a good source of fiber.
- The second reason, the official reason, that it is good to be here is that the

CMA is an industry with such a remarkable success story in international trade.

- You believed from the start in the universal appeal of country music, and you have fought to bring it to markets overseas. You've been tough and persistent in seeing that your creative and intellectual properties are protected and that the money gets back to those who earned it.
- The battle between Canada and Country Music Television is a perfect illustration. It was a long fight, but the industry stayed the course and was able to restore access to a large and growing market. I want to congratulate you again on that victory.
- The success of the country music industry has been better most people thought possible. In a very short amount of time, you have taken country music from the heartlands and backroads of America to millions of new fans throughout Europe, Latin America, and the Asia-Pacific.
- I don't think many Americans realize how thoroughly country music has gone global. You can enjoy country music whether you are in Austin or Australia, Jackson Hole or Germany, Nashville or New Zealand, Tampa or Tokyo. I understand that you had a 22% increase in international tours and promotional events last year, reaching a level of more than 900 -- almost double the level from 1994.
- Last year, the number of country music programs on international stations increased by more than one third, and that means tens of millions of listeners. This is an aggressive industry that clearly appreciates how much opportunity there is abroad for American products: music, radio programming, television, concerts, clothing, and packages that bring all of these together.
- As an American industry, you are in a unique position. You can show people at the grassroots how important and how profitable America's international presence is, and you can do it in a compelling way with positive, well-known personalities. When fans see Johnny Cash play Prague or Garth Brooks pack sold-out shows in Dublin, it makes an impression. The message is: when Americans compete on the world stage, we win.

- We need that message to get out. The doubts that people have about trade and the effects of globalization, particularly in the small towns and farming communities, have a tangible effect on our support in Congress and ultimately on our ability to carry out an aggressive trade agenda.

The Clinton Trade Record

- We are at a unique moment in history. The U.S. economy, as you know, is the strongest in the world, and it is the envy of other nations. Our economy has generated 12 million new jobs since 1992 and brought unemployment to its lowest level in 24 years.
- We have the lowest inflation rates in a generation. We have not had levels of home ownership this high since the early 1980s. Growth of our industrial capacity is at its highest level since 1970. And business investment has been stronger than at any time since the 1960s.
- For three years running, the United States has been rated by the World Economic Forum as the most competitive major economy. No country is better positioned to take advantage of the enormous opportunities presented by the growing global economy.
- Expanded trade has played an important role in building that strength. Since the beginning of this Administration, exports have accounted for fully one-fourth of our increase in GDP. Never before have the benefits of trade for average Americans been so deep, so diverse, so widespread, and so sustainable.
- More than 11 million Americans now work in jobs supported by exports of goods and services. Those are good jobs. Jobs supported by goods exports pay 13 to 16% more than the national average.
- These are the types of jobs that represent the leading edge of the current economic expansion, now in its sixth year, and they cover the spectrum from agriculture to high tech, small businesses to multinationals, blue collar to white collar, and small-town Main Street to Wall Street.

- Over the last four years, 47 of 50 states have registered significant export growth -- in some cases, remarkable growth. Exports from Florida, Rhode Island, Louisiana, and West Virginia have increased more than 30%.
- Exports from California, Ohio, Texas, Nebraska, and Montana are up more than 40%.
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record exports

Fast Track Authority

- But that does not mean we can afford to be complacent, especially about public support for free trade. Indeed, the trade agenda we are pursuing is going to require that we make a more compelling case than ever.
- We must continue to lead. That is why the prime focus of the President's trade agenda this summer and fall will be securing fast track negotiating authority.
- 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. We must access other markets fully and fairly.
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encompassing 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.

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- Since 1992, our competitors have negotiated more than 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.
- Japan has undertaken high-level efforts in Asia and Latin America. India and its neighbors are entering a free trade pact. China's "strategic priorities" include Mexico, Argentina, Brazil, Chile and Venezuela. 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% tariff on Canadian products. That means every time an American company competes to sell to Chile, it will face an immediate 11% 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.

Intellectual Property Issues

- This clear proof that when nations sit down to negotiate trade agreements, the United States needs to be at the head of the table to protect our interests. I don't think anyone would dispute that the general level of protection for intellectual property throughout the world has increased significantly over the past three or four years. This is in no small part due to improvements that have been achieved in the context of our trade relations.
- While these improvements have been remarkable, they are not complete. We are seeing the beginnings of a sea change in views on intellectual property in many parts of the world, where countries and regions that were once hostile and suspicious are beginning to view IPR as a "necessary evil" if they are to see the investment and technology transfer flows that they so badly want and need.
- This less hostile IPR environment may make our job easier, but we still face strong resistance from those who profit from piracy, counterfeiting and otherwise infringing our rights. Unfortunately, these individuals tend to be influential. Even where we find advocates for better intellectual property protection, they are often under-funded, understaffed, have inadequate power, and often times are isolated. We are working with these individuals from the inside and pressing from the outside for improvements.
- Intellectual property protection is a critical component of our trade policy because you, the companies and individuals that rely on IP protection, represent some of our most dynamic industries. As our economy matures, IPR-based industries lie at the core of our competitive advantage in the world, and will continue to set us apart from our trading partners.
- The trade numbers bear this out. A study by the International Intellectual Property Alliance (IIPA) shows that U.S. copyright-based industries, are growing at twice the annual rate of the economy. U.S. copyright industries are employ 5.9 million people -- 4.8% of the U.S. work force -- and contributed over \$53 billion in foreign sales, more than any other U.S. industrial sector except automotive and agriculture.

our companies a big

- The importance of the copyright industry to our international balance makes defining our IPR goals fairly straightforward. We seek to provide right holders with the protection they need to compete. This means having laws in place that provide the rights necessary for adequate protection, and ensuring that those laws keep up with technological advances.

- Careful consideration must be given to how to best protect intellectual property associated with rapidly evolving new technologies and the fast-arriving information society.

- Some of these issues in copyright were addressed last December in WIPO, in the so-called Berne Protocol/New Instrument negotiations. We must consider at some point incorporating these results into TRIPS, in part so that these new standards will be subjected to TRIPS enforcement and dispute settlement provisions.

- The more difficult task will be to ensure that laws that are adopted are adequately enforced. This means providing right holders with the mechanisms they need to enforce their rights in the civil context, and to provide adequate and effective criminal and border enforcement. This is the most daunting of the tasks that lie before us.

Fast Track Authority and IPR

- Under the WTO's built-in agenda, a number of the Uruguay Round agreements are scheduled to be reviewed, improved and possibly amended or renegotiated, including elements of the TRIPS Agreement. At this juncture, it is difficult to identify precisely the areas of possible modification and negotiation in the TRIPS Agreement. However, if we are to push for improvements to TRIPS, fast track will be critical.

- Broad-based fast track authority is critical to enabling the United States to provide impetus to the work needed to prepare for the negotiations, as well as to giving us the credibility required to induce others to negotiate seriously. We need your industry's active support to secure fast track authority this year.

Overcoming Barriers to Strong IPR Protection

- We face a number of barriers in trying to achieve our IPR goals. In general, these can be divided into economic, political, and security-based barriers.
- On the economic side, developing countries argue that providing strong IPR protection will be too expensive for them, and their people. They claim that they can never hope to reach our level of development if they must pay for the technology that they use along the way. They claim, for example, that their ability to develop a software industry is dependent on their ability to get free access to latest software packages.
- Our trading partners also argue that they cannot provide strong IPR protection for strategic reasons. They claim, for example, that they must have access to cheap pharmaceutical products if they are to keep their people healthy and avoid catastrophes related to epidemics. Similarly, they claim that they cannot fall behind in important sectors like motor vehicles and thus are wary about providing exclusive rights in related technology.
- Finally, we face political barriers to high levels of protection. As a stable country, we are able to pay attention to economic concerns such as IP protection. Less stable countries are often simply incapable of focusing on this issue, particularly if they are dodging coup attempts or are being overwhelmed by violent crime. The general lack of a rule of law makes the provisions of IP protection extremely difficult. *Russia*
- *Special 301* ✓ Although we face obstacles, we have a number of bilateral and multilateral tools at our disposal to overcome these obstacles. Both tools are critical to success, and successes in one can have an effect on successes in the other. We have used bilateral tools to move individual countries to provide better IPR protection, both to deal with specific problems in those countries and to make our regional and global initiatives more effective.
- To the extent that we get individual countries to improve protection, they are less likely to object, and may support, stronger levels of protection in the multilateral arena. And to the extent that we can get wholesale increases in the level of protection through multilateral negotiations, we have fewer bilateral

problems on which we must expend our scarce resources.

Conclusion

- As you can see, our agenda is full. We have defined our goals and are using all resources available to us to reach those goals. We have made significant progress over the past four years, progress that has resulted in significant economic and job growth in the United States.
- Our partnership with right-holders, the industry and intellectual property professionals has been critical to our success to date. It will continue to be critical as we move forward, so we look forward to your support, expertise and involvement in this exercise.
- We do not have a lot of time to get fast track approved, but the time we do have is a good time. Given the strength of the American economy, the climate for a positive endorsement of the President's economic leadership could hardly be better. The American people have one of their highest levels of confidence in years.
- On Capitol Hill, the timing of the fast track vote is absolutely critical this year. We have a small window of opportunity this fall to craft the final language, concentrate our efforts, get our message across, and generate the momentum we need for passage. It may be a long time before we get this opportunity again.
- The upcoming recess is a very important time. We must get information to members in their districts. We need to build on the work that we've done on the Hill so far, informing new members on the benefits of strong leadership in trade. We need to make it clear to the congressmen and senators, particularly those in leadership positions, that the President places a high priority on fast track and it is vital to his economic agenda.
- The task before us is enormous. The broad grant of fast track authority that we are seeking brings into play our presence in virtually every region and sector of the world economy. Our campaign must be as comprehensive as the issues.

- What does that mean in practical terms? First, it means a strong drive at the highest levels. Both the President and the Vice President will be out on the front lines making the case to the American people and spending the time and resources necessary to win fast track. They are going to give the issue the spotlight it needs.
- Second, it means focus. The number and breadth of the issues that fall under the debate for fast track authority, as I said before, is immense. That gives us a lot of options in terms of how we can marshal our forces and approach the debate. At the same time, it gives our opponents plenty of targets to hit when they start firing.
- One of the main missions in the next few weeks will be to further refine and focus the fast track message. We need to ensure that the debate is waged on our terms and that we are using the strongest message for each audience.
- If the debate is about maintaining the leadership of the United States in the world economy, we will win.
- If the debate is about giving our President the same power to negotiate that foreign leaders have, we will win.
- And if the debate is about whether the United States should stand on the sidelines while other nations gain advantages in the fastest-growing markets, we will win.
- At every turn, we need to underscore the idea that fast track is a referendum on our economic future not our economic past.
- Third, it means resources. I have already put my staff on notice that fast track is not just a priority on the trade agenda -- it is *the* priority. I have put all hands on deck and told them to be ready.
- The White House, too, has already started to assemble the manpower and resources it has pledged, and, as you know, that brings the power to draw on the resources of the rest of the Cabinet and agencies throughout the federal

government. Secretaries Rubin, Daley, Glickman -- to name just a few -- have been very aggressive in promoting the President's trade agenda.

- We have the facts on our side. There is no question about that. But the facts are going to be worthless if they are not at your fingertips when the phone rings.
- We are going to keep a close eye on the gears of this operation and make sure that the best facts are available -- both inside and outside the government -- and that they are clear and to the point. That is absolutely vital.
- This is a battle we can win, but it has to be fought in every medium: print, radio, television, the Internet. But we have to be on the offensive and have the right type of information for the appropriate medium.
- Thank you, again, for inviting me here today. If time allows, I'll be happy to answer questions you may have.

AGENDA*
Country Music Association (CMA) Annual Meeting
Thursday, July 17, 1997

9:00 a.m. to 11:30 a.m.	CMA Board of Directors Meeting
11:30 a.m. to 12:00 p.m.	Pre-Luncheon Reception
12:00 p.m. to 1:30 p.m.	Luncheon Guest Speaker: Ambassador Charlene Barshefsky
1:30 p.m. to 2:00 p.m.	Break
2:00 p.m. to 4:00 p.m.	Issue Sessions -- Copyrights -- Market Research

6:00 p.m. to 8:00 p.m.	Reception/Barbecue at the Vice President's Home

* This agenda is a rough approximation of scheduled activities for CMA board members. The copy of the actual agenda is not available.

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List of CMA Members at the VIP Table

Jay Berman, Chairman and CEO, Recording Industry Association of America (RIAA)

Joe Papovich, USTR

Ed Benson, Executive Director, CMA

Tim Dubois, Arista Records and President of CMA

Donna Hilley, Sony Tree Music Publishing and Chairman of CMA

Hilary Rosen, President and CEO of RIAA





Jason S. Berman
Chairman of the Board and Chief Executive Officer
Recording Industry Association of America

In December 1993, Jay Berman was named chairman and chief executive officer of the Recording Industry Association of America, a trade organization whose member companies create, manufacture and/or distribute approximately 90 percent of all legitimate sound recordings produced and sold in the United States and 60 percent worldwide.

Berman joined the RIAA as president in 1987, one of Berman's first responsibilities was to undertake the association's relocation from New York to Washington, D.C., to further position the industry in the public policy and legislative arena. He has been instrumental in strengthening the industry's voice in Washington and expanding its influence around the globe.

Under Berman's guidance, the RIAA continues to make substantial progress opening markets and reducing record piracy in Asia, the Middle East, Eastern Europe and Latin America. He is a member of the board of directors of the International Federation of Phonographic Industries, and is actively involved with the International Intellectual Property Alliance. In August of 1996, Berman was appointed by President Clinton to serve on the Commission on United States-Pacific Trade and Investment Policy. He also serves as a member of the U.S. Trade Representative's Service Policy Advisory Committee.

Closer to home, Berman's leadership has led to the passage of the *Audio Home Recording Act of 1992*, the *Digital Performance Right in Sound Recordings Act of 1995*, the creation of The Special 301 section of the U.S. trade law, the defeat of dozens of censorship bills in state capitals, and the strengthening of international copyright laws -- including the recently concluded two new WIPO treaties.

After completing his doctoral studies in political science at the University of Pittsburgh, Berman launched his political career in 1967 as an aide to U.S. Senator Birch Bayh of Indiana. In 1972, he was named the Senator's Chief of Staff and held that position until 1976. Prior to RIAA, Berman was Vice President of Public Affairs for Warner Communications. Berman's devotion to public policy was evident early in his career when working for Senator Bayh he guided to enactment the Voting Rights Act of 1972, which gave 18-year-olds the right to participate in government.

Berman's 20 years of political and public affairs experience benefits numerous charities and organizations. He currently sits on the board of Rock the Vote, the Rhythm & Blues Foundation, the Rock and Roll Hall of Fame, the National Foundation for Affordable Housing Solutions, Very Special Arts, the American Friends of the Israel Philharmonic, and Global Green.

Berman is a graduate of the City College of New York and has a Masters Degree from Northwestern University.

Ed Benson - Executive Director

As Executive Director of the Country Music Association, Ed Benson directs the ongoing operations of CMA, the first trade organization formed to promote a type of music. As chief staff executive, Benson oversees all CMA programs and activities, including marketing, public relations, international development and special events. He joined the CMA staff as its first Associate Executive Director in August of 1979 and became the Executive Director in January 1992.

A native Nashvillian, Benson is a graduate of Vanderbilt University. He was formerly Senior Vice-President for The Benson Company, a leading gospel music publishing and record company.

Benson has served on various industry organization boards and is currently on the board of the Leonard Bernstein Center For Education Through The Arts and the Nashville Area Chamber of Commerce Board of Governors. He is also a member of the National Academy of Recording Arts and Sciences, the Academy of Television Arts & Sciences, the Nashville Entertainment Association, the Leadership Music Alumni Association, the National Academy of Popular Music, Copyright Society of the South, the American Society of Association Executives and Who's Who Worldwide.

Benson travels throughout the U.S. and around the world to support CMA's active domestic and international market development efforts.

BIOGRAPHY

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TIM DUBOIS

Oklahoma farmboy, C.P.A./financial analyst, hit songwriter, graduate-level accounting instructor, record producer, artist manager, record label executive — what for some people would represent a crisis in career identity has been a natural life progression for Tim DuBois.

"I've never been afraid to change direction or use both sides of my brain. I sometimes refer to myself as 'a recovering C.P.A.', but those abilities have made for a healthy balance with my creativity and love of music."

A Ph.D. candidate in Accounting, DuBois arrived in Nashville in 1977 to take a break from his studies at Oklahoma State University. "My plan was to spend a couple of years getting 'this music thing' out of my system. After two years, all I had figured out was that, if I worked hard and got lucky, I might be able to make a living in music. I decided to stay in Nashville and find out."

Hard work meant supporting his family by teaching accounting at Nashville's University of Tennessee night school. Luck kicked in when Tim landed his first stint as a staff writer for Bobby Goldsboro's House of Gold publishing company. There he penned several songs which became single releases, including three #1 hits: Alabama's "Love In The First Degree"; Razy Bailey's "Midnight Hauler"; and Jerry Reed's "She Got the Goldmine (I Got The Shaft)". This era also began DuBois' list of music honors and awards, which would grow to include a Grammy nomination, four BMI country awards, two BMI pop awards, the Music City News Top Country Hits Award, and Awards of Merit from the Nashville Songwriters Association.

Success in songwriting did not immediately ease Tim's requirements for financial security. He was still teaching accounting, this time for Vanderbilt's graduate business program, when he began developing a new recording group. With friends and former contacts from Oklahoma, DuBois worked with bandmembers who first called themselves simply "the Okie group" and later became known to fans and radio as Restless Heart.

Restless Heart was an ambitious project. In getting the group's music out to the public, Tim combined his full range of talents, from songwriting to business management. He negotiated a contract with RCA and co-produced Restless Heart's albums with longtime associate Scott Hendricks. In undertaking management of the group, he formed a partnership with the Los Angeles firm of Fitzgerald & Hartley, helping them open an office in Nashville and manage the additional acts of Foster & Lloyd and Vince Gill. By this time he had left his teaching post to channel full-time energy into music.

By January 1988, DuBois' diverse responsibilities had him considering "pulling back into a saner lifestyle". But Clive Davis, head of Arista Records, began courting him to head an Arista country division in Nashville. "Yes I wrestled with my choices," says DuBois, "but once I made the decision I never looked back. Nashville is a haven for talented songwriters and artists — it's an ideal place for Arista, and I couldn't be happier to be a part of this effort."

Arista President Clive Davis concurs: "We always emphasize songs and original talent, so it was important to me to find someone with that same strong conviction. Tim DuBois is that person."

As Vice President and General manager of Arista's country division, DuBois opened for business in April 1989. "Our strategy in Nashville is to work very, very hard to get more than our share of the great songs coming out of this town."

"I'm a writer — it's been a long time since a writer has been in the position to head a record label. I love this business, but I also love music and songwriters . . . I haven't forgotten where I came from."

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Arista's country roster includes:
Asleep At The Wheel, Rob Crosby, Exile, Alan Jackson,
Lee Roy Parnell, Jeff Thompson, Pam Tillis and Michelle Wright

DONNA HILLEY

DONNA HILLEY, music publisher, born Birmingham, Alabama. President and CEO of Sony/ATV Tree/Cross Keys Music Publishing, the world's largest country music publisher. Based in Nashville, she has guided Sony/ATV Tree's expansion into non-country areas such as film, television, advertising music and Broadway musicals while maintaining Sony/ATV Tree's leadership in the country field. She has been with Tree/Cross Keys since 1973, negotiating the company's acquisition of more than 60 major catalogs, including those of Jim Reeves, Conway Twitty, Buck Owens and Merle Haggard, as well as Tree's sale to Sony. With the United States administrative headquarters for Sony/ATV Music Publishing based in Nashville, Hilley additionally oversees the entire administration of day to day music publishing operations which include its country catalogs, Tree Publishing Company, Inc., Cross Keys Publishing Company, Inc., and Timber Publishing Company, Inc.; plus the pop catalogs of Sony/ATV Tunes, Inc., and Sony/ATV Songs, Inc. In addition to the film and television catalogs of Columbia Pictures and TriStar Pictures. In 1994, she was named to the ASCAP board and elected to the National Music Publisher's Association board. She is currently Chairman of the Country Music Association Board; serves on the board of directors for the Children's Hospital at Vanderbilt; board member of Baptist Hospital; serves on the advisory board of First American Bank; serves on Board of Trustees for Belmont University; serves on board for Operation Smile; member of the First Music Advisory Committee; past member of Nashville Chamber of Commerce Board of Governors; past president of Leadership Music; has previously served as past president of the advisory board for Belmont University, the Ronald McDonald House; in addition to being a past board member of the Gospel Music Association, the National Academy of Recording Arts & Sciences, the W.O. Smith/Nashville Community Music School, University School; and the Nashville Symphony Association, where she is chairman of the music industry committee for the Symphony Ball. In 1996, Business Nashville Magazine noted Hilley as "One of Nashville's Top 10 Most Powerful People in the Music Industry"; in 1995, she was noted "One of Nashville's Top 25 Most Influential Women" by Nashville Life Magazine. In 1992, Entertainment Weekly magazine ranked Hilley #4 in its "Ten Most Powerful People in Country Music--A Guide to Country Music Clout", and in 1994, she was noted as one of the "Women We Admire" by Mirabella Magazine. She was named "Woman of the Year" by the Business and Professional Women's Club in 1978, and in 1984, she was honored as "Lady Executive of the Year" by the National Women's Executives. She was bestowed with the Belmont University School of Music Applause Award in 1992 for her service to the college community and music industry. Hilley is currently co-producing a television show called "SoulMates".



Hilary B. Rosen
President and Chief Executive Officer
Recording Industry Association of America

Hilary Rosen is president and chief executive officer of the Recording Industry Association of America, the trade group representing interests of the \$12.5 billion U.S. sound recording industry in Washington, D.C. RIAA's members include BMG Entertainment, EMI-Capitol Music Group North America, Universal Entertainment Group, PolyGram Holding Inc., Sony Music Entertainment Inc. and Warner Music Group.

A veteran lobbyist on Capitol Hill, Rosen has long been respected for her knowledge of the political and legislative process. Chief among her RIAA accomplishments is an amendment to the Copyright Act providing for a performance right in sound recordings; a legislative resolution of the long-disputed audio home taping issue that resulted in the first ever coupling of technological solutions with copyright royalties in the Audio Home Recording Act of 1992. In addition, Rosen has been a passionate defender of the arts and a guiding force in the music industry's campaign against censorship and the implementation of the Parental Advisory label. She is a 1997 recipient of the American Civil Liberties Union's Torch of Liberty Award for her advocacy of the First Amendment.

Rosen's current focus is addressing technology and business issues affecting the recording industry's future production, marketing and distribution of music. She created the RIAA's technology division in 1996 to evaluate and develop systems for protecting music in this new digital arena. Under Rosen's leadership the RIAA has been at the forefront of U.S. Government consideration of issues facing the copyright industries in the National Information Infrastructure. Ratification by the United States and 29 other countries of recently negotiated World Intellectual Property Organization (WIPO) treaties, protecting copyrighted works in digital transmissions worldwide, is the RIAA's primary legislative agenda for 1997.

Rosen is a founder and current board chair of Rock the Vote, an organization encouraging young people to become more involved in the political process. A dedicated and committed advocate, Rosen serves on many non-profit Boards including LifeBeat, The Human Rights Campaign Foundation, the National Music Council, the National Advisory Council for Artists for a Hate Free America, Y.E.S. to Jobs, and the National Cancer Foundation.

Prior to joining the RIAA in 1987, Rosen operated her own consulting firm. She also worked as a vice president for the lobbying firm of Liz Robbins Associates, representing clients such as Goldman Sachs, the cities of San Francisco, Denver and New York and the Association of Local Housing Finance Agencies. Earlier in her career, Rosen worked for former governor Brendan Byrne of New Jersey in his Washington office. She has served on the transition teams of U.S. Senators Bill Bradley and Dianne Feinstein. She majored in International Business at George Washington University.

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July 14, 1997

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CMA BOARD TAKES COUNTRY TO THE CAPITOL

Artists to perform at Vice President's Residence; Legislative issues key topics

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NASHVILLE - Vice President Al Gore and Mrs. Gore will host a casual "evening on the lawn" Thursday, with acoustic performances by Patty Loveless, Kathy Mattea, Kim Richey and Lee Roy Parnell as part of the activities scheduled for the Country Music Association's quarterly board meeting July 17-18 in Washington, D.C. Also during the two-day event, the 62 music industry power brokers will be updated during other events on legislation affecting the industry by experts on the issues.

Ambassador Charlene Barshefsky, U.S. trade representative, will speak during a luncheon on Thursday, hosted by CMA and the Recording Industry Association of America (RIAA).

During a forum discussion on Thursday, the board will hear from Mary Beth Peters, the U.S. registrar of copyrights. Peters has held the position for three years and is a frequent speaker on copyright issues. A graduate of the George Washington University Law Center, she is author of "The General Guide To The Copyright Act Of 1976". Gwen Lipski, president of Sound Thinking, will also address the group Thursday. Following a five-year stint with MTV: Music Television, Lipski founded Sound Thinking to provide strategic planning, business development and research guidance to entertainment and other creatively oriented businesses. MTV, Grey Entertainment, Moviefone and Rock The Vote are among her clients.

"CMA's board traditionally seeks out key cities other than Nashville for its meetings to address opportunities in a particular market or to take advantage of the resources a city has to offer," said CMA Executive Director Ed Benson. "With intellectual property rights a prime area of concern and interest among the music industry, the board felt like this was an opportune time to have a meeting in Washington. We'll benefit from the abundance of knowledge and support available on Capitol Hill as well as through interaction with organizations based there, such as the RIAA."

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Reigning CMA Female Vocalist of the Year, Patty Loveless is currently on the charts with "The Trouble With The Truth", the title track of her most recent release on Epic Records. *The Wall Street Journal* said of Loveless, "To listen to a first-rate contemporary Country singer such as Patty Loveless is to get an idea how much better Patsy Cline might have sounded a quarter of a century later."

In her 14 years as a recording artist, Kathy Mattea has released 11 albums to commercial and critical acclaim, including her most recent Mercury Nashville lp, LOVE TRAVELS. *The Chicago Sun-Times* recently said of her, "Kathy Mattea has gone many places during her musical journey, always finding new influences to inspire her distinctive sound."

Lee Roy Parnell is climbing the Country charts with his most recent single, "Lucky Me, Lucky You". *The Detroit News* has said of the Arista Nashville artist, "Parnell has brought a touch of poetry and a streak of intellectual independence to Music Row."

Kim Richey has written most of the songs on her two critically acclaimed albums for Mercury Nashville. *USA Today* recently said, "Richey maintains equal proportions of Country, rock and folk - put it all together and you've got one of the most appealing performers out there."

Founded in 1958, the Country Music Association was the first trade organization formed to promote a type of music. More than 7,000 music industry professionals and companies from 31 countries around the world are members of CMA. The organization's objectives are to guide and enhance the development of Country Music and to demonstrate it as a viable medium to advertisers, consumers and media throughout the world.

CMA board members serve gratis and pay their own expenses to attend board meetings.

COMMUNICATIONS

CMA HISTORY

Founded in 1958, the Country Music Association was the first trade organization formed to promote a type of music. CMA, originally consisting of only 233 members, now has more than 7,000 organizational and individual members in 31 countries. The objectives of the organization are to guide and enhance the development of Country Music throughout the world; to demonstrate it as a viable medium to advertisers, consumers and media; and to provide a unity of purpose for the Country Music industry.

Initially, CMA's Board of Directors included nine directors and five officers. Wesley Rose, president of Acuff-Rose Publishing, Inc., served as CMA's first chairman of the board. Broadcasting entrepreneur and executive Connie B. Gay was the founding president.

CMA membership is composed of those persons or organizations who are involved in Country Music, directly and substantially. Originally there were nine individual membership categories. The current 15 categories represent all facets of the music industry. Organizational memberships are also available.

Each membership category is represented by two directors on the Board; there are six directors-at-large and four lifetime directors. Officers are elected by the directors each year for a one-year term. CMA's Board of Directors meets three times annually. Officers and directors receive no salary or compensation from CMA. They serve the organization gratis, paying all their own expenses. The following is a list of CMA's presidents and chairmen:

<u>PRESIDENT</u>	<u>CHAIRMAN</u>		<u>PRESIDENT</u>	<u>CHAIRMAN</u>
1959	Connie B. Gay	1979	Ralph Peer II	Tom Collins
1960	Connie B. Gay	1980	Ralph Peer II	Tom Collins
1961	Ken Nelson	1981	Tandy Rice	Bruce Lundvall
1962	Ken Nelson	1982	Ken Kragen	Rick Blackburn
1963	Gene Antry	1983	Joe Galante	Sam Marmaduke
1964	Tex Ritter	1984	Dick McCullough	Ralph Peer II
1965	Tex Ritter	1985	Dick McCullough	Sam Marmaduke
1966	Bill Denny	1986	Rick Blackburn	Joe Galante
1967	Paul Cohen	1987	Al Greenfield	Jim Foglesong
1968	Hubert Long	1988	David Conrad	Jack Eugster
1969	Bill Williams	1989	Connie Bradley	Roger Sovine
1970	Harold Hitt	1990	Roger Sovine	Connie Bradley
1971	Wade Pepper	1991	Thom Schuyler	Roy Wunsch
1972	Bill Farr	1992	Roy Wunsch	Thom Schuyler
1973	Frances Preston	1993	Paul Corbin	Dan Halyburton
1974	Wesley Rose	1994	Dan Halyburton	Paul Corbin
1975	Jerry Bradley	1995	Tony Conway	Kitty Moon
1976	Ron Bledsoe	1996	Kitty Moon	Tony Conway
1977	Dan McKinnon	1997	Tim DuBois	Donna Hilley
1978	Joe Talbot			

The list of CMA's accomplishments is actually a spectrum of important milestones in the history of Country Music. Following are some of CMA's major contributions to the Country Music industry and its membership.

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THE CMA AWARDS

The Country Music industry's most highly-coveted and pre-eminent awards are presented annually in 12 categories to outstanding Country artists, as voted by CMA's membership, to honor excellence in artistry. The CMA Awards were inaugurated in 1967. The following year, the presentation was taped for television broadcast for the first time and have been broadcast live over network television each year since 1969. Kraft began its sponsorship in 1968 and was the sole sponsor of the annual event through 1987. A stereo-radio simulcast of the CMA Awards has taken place since 1983. Additionally, the gala event is syndicated for broadcast in Canada and a dozen foreign countries, including BBC in the United Kingdom.

INTERNATIONAL COUNTRY MUSIC FAN FAIR

Co-sponsored by CMA and the Grand Ole Opry, Fan Fair is a giant Country Music festival held each June in Nashville. The unique event enables Country Music fans to meet their favorite artists and attend numerous live performances throughout a week crowded with activities - all for the price of a single ticket. Initiated in 1972, Fan Fair attracts thousands of fans from throughout the world. Approximately 24,000 fans attend Fan Fair each year.

SRO, CMA'S ENTERTAINMENT EXPO

To encourage personal career growth among industry professionals, CMA sponsors SRO, the annual entertainment expo in October. One of the largest and most respected of its type in the industry, SRO is attended by buyers and sellers of entertainment as well as professionals representing all aspects of the Country Music industry. SRO's full-service exhibit marketplace allows ample networking opportunities. The SRO showcases feature some of Country Music's brightest new talents. The three-day event is the industry's premiere conference addressing issues that impact all facets of Country Music.

ESTABLISHMENT OF THE COUNTRY MUSIC HALL OF FAME

The Board of Directors of CMA established the Country Music Hall of Fame in 1961 to immortalize Country Music's greatest contributors. The building that houses the Hall of Fame and Museum was erected in 1967. Since 1967, the Country Music Foundation has operated the first class facility, which has been called "America's favorite music museum". CMA continues to conduct the annual selection and induction into the Hall of Fame. The official induction is made each year on the CMA Awards.

MARKETING WITH COUNTRY MUSIC

Initiated in 1996, the annual Marketing With Country Music conference was established to educate corporate marketer and ad agency decision-makers on opportunities available with Country Music to meet brand marketing objectives. Participants include music industry executives, Fortune 500 marketers at the vice president and brand management level, ad agency account managers and promotions managers.

AMERICA'S SOLD ON COUNTRY

CMA's highly successful ad campaign, targeted at corporate America. Includes the ASOC Tour which will travel to major ad centers to familiarize ad agency personnel, corporate marketers and those who sell Country advertising with today's Country Music, why it works for marketers and how to effectively use it in integrated marketing programs.

INVOLVEMENT IN LEGISLATIVE ACTIVITIES AFFECTING THE MUSIC INDUSTRY

CMA has taken an active role in legislative activities which affect the music industry, including participation in the Coalition to Save America's Music. The landmark law controlling record rental, enacted in 1984, was, in part, a result of CMA's constant lobbying efforts.

As it has for the past several years, CMA will continue to work vigorously, encouraging its members to make their voices heard. CMA was part of an intensive 12-year effort by the music industry, working on behalf of the Home Audio Recording Act, which will provide for royalty fees on the sales of audio tape and hardware.

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INTERNATIONAL MARKET DEVELOPMENT

In 1982, CMA established an office in London to increase the visibility and popularity of Country Music in Europe. This initiative, a first among American music trade organizations, was broadened in 1993 to include a new Nashville-based International Department which oversees global development of Country Music. In March 1994, CMA restructured its international presence to a regional representation system serving the UK/Ireland, Germany/Switzerland/Austria and the Benelux. Together with the Nashville headquarters, these representatives coordinate activities such as radio airplay, artist tours and an extensive communication network via label relations, advisory groups, conferences, research projects, databases and publications.

THE PROMOTION OF COUNTRY MUSIC THROUGHOUT THE WORLD

Through the attainment of positive publicity for Country Music in important newspapers, magazines and media all over the globe, CMA's constant reach to both national and international media has made Country news as far afield as Japan, Australia and the Czech Republic. Programming of the format has become an integral part of Voice of America with a listening audience of millions abroad. Hundreds of national and international press representatives focus on Nashville and Country Music through coverage of Fan Fair and the CMA Awards each year. The production of promotional materials and audio-visual presentations demonstrating the appeal of Country Music is also an integral function.

MONTHLY TRADE MAGAZINE

CLOSE UP magazine, compiled and published monthly by CMA solely for its membership, serves as a vital resource for the Country Music industry. Each month the publication features timely and informative news stories, perspectives and columns. Spotlighted are new companies, promotions and appointments, signings, video view, media news and awards, as well as profiles of Country artists, songwriters and musicians. CLOSE UP serves as a communication network for an increasingly widespread industry and is also quoted widely by wire services and other publications and broadcast programs.

THE COMPILATION AND DISSEMINATION OF RESEARCH MATERIALS

The most complete listing of all radio stations programming Country Music all over the world is CMA's annual Country Music Radio Directory, compiled by M Street Journal exclusively for CMA. It provides detailed information on every Country radio station in the U.S. and Canada. Some 200 overseas programmers are also featured. The list is also available in a variety of mailing label formats.

As a subscriber to the Simmons Market Research Bureau, CMA has the ability to provide its organizational members with the most up-to-date statistical information on the Country Music audience and their buying habits. Simmons conducts the oldest and largest survey of consumers and their media usage and purchasing habits. Simmons data is provided to CMA organizational members.

CMA produces a variety of marketing support materials such as CMA Fact Book, a compilation of statistical information, with figures on Country Music consumers, including demographic breaks, listening and purchasing habits and more. Annually updated video presentations bring the music to life, and accompanying leave-behind pieces help make the sales.

TAKING THE SHOW ON THE ROAD

Since 1963, CMA has continued to take Country Music's story to the advertising community, providing research data on the scope and quality of the Country audience. CMA's ad agency efforts are intended to keep dollars flowing into Country radio, television and other media. In-house presentations at major agencies in ad centers such as New York, Chicago, Detroit, Los Angeles and Atlanta illustrate that the Country Music audience represents a large and attractive consumer segment. In addition, special entertainment/educational events help demonstrate to these key-decision makers the marketing power of Country Music.

CMA also takes an active role in presenting live Country Music performances at numerous music-related seminars, conferences and trade shows, including NARM, Country Radio Seminar, South By Southwest and NACA. Panel presentations for the various conference audiences are also a vital aspect of CMA's participation.

CMA HISTORY - PAGE 4**THE RECOGNITION OF PROFESSIONAL ACHIEVEMENT**

CMA presents a number of awards each year to honor excellence of achievement in the profession.

Broadcast Awards - Presented annually to the most outstanding broadcast personalities in small, medium, large and major market categories. CMA also recognizes the Station of the Year in the four markets.

The Connie B. Gay Award - Formerly the Founding President's Award, is presented annually to an individual who has rendered outstanding service to CMA.

Irving Waugh Award of Excellence - In 1983, this award was inaugurated by the Board of Directors and was presented that year to the man for whom it was named - Irving Waugh. The prestigious award was not again presented until 1987, when Frances Preston was honored. In 1991, retiring CMA executive director Jo Walker-Meador became the third recipient, which is intended to highlight singular achievements having profound impact on the state of the industry.

Jo Walker-Meador International Achievement Award - Recognizes outstanding achievement by an individual or company in advocating and supporting Country Music's market development outside North America.

Media Achievement Award - Recognizes print journalists, authors, editors, syndicated radio personnel, television writers or producers whose work significantly broadens the visibility and awareness of Country Music. This award is not mandated to be awarded annually.

SRO Awards - These annual awards were initiated to honor outstanding achievement within the touring industry. In addition the SRO Chairman's Award, which is not mandated to be award annually, recognizes outstanding individual achievement to broaden the scope of Country Music.

Special President's Award - The President of CMA may present, at his/her discretion, this award to honor individuals making noteworthy contributions to Country Music and/or CMA.

Wesley Rose Foreign Media Achievement Award - Recognizes outstanding achievements in the media which contribute to the development of Country Music outside the United States. Radio, TV and print journalists, authors, editors, television writers, producers and executives who reside outside the United States are eligible to win this award. This award is not mandated to be awarded annually.

THE RECOGNITION OF OCTOBER AS COUNTRY MUSIC MONTH

Presidents Nixon, Carter, Reagan, Bush and Clinton have all recognized "October Is Country Music Month" through proclamations and statements to commemorate the broadening scope of the celebration, which began with the establishment of Country Music Week in 1962. The celebration of Country Music Month is now recognized worldwide by presidents, governors and heads of state.

To focus even more attention on the observance of the month, CMA, in conjunction with the National Association of Recording Merchandisers (NARM), initiated in 1983 an extensive merchandising campaign conducted on both the rack and retail level. Focusing on the CMA Awards, the point of purchase campaign is structured to boost sales and awareness of Country Music through September and October.

Through CMA's leadership and guidance, Country Music has become one of America's most diplomatic ambassadors to the world. Industry leaders readily admit that CMA has won global recognition and has been the most important guiding force in the worldwide growth and expansion of Country Music. CMA continues its tradition of helping shape the direction and future of Country Music.