Testimony of
U.S. Trade Representative Charlene Barshefsky
Renewal of Fast Track Authority
Senate Finance Committee
September 17, 1997

Mr. Chairman and Members of the Committee, I want to thank you for the opportunity to appear before you today to address an issue that is vital to the future of American farmers, businesses, and workers, as well as our position as a leader in the global economy: that is, approval of the Administration's proposal to renew fast track and the President's tariff proclamation authority under the "Export Expansion and Reciprocal Trade Agreements Act of 1997." Mr. Chairman, if enacted, the President's proposal would renew more than 60 years of cooperation between the Congress and the Executive Branch in the negotiation and implementation of market-opening trade agreements for the benefit of American workers and companies.

What is at stake in your consideration of this proposal is nothing less than whether the United States will continue to be at the forefront of nations seeking the reduction of trade barriers and the expansion of more open, equitable and reciprocal trading practices throughout the world. As the President said last week, the question before you is whether we are going to lead the way or follow. This is not the time to shrink from the future, but to seize the opportunities it holds.

The President is right. Today, this country is at the pinnacle of its influence. Our economy is the strongest in the world. In the last four and one half years, the United States has once again become the world's number one exporter, the world's largest manufacturer of automobiles, the world's premier agricultural exporter, and the world's leading producer of semiconductors. From the farms of the Midwest to the high-tech firms of California and Massachusetts, businesses are growing, unemployment is declining and inflation is under control. America leads the world in a very competitive global marketplace. Our economy is the envy of our trading partners.

Today, international trade is an increasingly vital component of our economic strength at home and leadership abroad. Exports are more important in our economy than ever. Since 1993, more than a third of our economic growth has come directly from exports, and the number of export-related jobs has increased by 1.7 million. A total of some 11.5 million U.S. jobs depend on exports, and these jobs pay an average of 15% more than non-trade-related jobs. Since 1985, U.S. exports have roughly tripled from about $300 billion to an expected $900 billion this year.

But, we cannot rest on our past accomplishments. We must find new markets for our goods and services in order to help our economy to maintain strong growth. To frame our economic challenge clearly: the United States represents four percent of the world's population, yet our share of global income is 20%. How are we going to maintain our enviable position? We must sell to the more than 96% of the consumers that live outside our borders, which requires that we further open foreign markets to our goods and services. We need fast track if our economy is to stay on the fast track.

The Importance of Fast Track

Fast track is critical to increase access to foreign markets and shift trade conditions in our favor. Fast track sends a strong signal to our trading partners. It tells them that when the President negotiates a trade agreement, he has the confidence of the Congress behind him. It also indicates that the United States is serious about reaching agreements that will reduce market barriers and trade distortions.

This proposal reactivates a partnership between the President and the Congress that dates back over six decades. Recognizing that the high protective U.S. tariff walls it established in 1930 had only served to deepen the Depression, Congress four years later enacted the first reciprocal trade agreements act. In that act, Congress gave the President authority to negotiate mutual tariff reductions with our trading partners. Congress renewed that authority repeatedly over the years, and successive Presidents used the authority to dramatically reduce tariff barriers around the world.

"Fast track" was first put in place under the Ford Administration in 1974. Under fast track the Congress and the President work together, ensuring that the United States can effectively negotiate away foreign tariff barriers as well as non-tariff barriers -- such as quotas, protectionist product standards, and subsidies -- which foreign governments have increasingly substituted for tariffs to exclude U.S. products. It worked well for 20 years, a period over which every President had fast track authority with bipartisan support. Fast track lapsed along with most of the President's tariff reduction authority three years ago.

With this legislation, we are seeking to reactivate the process by which certain trade agreements can come back to the Congress for an up or down vote without amendment. We are not seeking Congress' approval of a particular trade agreement. Congress retains the last word.

Dangers of Inaction

There are serious and immediate consequences if we do not renew fast track. Increasingly over the past few years, major trade agreements have been negotiated without our participation. Our competitors are determined, sophisticated, strategic and focused. In every region of the world, but particularly Latin America and Asia, the two fastest growing regions of the world, governments are pursuing strategic trade policies and, in some cases, preferential trade arrangements. They are forming relationships around us, rather than with us, and they are creating new exclusive trade alliances to the detriment of U.S. interests. I can assure you that our trading partners are not waiting for us to pass a bill.

A significant number of bilateral and regional trade agreements are already operating here in the Western Hemisphere. The United States is party to only one. In fact, most U.S. trading partners in the hemisphere have been actively forging closer ties with neighboring countries. In Latin America and Asia alone, over 20 such agreements have been negotiated since 1992 -- all without us.

Argentina, Brazil, Paraguay, and Uruguay have formed a common market, MERCOSUR, which has a GDP of approximately $1 trillion and ambitions to expand to all of South America. MERCOSUR is the largest economy in Latin America and encompasses a population of 200 million. It has struck agreements with Chile and Bolivia, and is discussing agreements with a number of Andean countries (Colombia. Venezuela), as well as countries within the Caribbean Basin. There are recent reports that Canada is also in discussions with MERCOSUR. And, the EU and MERCOSUR already have plans to conclude a reciprocal trade agreement by 1999.

Furthermore, the nations of the Andean Community have started meeting with member nations of CARICOM and the Central American Common Market to discuss negotiation of free trade agreements.

And, Chile, with one of South America's leading economies, has signed trade agreements with Bolivia, Colombia, Ecuador, Mexico, Venezuela, Canada and the MERCOSUR states. Indeed, Chile has preferential trading relationships with every major trading country in our hemisphere but one -- the United States.

In South Asia, the seven members of the South Asian Association for Regional Cooperation (SARC) -- India, Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka, and the Maldives -- have set 2001 as the target for the creation of a free trade area. SARC now represents only about 1 percent of world trade, but it encompasses roughly 20 percent of the world's population. This will increasingly be an important market for U.S. goods and services

Access to markets in such developing nations is especially important to America's economic future, particularly those in Asia and Latin America which are projected to grow at rates as much as three times the U.S. growth rate. As noted, more than 96 percent of the world's consumers reside outside the United States. Of the more than 30 million people who join the world's middle class annually, an estimated three quarters are found in emerging markets and other low and middle- income countries. Latin America alone, if current trends continue, will exceed both Japan and Western Europe combined as an export market for U.S. goods by the year 2010. Already, Latin America is our fastest growing export market, even though the tariff barriers within the region average three to four times the average U.S. tariff. Similarly, the Asian Pacific Rim has been our second fastest growing export market in recent years, but its market access barriers are also generally higher than U.S. barriers. The elimination of these inequities is in America's fundamental interest, as we have the most competitive economy in the world.

Our lack of fast track procedures also disadvantages us in comparison with our industrialized competitors. As mentioned, Canada recently signed a new trade agreement with Chile, giving Canadian exporters substantial advantages over their U.S. counterparts. Perhaps even more disturbing, the EU, already the world's largest trading bloc, is poised for major expansion in the next few years. The EU has secured for its exporters significant advantages in the transition economies of Central and Eastern Europe. As noted, the EU also has begun a process aimed at reaching a free trade agreement with MERCOSUR and one with Mexico. It has also concluded a framework agreement with Chile which is expected to lead to a free trade agreement by 1999 based on recent reports.

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

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

The consequences of agreements being reached without us are not just theoretical; they are quite real. Many U.S. firms are suffering from the competitive disadvantage caused by preferential agreements that do not include us. Our companies are losing export opportunities. Our past efforts to level the playing field will prove futile over the long-term if we begin to cede this ground to our competitors. Examples abound:

- U.S. fabric producer, Quaker Fabric, recently lost a $1.8 million a year sale in Chile to a Mexican competitor because of an 11% tariff preference favoring Mexican producers.

- U.S. apple producers are at risk in their Latin American markets due to Chile's preferential tariff free, or near tariff-free, access to MERCOSUR, Venezuela, Colombia, and other South American markets as a result of the FTAs it has been negotiated (six since 1991). U.S. producers have to absorb the non-preferential tariff cost to enter these growing markets.

- U.S. corn producers are facing competition in Chile from Argentinean producers who enjoy a 3.3% tariff preference, which will grow to 11% over time.

- Chilean fresh fruit pays a 2 percent duty when entering Venezuela (due to the Chile-Venezuela FTA), whereas U.S. producers pay a 15 percent tariff. The U.S. Embassy estimates that U.S. market share would grow from its current 39 percent to 67 percent if U.S. producers had equivalent access to the Venezuelan market.

MERCOSUR comprises the largest market in Latin America (200 million people and a GDP of approximately $1 trillion). In the context of negotiating this customs union, Argentina, Paraguay and Uruguay raised their tariff on imported computer products to accommodate Brazil's interests. The net result was that the common external tariff is significantly higher (from zero to 14 percent *ad valorem* in the case of Argentina, the second largest economy in South America) than the original tariff on these items in Argentina and others.

The United States can only redress these growing trade setbacks by concluding similar bilateral and regional agreements, as well as negotiating new multilateral agreements that level the trade playing field. But no such agreements are likely as long as our trading partners believe that any agreement the President negotiates will also have to be separately negotiated with the Congress.

Fast track, however, is about more than economics. It is about American leadership. As the President said last week, fast track "is about whether other countries will continue to look to the United States to lead to a future of peace and freedom and prosperity; about whether the world will be growing together instead of coming apart; about whether our economic ties will lead to cultural ties and ties of partnership, or whether we will be viewed as somehow withdrawn from the world, not interested in leading it, and therefore, not nearly as influential as we might otherwise be for the causes in which we so deeply believe."

Sidelining ourselves at this critical juncture will have repercussions that will be far more than economic. Economic prosperity contributes to economic security, which in turn supports democracy and stability. We are at the pinnacle of our influence and we should use that influence to shape international economic rules and transmit our fundamental values.

The Uses of Fast Track

The absence of fast track does not only mean that we cannot match our competitors when they enter into preferential trade arrangements. It also prevents us from achieving our own goals. There are three major areas of pressing concern which require fast track now.

First, fast track would allow us to complete the built-in agenda of the World Trade Organization: that is, conclusion of the major trade negotiations that were deferred at the end of the Uruguay Round and participation in negotiations mandated by the Uruguay Round agreements in areas ranging from rules of origin to services. This year, we resume negotiations to expand and improve the government procurement agreement. Next year, we begin again the negotiations on intellectual property rights, followed by agriculture negotiations in 1999, and then services negotiations. We seek enhanced access to global markets in these areas, and the stakes are very high. The world's government procurement market will be a trillion-dollar market over the next decade and bringing more countries into the agreement will be critical. Agriculture and services represent another almost $2 trillion market, with agriculture representing $600 billion globally; and services $1.2 trillion. We must have fast track authority to enter these various talks or countries will not put meaningful offers on the table.

Second, fast track would enable us to pursue market-opening initiatives in sectors where the United States either leads the world or is a powerful competitor, and where there is extraordinary potential for growth. A good example of what can be achieved in this area is the recently concluded Information Technology Agreement (ITA), the United States and 43 other nations agreed to the reduction and eventual elimination of tariffs on information technology and electronic products, including semiconductors, computers, telecommunications equipment, faxes, phones, and integrated circuits. This is an extraordinarily favorable agreement for the United

States, since we are a major exporter of these products and our applicable tariffs were already quite low. Because other countries generally maintained substantially higher duties, this agreement provides what amounts to a $5 billion tax cut for the U.S., money that can be used for research and market development, creating new business opportunities and jobs for Americans.

In fact, the agreement has proven so successful that we already have a consensus among our trading partners to pursue an "ITA-II" -- in which we are seeking to expand the scope of products covered by the agreement, address non-tariff barriers in addition to tariff barriers, and increase access to the Information Superhighway.

We also are considering other sectors in which the United States is very competitive, but in which global barriers tend to be high. In particular, we are focusing on trade in chemicals, energy equipment and services, environmental technology and services, medical equipment and services, and wood and paper products. Within APEC, the United States and its Pacific Rim trading partners are working together to identify a number of areas that may be the subject of accelerated market opening discussions. Renewal of fast track would show APEC that the United States intends to fully take part in the negotiations and conclude key agreements.

Third, fast track is essential if we are to negotiate more comprehensive market access agreements with individual countries, as well as on a regional basis. This Administration, consistent with its predecessors, has identified Chile as a promising candidate for a comprehensive trade agreement. Chile appears in all respects to be prepared to enter into agreements with us that achieve our economic objectives, as well as our goals with respect to labor and the environment. Chile also symbolizes our commitment to proceed towards the conclusion of the Free Trade Agreement of the Americas (FTAA) by 2005.

Prior to the pursuit of other specific free-trade arrangements, the Administration would clearly define our negotiating objectives and consult closely with Congress.

The Fast Track Legislation

Fast Track is about forging an American consensus on trade and negotiating with our trading partners from a position of strength and unity. As many members of this Committee know, the Administration spent significant time consulting with members in both Houses and of both parties to try to develop a proposal that would reflect the views of the American people. The consultations were invaluable in shaping this proposal, and I thank the members of this Committee and their staffs for their significant contribution.

Let me now turn to the specifics of the President's proposal.

The proposal first sets out "overall" and "principal" trade negotiating objectives for the President. The "overall" objectives call on U.S. negotiators (1) to obtain more open, equitable, and reciprocal market access; (2) to obtain the reduction or elimination of barriers and other trade-distorting policies and practices that are directly related to trade and reduce market opportunities for U.S. exports or distort U.S. trade; (3) to further strengthen the system of international trading disciplines and procedures; (4) to foster economic growth, raise living standards, and promote full employment in the United States and to enhance the global economy; and (5) to address those aspects of foreign government policies and practices regarding labor, the environment, and other matters which are directly related to trade and decrease market opportunities for United States exports or distort United States trade.

The "principal" objectives specify that U.S. negotiators should seek (1) to reduce or eliminate trade barriers, and foreign government policies and practices directly related to trade that decrease market access for U.S. exports or that distort U.S. trade; (2) to reduce foreign government barriers that discriminate against or impose unreasonable regulatory barriers on U.S. service providers; (3) to reduce unreasonable barriers to U.S. foreign investment; (4) to obtain adequate and effective protection for U.S. intellectual property rights and increased access to foreign markets for U.S. businesses that rely on intellectual property; (5) to make the proceedings of international trade bodies more open to public view; (6) to secure fairer and more open conditions of trade for U.S. agricultural products; and (7) to promote through multilateral institutions worker rights and sustainable development.

These objectives and guidance reflect the President's three primary concerns underlying the proposal. The President has made clear that his first consideration in proposing this legislation is the expansion of American trade opportunities abroad and the tearing down of barriers impeding U.S. access to foreign markets. However, the President also has made clear that we have an obligation to promote the rights of workers and the environment. Our commitment to worker rights and the environment reflects long-standing, fundamental values of the United States. The proposal's objectives properly balance the need to open markets with the attention these vital issues deserve.

The proposal next provides that the President may enter into certain agreements regarding tariffs and implement them by proclamation. For example, the proposal would re-establish the President's traditional proclamation authority, under which he can reduce U.S. duties up to 50 percent and eliminate duties of 5 percent *ad valorem* or less. This authority dates back to 1934. The proposal adds a new provision that would allow the President to harmonize or eliminate tariffs in connection with reciprocal tariff agreements in particular sectors, as we did in the ITA, as well as to carry out reciprocal tariff elimination agreements consistent with WTO rules.

In order for an agreement to qualify for fast-track treatment under the bill, the President must comply with extensive notice and consultation requirements. These provisions enable the Congress to set priorities, provide advice, and exercise oversight at all stages of the negotiations. They ensure that Congressional views will be reflected both in any final agreement and in the manner in which an agreement is carried out.

The bill expands upon the notice and consultation requirements included in earlier trade acts. For example, the President must provide notice to Congress before initiating negotiations, and he must consult with Congress prior to concluding an agreement. Members of Congress and their staff are to be named as cleared advisers with respect to on-going negotiations. These Congressional advisers will be apprised of all critical phases of the negotiations, and they will have direct input into our strategy and offers. When negotiations near completion, the President must notify Congress of his intention to enter into an agreement and, once the agreement is signed, the President must describe to Congress how he intends to implement the agreement. Finally, the President and the Congress are to receive advice on any proposed agreement from the International Trade Commission.

To strengthen these provisions, we have added further consultation requirements. The bill mandates that, prior to entering into negotiations, the President must describe his specific negotiating objectives. The President is required to consult with Congress both before and after negotiations begin. In addition, the President is required to inform Congress of any other agreements he intends to conclude with the country or countries in question in addition to the trade agreement itself. The President must also state whether the fast track agreement will require additional implementing legislation that can be enacted only outside the fast track process.

Moreover, Congress must be satisfied that the President has met his consultation obligations. Under the proposal, if Congress finds that the President has not done so, an expedited procedure is available for Congress to withdraw fast track procedures.

The proposal also builds on existing provisions to ensure that the public is informed of trade negotiations and that a mechanism is available for ensuring that the public can make its views known to U.S. negotiators. In addition, the proposal calls for the President and Congress to receive advice from officially-designated advisory committees covering the full range of sectors and policy matters, including manufactured goods, agricultural products, services, intergovernmental matters, investment, intellectual property, labor, and environmental matters. These provisions demonstrate the Administration's hope that Americans will not only understand our trade agenda, but take an active part in formulating it.

Under well-established practice, the President collaborates with the Congress in drafting fast track implementing legislation. Such legislation is subject to informal public hearings and "mark-ups" by all Congressional committees of jurisdiction before its introduction. Under the President's proposal, provisions may be included in such legislation only if they are necessary or appropriate to implement an agreement and are related to trade. This language was designed to provide the President and Congress with sufficient flexibility to modify domestic law to achieve our trade objectives while ensuring that implementing bills will retain their focus on trade issues.

The President's proposal seeks this authority until his term is completed, with the possibility for an extension until 2005, subject to disapproval by Congress. This provides Congress and the next President the opportunity to ensure that the consensus that we hope can be achieved with this fast track proposal endures during the first term of the next President.

Conclusion

Mr. Chairman, if enacted, the President's proposal would renew more than 60 years of cooperation between the Congress and the Executive Branch in the negotiation and implementation of market-opening trade agreements for the benefit of American workers and companies. We have had a bipartisan consensus on the importance of expanding trade for the American economy and creating a trading system as a part of America's leadership for peace and freedom. It is now clearly more important than ever that we build a new consensus on the framework for the global economy of the 21st century. I am committed to working with the Congress to make sure that this legislation receives the full, bipartisan support it deserves and the American people expect.

As the President Clinton said last week: "Walking away from this opportunity will not create a single job. No one suggests we should throw up greater barriers in our own marketplace. Walking away from this opportunity will only leave inequalities in place -- inequalities that do not work to the advantage of either American businesses or American workers." The world is on a very fast track to the 21st century. America must lead in shaping our future.

Testimony of
U.S. Trade Representative Charlene Barshefsky
Renewal of Fast Track Authority
House Ways & Means Trade Subcommittee Committee
September 30, 1997

Mr. Chairman and Members of the Committee, I want to thank you for the opportunity to appear before you today to address an issue that is vital to the future of American farmers, businesses, and workers, as well as our position as a leader in the global economy: that is, approval of the Administration's proposal to renew fast track and the President's tariff proclamation authority under the "Export Expansion and Reciprocal Trade Agreements Act of 1997." Mr. Chairman, if enacted, the President's proposal would renew more than 60 years of cooperation between the Congress and the Executive Branch in the negotiation and implementation of market-opening trade agreements for the benefit of American workers and companies.

What is at stake in your consideration of this proposal is nothing less than whether the United States will continue to be at the forefront of nations seeking the reduction of trade barriers and the expansion of more open, equitable and reciprocal trading practices throughout the world. As the President said recently, the question before you is whether we are going to lead the way or follow. This is not the time to shrink from the future, but to seize the opportunities it holds.

The President is right. Today, this country is at the pinnacle of its influence. Our economy is the strongest in the world. In the last four and one half years, the United States has once again become the world's number one exporter, the world's largest manufacturer of automobiles, the world's premier agricultural exporter, and the world's leading producer of semiconductors. From the farms of the Midwest to the high-tech firms of California and Massachusetts, businesses are growing, unemployment is declining and inflation is under control. America leads the world in a very competitive global marketplace. Our economy is the envy of our trading partners.

Today, international trade is an increasingly vital component of our economic strength at home and leadership abroad. Exports are more important in our economy than ever. Since 1993, more than a third of our economic growth has come directly from exports, and the number of export-related jobs has increased by 1.7 million. A total of some 11.5 million U.S. jobs depend on exports, and these jobs pay an average of 15% more than non-trade-related jobs. Since 1985, U.S. exports have roughly tripled from about $300 billion to an expected $900 billion this year.

But, we cannot rest on our past accomplishments. We must find new markets for our goods and services in order to help our economy to maintain strong growth. To frame our economic challenge clearly: the United States represents four percent of the world's population, yet our share of global income is 20%. How are we going to maintain our enviable position? We must sell to the more than 96% of the consumers that live outside our borders, which requires that we further open foreign markets to our goods and services. We need fast track if our economy is to stay on the fast track.

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Argentina, Brazil, Paraguay, and Uruguay have formed a common market, MERCOSUR, which has a GDP of approximately $1 trillion and ambitions to expand to all of South America. MERCOSUR is the largest economy in Latin America and encompasses a population of 200 million. It has struck agreements with Chile and Bolivia, and is discussing agreements with a number of Andean countries (Colombia, Venezuela), as well as countries within the Caribbean Basin. There are recent reports that Canada is also in discussions with MERCOSUR. And, the EU and MERCOSUR already have plans to conclude a reciprocal trade agreement by 1999.

Furthermore, the nations of the Andean Community have started meeting with member nations of CARICOM and the Central American Common Market to discuss negotiation of free trade agreements.

And, Chile, with one of South America's leading economies, has signed trade agreements with Bolivia, Colombia, Ecuador, Mexico, Venezuela, Canada and the MERCOSUR states. Indeed, Chile has preferential trading relationships with every major trading country in our hemisphere but one -- the United States.

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Access to markets in such developing nations is especially important to America's economic future, particularly those in Asia and Latin America which are projected to grow at rates as much as three times the U.S. growth rate. As noted, more than 96 percent of the world's consumers reside outside the United States. Of the more than 30 million people who join the world's middle class annually, an estimated three quarters are found in emerging markets and other low and middle- income countries. Latin America alone, if current trends continue, will exceed both Japan and Western Europe combined as an export market for U.S. goods by the year 2010. Already, Latin America is our fastest growing export market, even though the tariff barriers within the region average three to four times the average U.S. tariff. Similarly, the Asian Pacific Rim has been our second fastest growing export market in recent years, but its market access barriers are also generally higher than U.S. barriers. The elimination of these inequities is in America's fundamental interest, as we have the most competitive economy in the world.

Our lack of fast track procedures also disadvantages us in comparison with our industrialized competitors. As mentioned, Canada recently signed a new trade agreement with Chile, giving Canadian exporters substantial advantages over their U.S. counterparts. Perhaps even more disturbing, the EU, already the world's largest trading bloc, is poised for major expansion in the next few years. The EU has secured for its exporters significant advantages in the transition economies of Central and Eastern Europe. As noted, the EU also has begun a process aimed at reaching a free trade agreement with MERCOSUR and one with Mexico. It has also concluded a framework agreement with Chile which is expected to lead to a free trade agreement by 1999 based on recent reports.

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

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- A U.S. telecommunications equipment supplier lost significant sales to a Canadian competitor in part because of an 11% tariff preference favoring Canadian producers.

- A Massachusetts fabric producer recently lost a $1.8 million sale in Chile to a Canadian competitor because of an 11% tariff preference favoring Canadian producers.

- U.S. apple producers are at risk in their Latin American markets due to Chile's preferential tariff free, or near tariff-free, access to MERCOSUR, Venezuela, Colombia, and other South American markets as a result of the FTAs it has negotiated (six since 1991). U.S. producers have to absorb the non-preferential tariff cost to enter these growing markets.

- U.S. corn producers are facing competition in Chile from Argentinean producers who enjoy a 3.3% tariff preference, which will grow to 11% over time. U.S. corn producers are facing competition in Chile from Argentinean producers who enjoy a tariff preference. Similarly, U.S. corn producers could lose half their market share in Venezuela to Argentina because of Venezuela's relationship with MERCOSUR.

In the context of negotiating the MERCOSUR customs union, Argentina, Paraguay and Uruguay raised their tariff on imported computer products to accommodate Brazil's interests. The net result was that the common external tariff is significantly higher (from zero to 14 percent *ad valorem* in the case of Argentina, the second largest economy in South America) than the original tariff on these items in Argentina and others.

The United States can only redress these growing trade imbalances by concluding similar bilateral and regional agreements, as well as negotiating new multilateral agreements that level the trade playing field. But no such agreements are likely as long as our trading partners believe that any agreement the President negotiates will also have to be separately negotiated with the Congress.

Fast track, however, is about more than economics. It is about American leadership. As the President said last week, fast track "is about whether other countries will continue to look to the United States to lead to a future of peace and freedom and prosperity; about whether the world will be growing together instead of coming apart; about whether our economic ties will lead to cultural ties and ties of partnership, or whether we will be viewed as somehow withdrawn from the world, not interested in leading it, and therefore, not nearly as influential as we might otherwise be for the causes in which we so deeply believe."

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The absence of fast track does not only mean that we cannot match our competitors when they enter into preferential trade arrangements. It also prevents us from achieving our own goals. There are three major areas of pressing concern which require fast track now.

First, fast track would allow us to complete the built-in agenda of the World Trade Organization: that is, conclusion of the major trade negotiations that were deferred at the end of the Uruguay Round and participation in negotiations mandated by the Uruguay Round agreements in areas ranging from rules of origin to services. This year, we resume negotiations to expand and improve the government procurement agreement. Next year, we begin again the negotiations on intellectual property rights, followed by agriculture negotiations in 1999, and then services negotiations. We seek enhanced access to global markets in these areas, and the stakes are very high. The world's government procurement market will be a trillion-dollar market over the next decade and bringing more countries into the agreement will be critical. Agriculture and services represent another almost $2 trillion market, with agriculture representing $600 billion globally; and services $1.2 trillion. We must have fast track authority to enter these various talks or countries will not put meaningful offers on the table.

Second, fast track would enable us to pursue market-opening initiatives in sectors where the United States either leads the world or is a powerful competitor, and where there is extraordinary potential for growth. A good example of what can be achieved in this area is the recently concluded Information Technology Agreement (ITA), the United States and 43 other nations agreed to the reduction and eventual elimination of tariffs on information technology and electronic products, including semiconductors, computers, telecommunications equipment, faxes, phones, and integrated circuits. This is an extraordinarily favorable agreement for the United States, since we are a major exporter of these products and our applicable tariffs were already quite low. Because other countries generally maintained substantially higher duties, this agreement provides what amounts to a $5 billion tax cut for the U.S., money that can be used for research and market development, creating new business opportunities and jobs for Americans.

In fact, the agreement has proven so successful that we already have a consensus among our trading partners to pursue an "ITA-II" -- in which we are seeking to expand the scope of products covered by the agreement, address non-tariff barriers in addition to tariff barriers, and increase access to the Information Superhighway.

We also are considering other sectors in which the United States is very competitive, but in which global barriers tend to be high. In particular, we are focusing on trade in chemicals, energy equipment and services, environmental technology and services, medical equipment and services, and wood and paper products. Within APEC, the United States and its Pacific Rim trading partners are working together to identify a number of areas that may be the subject of accelerated market opening discussions. Renewal of fast track would show APEC that the United States intends to fully take part in the negotiations and conclude key agreements.

Third, fast track is essential if we are to negotiate more comprehensive market access agreements with individual countries, as well as on a regional basis. This Administration, consistent with its predecessors, has identified Chile as a promising candidate for a comprehensive trade agreement. Chile appears in all respects to be prepared to enter into agreements with us that achieve our economic objectives, as well as our goals with respect to labor and the environment. Chile also symbolizes our commitment to proceed towards the conclusion of the Free Trade Agreement of the Americas (FTAA) by 2005.

Prior to the pursuit of other specific free-trade arrangements, the Administration would clearly define our negotiating objectives and consult closely with Congress.

The Fast Track Legislation

Fast Track is about forging an American consensus on trade and negotiating with our trading partners from a position of strength and unity. As many members of this Committee know, the Administration spent significant time consulting with members in both Houses and of both parties to try to develop a proposal that would reflect the views of the American people. The consultations were invaluable in shaping this proposal, and I thank the members of this Committee and their staffs for their significant contribution.

Let me now turn to the specifics of the President's proposal.

The proposal first sets out "overall" and "principal" trade negotiating objectives for the President. The "overall" objectives call on U.S. negotiators (1) to obtain more open, equitable, and reciprocal market access; (2) to obtain the reduction or elimination of barriers and other trade-distorting policies and practices that are directly related to trade and reduce market opportunities for U.S. exports or distort U.S. trade; (3) to further strengthen the system of international trading disciplines and procedures; (4) to foster economic growth, raise living standards, and promote full employment in the United States and to enhance the global economy; and (5) to address those aspects of foreign government policies and practices regarding labor, the environment, and other matters which are directly related to trade and decrease market opportunities for United States exports or distort United States trade.

The "principal" objectives specify that U.S. negotiators should seek (1) to reduce or eliminate trade barriers, and foreign government policies and practices directly related to trade that decrease market access for U.S. exports or that distort U.S. trade; (2) to reduce foreign government barriers that discriminate against or impose unreasonable regulatory barriers on U.S. service providers; (3) to reduce unreasonable barriers to U.S. foreign investment; (4) to obtain adequate and effective protection for U.S. intellectual property rights and increased access to foreign markets for U.S. businesses that rely on intellectual property; (5) to make the proceedings of international trade bodies more open to public view; (6) to secure fairer and more open conditions of trade for U.S. agricultural products; and (7) to promote through multilateral institutions worker rights and sustainable development.

These objectives and guidance reflect the President's three primary concerns underlying the proposal. The President has made clear that his first consideration in proposing this legislation is the expansion of American trade opportunities abroad and the tearing down of barriers impeding U.S. access to foreign markets. However, the President also has made clear that we have an obligation to promote the rights of workers and the environment. Our commitment to worker rights and the environment reflects long-standing, fundamental values of the United States. The proposal's objectives properly balance the need to open markets with the attention these vital issues deserve.

The proposal next provides that the President may enter into certain agreements regarding tariffs and implement them by proclamation. For example, the proposal would re-establish the President's traditional proclamation authority, under which he can reduce U.S. duties up to 50 percent and eliminate duties of 5 percent *ad valorem* or less. This authority dates back to 1934. The proposal adds a new provision that would allow the President to harmonize or eliminate tariffs in connection with reciprocal tariff agreements in particular sectors, as we did in the ITA, as well as to carry out reciprocal tariff elimination agreements consistent with WTO rules.

In order for an agreement to qualify for fast-track treatment under the bill, the President must comply with extensive notice and consultation requirements. These provisions enable the Congress to set priorities, provide advice, and exercise oversight at all stages of the negotiations. They ensure that Congressional views will be reflected both in any final agreement and in the manner in which an agreement is carried out.

The bill expands upon the notice and consultation requirements included in earlier trade acts. For example, the President must provide notice to Congress before initiating negotiations, and he must consult with all congressional committees having jurisdiction over relevant issues. Only by broadening the circle of consultations and the Members of Congress included in them will we ensure that the trade agreements we bring home have broad, bipartisan support -- maximizing the benefits fast-track procedures are designed to achieve.

In addition, Members of Congress and their staff are to be named as cleared advisers with respect to on-going negotiations. These Congressional advisers will be apprised of all critical phases of the negotiations, and they will have direct input into our strategy and offers. When negotiations near completion, the President must notify Congress of his intention to enter into an agreement and, once the agreement is signed, the President must describe to Congress how he intends to implement the agreement. Finally, the President and the Congress are to receive advice on any proposed agreement from the International Trade Commission.

To strengthen these provisions, we have added further consultation requirements. The bill mandates that, prior to entering into negotiations, the President must describe his specific negotiating objectives. The President is required to consult with Congress both before and after negotiations begin. In addition, the President is required to inform Congress of any other agreements he intends to conclude with the country or countries in question in addition to the trade agreement itself. The President must also state whether the fast track agreement will require additional implementing legislation that can be enacted only outside the fast track process.

Moreover, Congress must be satisfied that the President has met his consultation obligations. Under the proposal, if Congress finds that the President has not done so, an expedited procedure is available for Congress to withdraw fast track procedures.

The proposal also builds on existing provisions to ensure that the public is informed of trade negotiations and that a mechanism is available for ensuring that the public can make its views known to U.S. negotiators. In addition, the proposal calls for the President and Congress to receive advice from officially-designated advisory committees covering the full range of sectors and policy matters, including manufactured goods, agricultural products, services, intergovernmental matters, investment, intellectual property, labor, and environmental matters. These provisions demonstrate the Administration's hope that Americans will not only understand our trade agenda, but take an active part in formulating it.

Under well-established practice, the President collaborates with the Congress in drafting fast track implementing legislation. Such legislation is subject to informal public hearings and "mark-ups" by all Congressional committees of jurisdiction before its introduction. Under the President's proposal, provisions may be included in such legislation only if they are necessary or appropriate to implement an agreement and are related to trade. This language was designed to provide the President and Congress with sufficient flexibility to modify domestic law to achieve our trade objectives while ensuring that implementing bills will retain their focus on trade issues.

The President's proposal seeks this authority until his term is completed, with the possibility for an extension until 2005, subject to disapproval by Congress. This provides Congress and the next President the opportunity to ensure that the consensus that we hope can be achieved with this fast track proposal endures during the first term of the next President.

Conclusion

Mr. Chairman, if enacted, the President's proposal would renew more than 60 years of cooperation between the Congress and the Executive Branch in the negotiation and implementation of market-opening trade agreements for the benefit of American workers and companies. We have had a bipartisan consensus on the importance of expanding trade for the American economy and creating a trading system as a part of America's leadership for peace and freedom. It is now clearly more important than ever that we build a new consensus on the framework for the global economy of the 21st century. I am committed to working with the Congress to make sure that this legislation receives the full, bipartisan support it deserves and the American people expect.

As the President Clinton said recently: "Walking away from this opportunity will not create a single job. No one suggests we should throw up greater barriers in our own marketplace. Walking away from this opportunity will only leave inequalities in place -- inequalities that do not work to the advantage of either American businesses or American workers." The world is on a very fast track to the 21st century. America must lead in shaping our future.

2:00

Speeches

Remarks for
U.S. Trade Representative Charlene Barshefsky
The Commodity Club
October 1, 1997

Thank you Luther (Luther Markwart, President, American Sugar Alliance, and Chairman of the Commodity Club) for your introduction. It is certainly a pleasure to speak before the Commodity Club this afternoon on the President's need for fast track negotiating authority. Your group provides an important forum for discussing issues of importance to the agricultural community, and I can think of no other group that represents as broad a range of agricultural interests than the Commodity Club.

Whether Congress grants the President "fast track" procedural authority will say a great deal about whether America will continue to shape the rules and dynamics of international trade or allow rules and trade alliances to be formed by others at our peril. Congressional action will also say much about our commitment to America's farmers and ranchers and about our commitment to U.S. agriculture, the economy's most export-dependent sector.

While fast track authority is our most important tool for bringing home

It is becoming [illegible] that

I am pleased to report that the Senate Finance Committee today voted out a solid fast track bill with only one dissenting to U.S. agriculture the benefits of future trade agreements, we are also acting to protect the trade benefits we have already negotiated long and hard to achieve. We will have an announcement later today of great interest to many in the agriculture community about steps we plan to take using our trade laws and the WTO dispute settlement procedures to address specific foreign barriers to U.S. agricultural exports. We will not stand by while other governments backslide on their commitments in the agricultural sector, where the United States is a top global competitor. That's why 3 of 4 new WTO cases that I will announce today address agricultural concerns and __ of 35 U.S. cases in the WTO address agricultural market access issues.

Additional material if you wish to expand in advance of the 2 PM press conference

~~I will announce later today that USTR will initiate five new investigations of foreign trade barriers under Section 301 of the Trade Act of 1974, three of which involve agricultural issues: Japan's market access barriers for fruit; Canada's export subsidies and import quotas on dairy products; and the EU's circumvention of export subsidy commitments on dairy products.~~

The EU and Canadian investigations involve foreign government circumvention of rules on export subsidies negotiated in the Uruguay Round, and we will pursue these cases under the World Trade Organization (WTO) dispute settlement process. The United States and Japan have already held consultations on Japan's requirement for varietal testing for imported fruit, and if Japan does not agree to eliminate these measures, the United States will request establishment of a WTO panel in the context of a Section 301 investigation.

One of our top priorities during the Uruguay Round of trade negotiations was to impose greater discipline on the use of subsidies by foreign governments. This year, consistent with the Administration's enforcement strategy, we are using the effective tool of WTO dispute settlement in tandem with Section 301 of the Trade Act to challenge these trade-distorting practices. We will not stand by while other governments backslide on their commitments in the agricultural sector, where the United States is a top global competitor.

American Agriculture Has Benefited from Fast Track

Let me say at the outset that I appreciate the widespread support in the agricultural community for fast track authority. American agriculture knows exports go straight to the bottom line, and that this and previous Administrations have used fast track negotiating authority to open and expand foreign markets. The facts are visible for all--fast track was used to negotiate market-opening bilateral agreements with Canada and Mexico, and the multilateral agreements of the Uruguay Round.

We also should not forget the international trading environment that faced U.S. agriculture just a decade ago: high tariffs, exorbitant export subsidies, widespread non tariff trade barriers and a weak dispute settlement system that virtually forced nations into unilateral action. We used fast track authority to get at these trade constraints. We have more work to do, and we need renewed fast track authority to be successful.

We must respond vigorously to those who would ignore the past and focus on uncertainty and long-ago discredited notions about the need for trade in the U.S. economy. We know that freer world markets mean better returns for America's farmers and ranchers. We will use fast track authority to negotiate increased access and we will do it in full consultation with Congress and interested private sector groups.

~~I would like to use this opportunity to discuss (1) what fast track is, (2) why we need it (economic case), (3) how we plan to use it (the trade agenda), ~~and~~ (4) the costs if it is not renewed (inaction and leadership).~~

of course you know that

Fast track is not a trade agreement -- it merely sets out the process by which certain trade agreements will be considered by Congress. Only Congress has the final say whether to approve or disapprove a trade agreement and its implementing legislation.

The Administration's "Export Expansion and Reciprocal Trade Agreements Act of 1997," would reactivate the traditional partnership between Congress and the President in defining trade policy and enacting trade agreements, and it would provide an even wider role for Congress in trade negotiations before, during, and after agreements are concluded. But at the end of the day, only Congress has the final say whether to accept or reject the trade deal brought back by the Administration.

Fast track is a critically important and effective tool to lower foreign trade barriers, open markets, and rebalance trade relationships on more reciprocal terms, which is precisely why every President since Gerald Ford has had fast track authority.

The Continuing Need for Fast Track

This Administration has negotiated more than 220 trade agreements which have improved market access, strengthened enforcement of trade agreements, and expanded a rules-based international trading system. We have set the terms for trade, and our industry, services providers, and farmers have increased their exports some 50% percent since 1992. So you ask why do we need fast track?

Fast track is about U.S. exports -- accelerating the trends begun in 1992 and cementing U.S. economic leadership. The total contribution to U.S. economic activity from last year's record agricultural exports, for example, is estimated by USDA at about $140 billion. Farm exports created close to one million jobs here at home, and exports account for about 30 percent of gross cash receipts for our agricultural producers.

This legislation is vital to American farmers and ranchers. Despite progress, foreign agriculture remains one of the most protected and subsidized sectors of the world economy. And because our farmers are among the least protected or ~~and~~ subsidized but ~~and~~ most competitive in the world, trade distortions in agriculture hit us the hardest.

It's essential that U.S. agriculture be guaranteed a full and fair chance to tap into the global economy. Ninety-six percent of the world's population lives outside the U.S. and 85 % of them reside in developing countries. Fast growing emerging markets now account for an estimated three quarters of the annual expansion of global middle class consumers. These fast growing markets, if fully open to U.S. exports, offer a great opportunity for U.S. agriculture ~~farmers and ranchers~~.

Without fast track authority, our trade partners will not come to the table to negotiate on difficult areas where the United States is the most competitive producer in the world but where implementing legislation will be necessary. Our trading partners will not negotiate complicated, multifaceted, market access agreements first with the Administration and then separately with Congress. They need the confidence that we speak with one voice and confidence that agreements reached will not be endlessly renegotiated.

As the President said in launching this initiative, however, fast track is also "about more than economics. It is about whether other countries will continue to look to the United States to lead to a future of peace and freedom and prosperity. In the post-Cold War era our strategic alliances are increasingly shaped by economics. If we cede our influence on trade, we will find it more difficult to achieve progress in other areas of direct concern to the United States.

Our Goals for Fast Track in Agriculture

The bill the President delivered to Congress contains specific negotiating objectives for agriculture. It covers market access barriers, unfair subsidies, improving international rules and disciplines on state trading enterprises, sanitary and phytosanitary regulations, including biotechnology, and strengthening the rules on such practices as tariff rate quotas.

We need to ensure that other countries live up to their commitment to negotiate further agricultural trade reforms in the World Trade Organization starting in 1999. The United States insisted on this commitment at the end of the Uruguay Round and it would be unfortunate if our ~~reluctant~~ trading partners ~~got~~ were off the hook because we couldn't come to the table. This is the only way for us comprehensively to address high tariffs and trade-distorting subsidies.

To prepare properly for the 1999 negotiations, we need to begin building a consensus now for moving our agricultural agenda forward. Let me talk briefly about the main elements in our agenda and how they are tied to fast track:

- <u>*We will press for global tariff-reduction on agricultural products*</u>. The U.S. has on average the lowest tariffs in the world (around 3 percent) while the world average is 56 percent. Other countries such as Korea, Norway, Pakistan and India, have ~~much~~ even higher tariffs. Across the board tariff reductions will greatly benefit U.S. producers, and fast track is essential to make this happen.

- *We will press for transparency and improved disciplines on State Trading Enterprises*: The United States has much to gain from disciplining STEs. STEs can distort trade and they frequently operate behind a veil of secrecy. They allow some countries to undercut US exports into third markets and restrict imports. Fast Track ~~negotiating~~ authority will help us instill transparency and discipline in the system, thereby increasing market access for U.S. exports.

- *We will negotiate improved rules in the area of Genetically Modified Organisms*: The United States leads the world in developing GMOs and is poised to capture a larger share of the global agricultural marketplace because of increased efficiencies and improved product lines. Other countries, most notably those in Europe, threaten to adopt policies regarding the importation and planting of GMO's and the labeling of products containing GMO's that are not based on scientifically-justified principles.

If producers and consumers in the United States and around the world are to enjoy the benefits of this new technology, our negotiators need the authority to build consensus in international fora for basing GMO regulations on scientifically-justified principles. If we do not have that authority, other countries will take the opportunity to build consensus in ways contrary to U.S. interests.

- *We will strengthen the rules on the administration of tariff rate quotas*: In the Uruguay Round, many countries converted their non-tariff trade barriers to tariff rate quotas (TRQ's). TRQ's provide increased market access within a defined import quota. Our goal over time is to negotiate increases in the size of TRQ's. However, we are faced with many cases of countries administering their TRQ's in a way that substantially or completely restricts access. We can use fast track authority to negotiate improved rules for TRQ's and ensure that countries cannot fall back on restrictive administrative procedures.

Dangers of Inaction

There are serious and immediate consequences if we do not renew fast track. Increasingly, major trade agreements have been negotiated without our participation. In every region of the world, but particularly in Latin America and Asia, governments are pursuing strategic trade policies and, forming relationships around us, rather than with us, creating new exclusive trade alliances to the detriment of U.S. interests.

Of the more than ~~30~~ 35 trade agreements operating here in the Western Hemisphere, the United States is party to only one -- NAFTA. In the last four years alone, in Latin America and Asia, over 20 such agreements have been negotiated -- all without us. While these preferential agreements multiply, the U.S. share of the Western Hemisphere's total agricultural imports is actually declining.

MERCOSUR (Argentina, Brazil, Paraguay, and Uruguay) -- which comprises a common market with a GDP of approximately $1 trillion -- has struck agreements with Chile and Bolivia, and is discussing agreements with a number of Andean countries (Colombia, Venezuela), as well as countries in

- Indeed U.S. wheat now costs 10% more than Argentinean wheat in Brazil, because of tariff preferences among Argentina and Brazil.

the Caribbean Basin. Since the President launched his fast track initiative, MERCOSUR has launched free trade discussions with Canada and separate talks with the EU, with which MERCOSUR plans to conclude a reciprocal trade agreement by 1999. The EU has also concluded a framework agreement with Chile which is expected to lead to a free trade agreement by 1999.

When we look at Chile, the picture is the same. We sought to conclude a comprehensive trade agreement with Chile in 1994, but could not because we lacked fast track authority. Today, Chile, with one of South America's leading economies, has signed trade agreements with every major trading country in our hemisphere but one -- the United States.

The consequences of agreements being reached without us are not just theoretical; they are quite real for US agriculture. Examples abound:

- On a host of important U.S. agricultural exports, our producers face tariffs of 8 percent to 20 percent on shipments to MERCOSUR, while MERCOSUR members trade tariff-free amongst themselves on most products.

- When Chile's trade agreements are fully implemented, U.S. agricultural exporters will face an 11-percent tariff hurdle vis-a-vis exporters from MERCOSUR and many other nations in the hemisphere who have free trade agreements with Chile, including Canada.
- Western U.S. apple and pear producers have identified Columbia, Venezuela, Peru and Ecuador as potential growth markets. But these countries currently impose import duties of 15 percent to 25 percent on U.S. apples and pears while imports from Chile face little or no duty.
- Chilean fresh fruit pays a 2 percent duty when entering Venezuela (due to the Chile-Venezuela FTA), whereas U.S. producers pay a 15 percent tariff. The U.S. Embassy estimates that U.S. market share would grow from its current 39 percent to 67 percent if U.S. producers had equivalent access to the Venezuelan market.

• Wheat

U.S. Leadership

These costs are real and immediate, but they are not the only cost of not renewing this authority. The other real and enduring cost is to American leadership. Fast track is about more than trade, "it is a foreign policy imperative. It is indispensable to U.S. economic leadership and that leadership is indispensable to U.S. influence around the globe."

The question we face is whether other countries will continue to look to the United States to lead or whether we will be viewed as ~~somehow~~ withdrawn, not nearly as influential as we might otherwise be.

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 around us. We must fully meet sophisticated and determined international competition. We are at the pinnacle of our influence and we should use that influence in the shaping of international economic rules, and in the transmission of our fundamental values. ~~In light of the extraordinary opportunities before us and the economic security of the nation, retreat is not an option.~~ The world economy is on a fast track & we must shape our future

~~Conclusion~~

T. Y.

Fast track authority lets us maximize our trade leadership in support of the most export-dependent sector of the economy. Inaction means our competitors take the lead. Our past successes in boosting farm exports are the best and most obvious arguments for fast track. Inaction means turning our backs on America's farmers and ranchers.

DRAFT

Remarks for Ambassador Charlene Barshefsky
Farm Journal Forum
"Prospering in the High Risk Food Economy"
November 14, 1997, 8:45 AM
Hyatt Regency Hotel
Washington, D.C.

Thank you Sonja (Sonja Hillgren, editor of *Farm Journal*) for your kind introduction. I appreciate the opportunity to participate in your forum on "Prospering in the High Risk Food Economy." This is a very timely topic for U.S. agriculture. Our producers have just completed the second harvest under the 1996 farm bill, and they are in the midst of an historic transition away from direct government involvement in the management of U.S. agriculture.

I'd like to expand on the traditional inventory of risk management tools and ask that you add trade and exports to your thinking. In today's agricultural economy, risk management is more than crop insurance and futures and options. It's about using foreign markets as a hedge against market uncertainties, especially as the federal government shifts away from commodity price supports.

I am disappointed, as are many in the agriculture community, that we postponed consideration of fast track negotiating authority for the President earlier this week. But I am not discouraged. There is simply no other way to guarantee agriculture's future health, or in the context of today's forum, to reduce risk, than to gain and defend access to overseas markets. Our trade agenda is export driven and focused on precisely those areas--like agriculture--where the United States is the most competitive economy in the world.

We will continue to press forward to achieve the trade authority the President needs to continue breaking down trade barriers when the Congress returns next year. We will also continue our efforts, which have been successful, to make sure that nations live up to their international agreements concerning agricultural trade, as well as devote the necessary resources at USTR to promote an aggressive campaign for U.S. agriculture's interests overseas.

Why Are Trade Agreements Important?

Many ask "Why are trade agreements so important?" Our economy has the lowest unemployment rate in nearly a quarter century, the good news continues on inflation, and U.S. agricultural exports reached a record $60 billion last year. Why engage in the uncertainty of foreign markets? I cannot think of another sector of the economy where the link between trade and today's prosperity is clearer than in agriculture. Exports mean farm income, jobs, and reduced risk for American agriculture.

The contributions of agricultural exports to the U.S. economy are impressive and bear repeating: record farm exports last year and the largest positive trade balance--

$27 billion--of any sector. It's not surprising, then, that America's farmers and ranchers are twice as reliant on foreign trade as the U.S. economy as a whole, with exports accounting for an estimated 30 percent of gross cash receipts. U.S. agriculture recognizes this, and I want to thank the 60-plus agricultural groups and businesses that support renewed fast track negotiating authority.

Exports are critical to nearly every sector of U.S. agriculture. Nearly one half of the wheat produced in this country is destined for export markets. Thirty percent of feed grains and cotton are shipped abroad. USDA estimates that 47 percent of the U.S. soybean crop is exported. Overall, one out of every three acres of America's farms is dedicated to exports.

Exports are also becoming increasingly important to U.S. ranchers and livestock producers. The United States is now a net meat exporter, and six percent of this year's production of pork and ten percent of beef output will end up on the plates of foreign consumers.

It's important to remember that U.S. exports are growing three times faster than domestic demand for food, and that 96 percent of the world's consumers live outside our country. The only way to ensure that prices stay strong and farmers and ranchers stay in business is to continue to expand markets outside the United States.

Trade Agreements Work for U.S. Agriculture

Our pledge to U.S. agriculture is based on a simple and obvious premise: trade agreements work for U.S. agriculture. The Uruguay Round Agreements and the NAFTA made a solid start in liberalizing world farm trade by reducing export subsidies, putting in place disciplines over certain types of trade activity, and instituting a working dispute settlement mechanism. We have had some notable bilateral and multilateral successes:

•U.S. agricultural exports to the NAFTA countries have increased from $8.9 billion in 1993 to a record $11.6 billion in 1996. The United States had an agricultural trade surplus of over $1 billion with its NAFTA partners in 1996. Last year beef and veal exports to Mexico alone jumped nearly 80 percent.

•During the Uruguay Round, we negotiated new access to Japan for U.S. pork and rice exports. Before these negotiations, Japan refused to purchase U.S. rice. Over the last two years they have purchased approximately 420,000 tons of our rice.

•The export value of U.S. pork topped $1 billion in 1996, up more than 210 percent since 1990. Over that period, exports to Japan--the largest U.S. market--rose 228 percent in value, while exports to Mexico increased 54 percent. U.S. pork exports to the growing Canadian and South Korean markets have more than tripled in value since 1990.

•We have fought and successfully ensured that bio-engineered products are getting access to the EU. As part of this effort, we have urged the EU to begin streamlining its approval process so that GMO's are treated fairly and consistently, and reviewed on a scientific basis in a timely and transparent manner.

•We have opened up markets and overcome phytosanitary hurdles for a range of U.S. citrus and other fruits in countries like Brazil, Chile, Mexico, China, Korea, Japan, and Thailand.

•In April, Japan removed its import ban on 25 varieties of U.S. tomatoes, a move which could open a $100-million market. We used our success in Japan to leverage export approval of these same 25 tomato varieties in Taiwan.

•In China, we have opened the market for U.S. live horses, cattle, swine, and bovine embryos, and China recently instituted a one year trial program to allow specific U.S. meat processing plants to export to China for retail sale.

•U.S. officials recently established export protocols to ship live swine to Argentina and Peru and to also export live cattle to Peru.

•In 1996, U.S. officials overcame food safety concerns used by Russian officials to ban our poultry exports. U.S. poultry exports to Russia are expected to be approximately $800 million in value this year.

•In the past year, the Ukraine agreed to recognize the FSIS inspection system and approved a bilateral certificate for U.S. exports of poultry. U.S. poultry exports to the Ukraine are expected to exceed $40 million.

We have also actively used the Uruguay Round's dispute settlement procedures. Of the 34 complaints that the United States has filed thus far with the WTO, 13--more than one third--have involved agricultural trade barriers or unjustified sanitary and phytosanitary measures.

Two of our earliest victories in WTO panel proceedings involved agricultural goods: the EU's hormone ban and the EU's import regime for bananas. In the **hormone case**, the United States and Canada challenged Europe's ban on the use of six hormones to promote the growth of cattle, and a WTO panel agreed that the EU has no scientific basis for blocking the sale of American beef in Europe. This is a sign that the WTO dispute settlement system can handle complex and difficult disputes over food safety and health. The panel's ruling sets an important precedent that will act to protect other U.S. exporters from unscientific and unjustified trade barriers.

In addition, we have successfully used the WTO to obtain favorable settlements without having to proceed all the way through the panel process in some important agricultural disputes involving, for example, Korea on shelf-life restrictions for processed foods; the EU on grain imports; and Hungary on export subsidies.

We continue to pursue vigorously the complaints that remain outstanding, and to monitor closely foreign governments' compliance with their trade agreement obligations on agriculture. Most recently we initiated dispute settlement procedures in the WTO on dairy export subsidies with both Canada and the EC. We have scheduled consultations in Geneva with the EC on November 18 and with Canada on November 19. We will also act to establish a dispute settlement panel on November 18 to challenge Japan's varietal testing program for fruit.

An Aggressive Trade Agenda for Agriculture is Still Necessary

Despite progress in the Uruguay Round and the NAFTA, foreign agriculture remains one of the most protected and subsidized sectors of the world economy. And because our farmers are among the least protected and subsidized and most competitive in the world, trade distortions in agriculture are a particular problem for the United States.

When we negotiated the Uruguay Round, the United States insisted on further agricultural trade negotiations in 1999. We knew that despite the Uruguay Round's landmark achievements, there remained unfinished business.

To prepare properly for the 1999 negotiations, we need to build consensus now for moving our agricultural agenda forward. That means we must begin to lay the ground-work for reducing tariffs on US agricultural exports, disciplining state trading enterprises, developing consensus for scientifically justified rules governing biotechnology products, and strengthening rules on the administration of tariff rate quotas. Let me talk briefly about each of these:

- *We will press for global tariff-reduction on agricultural products*. The U.S. has on average the lowest tariffs in the world (around 3 percent) while the world average is 56 percent. Other countries such as Korea, Norway, Pakistan and India have much higher tariffs. Across the board tariff reductions will greatly benefit U.S. producers, and fast track is essential to make this happen.

- *We will press for transparency and improved disciplines on State Trading Enterprises*: The United States has much to gain from disciplining STEs. STEs can distort trade and they frequently operate behind a veil of secrecy. They allow some countries to undercut US exports into third markets and restrict imports.

- *We will negotiate improved rules in the area of Genetically Modified Organisms*: The United States leads the world in developing GMOs and is poised to capture a larger share of the global agricultural marketplace because of increased efficiencies and improved product lines. Other countries, most notably those in Europe, threaten to adopt policies regarding the importation and planting of GMO's and the labeling of products containing GMO's that are not based on scientifically-justified principles.

- *We will strengthen the rules on the administration of tariff rate quotas:* In the Uruguay Round, many countries converted their non-tariff trade barriers to tariff rate quotas (TRQ's). TRQ's provide increased market access within a defined import quota. Our goal over time is to negotiate increases in the size of TRQ's. However, we are faced with many cases of countries administering their TRQ's in a way that substantially or completely restricts access. We need to negotiate improved rules for TRQ's and ensure that countries cannot fall back on restrictive administrative procedures.

We have already begun preparations for 1999, and we will continue to consult with interested parties in the public and private sectors about U.S. goals and objectives for the negotiations. But let's not kid ourselves. There will be no serious negotiations on challenging high tariffs, quotas, export subsidies, and state trading enterprises without fast track negotiating authority.

At APEC in just two weeks, we will press ahead with an ambitious market-opening strategy in key areas where the United States leads the world, beginning with an initiative to expand the Information Technology Agreement. Once again, our ultimate success will rest heavily on whether we can come to the table in the future with fast track in our pocket.

We must also face the reality that trade agreements will now go forward without us. Barriers in South America and Asia will probably come down, but to the benefit of our competitors in Europe, Canada and elsewhere, not to the benefit of our producers.

Conclusion

I was particularly pleased last week when the Vice President swore in Ambassador Peter Scher as my Special Trade Negotiator for Agriculture. Peter will now be able to use his considerable skills to negotiate on behalf of U.S. agriculture. As many of you know, this Administration is committed to expanding the resources devoted to agricultural trade issues. Formalizing Peter's position at USTR is the most recent example of this commitment. We have also added to our agricultural staff at USTR and reinvigorated the interagency review process with our colleagues at other trade agencies such as USDA

We will continue to use every tool at our disposal to defend the trade interests of U.S. agriculture. Because trade agreements allow our farmers and ranchers to spread the risk of the market across the world economy, we have no choice but to remain engaged in our attempts to break down barriers to U.S. agriculture.

Thank you.

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[illegible]

(1.) ~~tr.~~ liberalized
9
advanced (sic
work - concluded June 98
implementing 99
(2.) IAP - ~~tr.~~ facilitation -

APEC REMARKS (second version)

[illegible]

Vancouver, APEC has moved the trade agenda forward with a particularly significant and far-reaching commitment to market-opening initiatives in 15 major sectors of global trade. We are now building a record in APEC as a catalyst in setting the global trade agenda.

In 9 of the 15 sectors, APEC members have committed to reach tariff-eliminating and tariff-harmonizing agreements, finalizing the process in terms of product scope and phasing by Spring of next year, with implementation to begin in 1999. Together, these nine areas represent more than $1.5 trillion in world trade.

It is important to recognize that these agreements are modeled on the ITA of last year (which covered $500 billion in global trade) where we worked from APEC to build a critical mass among other trading partners to reduce "free-riders" and expand terms of reciprocal trade. Trade Ministers have also committed to conclude the ITA II which will expand product coverage, the number of participating countries, and address non-tariff barriers by Summer of 1998.

We made important progress in two other areas:

-- APEC members agreed to advance a work plan to study the entire range of issues surrounding the growth of electronic commerce.

-- Recognizing the growing importance of biotechnology trade, APEC members have also agreed to science-based approaches to the introduction and use of biotechnology products.

-- fin svc improved offers

11/97

As PX said

This is an ambitious agenda and sends an unmistakable signal to our trading partners that APEC is going to move forward with aggessive market-opening actions. Given the financial turbulence in the region in the last few months this is significant, and reflects the recognition throughout the region that trade is a force for economic stability.

As we move forward, it is significant that a majority of the APEC countries have committed to market-opening commitments across all 15 sectors. Last year, even as APEC endorsed the ITA, only 9 countries had formally endorsed the agreement out of Manila. Today, 13 APEC members are among the 43 countries participating in the ITA, and China has committed to join as soon as possible. What we have done at APEC is good for the WTO because we will continue to seek a critical mass of trade in each sector and to get that critical mass, we must involve our trading partners outside the region in many cases.

APEC PRIORITY SECTORAL INITIATIVES

'95

SECTOR	U.S. EXPORTS	1995 WORLD TRADE*
Chemicals	$ 61.8 billion	$467 billion
Energy-related equipment and services (including equipment and services, coal and gas)**	$15.5 billion	$ 442.9 billion
Environmental goods and services**	$14.5 billion	$55.8 billion
Forest products	$ 29 billion	$ 242.5 billion
Medical Equipment	$20 billion	$87 billion
Telecommunications Equipment	$ 15 billion	$ 60 billion
Fish and Fish products	$ 3 billion	$ 57.6 billion
Toys	$ 898 million	$ 29.4 billion
Gems and Jewelry	$12 billion	$ 86.9 billion

*source: U.S. Commerce 1995 trade data

** estimated

~~close to 200~~
>170 bn.

~1.5 trill global trade

Note: The United States is the largest world exporter of chemicals, and medical equipment.

Key Elements of APEC Sectoral Proposals

(c)) 3-5 yrs

Environmental Goods and Services

- Elimination of tariffs on broad range of environmental equipment in short time frame, as well as commitments to open markets for environmental services. Proposal will also identify and address non-tariff measures. US exports >14 bn

- U.S. is a top world exporter of both goods and services. World market is $420 billion.

Medical Equipment and Instruments

- Eliminates tariffs on range of medical equipment, technology, as well as scientific instruments in a short time frame (e.g., 3 years). Examines non-tariff measures.

- U.S industry is world leader, accounting for over half of world production, and $20 billion in annual exports.

Chemicals

- Brings new countries onto existing UR agreement, by harmonizing rates below 10% by 2001, and above 10% by 2004; may move faster in some subsectors (e.g., fertilizer).

- Covers all chemicals areas.

- World trade is $375 billion, U.S. exports $61.8 billion

Energy Sector Goods and Services

(3-5)

- Would eliminate tariffs in energy sector goods, including equipment, in short time frame, work program to identify and remove energy services barriers. Identify and address non-tariff barriers.

- U.S. energy equipement industry is $51.6 billion. Elecricity infrastructure investment alone in Southeast Asia is estimated at $1.6 *trillion* over the next decade.

Forest Products

- Eliminates tariffs on wood and paper in short time frame (4-6 years). Countries already particpating in UR paper agreement would accelerate elimination from 2004 to 2000.

- U.S. exports are $29 billion, world trade is $242 billion.

Fish

- Eliminates tariffs on fish products by 2005, non-tariff measures by 2007, and identify and eliominate subsidies over agreed-time frame.

- ~~Fisheries trade accounts for $34 billion.~~ Global 57.6 bn US imports 3 bn

Telecom MRA

- Establish a mutual recognition agreement among APEC members by June 1998 for telecommunications equipment; agreement would reduce redundancy of steps necessary to meet technical approval requirements for importation of such equipment.

- Golbal telecommunications market is $180 billion. U.S. telecommunications exports are $15 billion.

· Gems/Jewelry
86.9 bn Global

- volun
- EVT

Toys