AMBASSADOR CHARLENE BARSHEFSKY
SPEECHES AND TESTIMONY
1998

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Georgetown Law Center, Washington, D.C.

10/19/98 AMERICA'S TRADE AGENDA IN EUROPE - eu Committee of the Americna Chamber of Commerce - Brussels, Belgium

(10/22/98) PRESS ROUND-TABLE.

Speechwr

Cleared by Peter & Ag shop

Talking Points for Ambassador Charlene Barshefsky
Biotechnology Issues
Ag for Biotech Educational Meeting
Truman Room, White House Conference Center
January 22, 19~~78~~ 98, 10:15-10:35 AM

- Thank you Keith (*Keith Heard, Director, Ag for Biotech*). It's a pleasure to speak with the members of the Ag for Biotech Working Group about the trade issues we currently face. I'd also appreciate hearing your views on recent developments. (GATT, new round)

Importance of Biotechnology

- Let me say at the outset that biotechnology is critical to the future prosperity of U.S. agriculture and to meeting the rising global demand for food. ~~Equally important, foods produced with biotechnology are safe. This is the message which must be delivered over and over again to our friends in Europe.~~

- With the world's population growing by about 2 percent annually, there are 80 million more mouths to feed each year. We hear estimates that the global demand for food will triple within the next 50 years. Growing middle classes in Latin America and Asia are demanding higher quality diets. As the world's largest and most efficient agricultural producer, our farmers and ranchers must have access to the technology which will allow them to be more productive.

- Our ability to market goods developed with biotechnology is more than just an economic issue. Biotechnology holds tremendous promise for helping to ensure sustainable agriculture around the globe well into the next century. It is one of our best defenses against deforestation, land erosion, and water depletion that can destabilize entire populations. We would be negligent if we did not take advantage of the benefits of biotechnology, not only for our own citizens but for consumers and producers worldwide.

- We of course respect any country's right to high standards for food safety; we also reserve that right to maintain the safety of the U.S. food supply. We are willing to comply with food safety standards that are transparent, based on scientific principles, and provide for a clear approval process in a timely fashion for the products of biotechnology.

EU in mind

Conclusion

- Our message to the EU and our other trading partners remains unchanged: we must focus on scientific principles as the guidepost in guaranteeing food safety. This is where education becomes so important. Those of us in government and industry need to work harder at getting that message out. We need to continually educate people in the United States and in other countries about the benefits of using biotechnology. Education can help counter the perception that these new technologies will benefit only large multinational companies in the industrialized world, and not the people and economies in the developing world.

- We will defend our rights and respond to any disruption in our trade.

- We also realize that as long as attention on both sides of the Atlantic is centered on a politically-charged debate over food safety and science, we threaten not only today's bilateral trade levels and the promise of future trade liberalization, but also the availability of an abundant and safe food supply for a growing world population.

- Thank you, and I welcome your comments and questions.

CRITICAL BIOTECH ISSUES

Q: What do you see as the most critical biotech issues?

A: The most critical issue at the moment is obtaining approval of the three corn varieties which have been harvested in the U.S. and not yet approved in the EU. Until those varieties are approved, we are in a very dangerous period. An EU Customs official could stop a ship full of U.S. corn at any time and require proof that it contains no unapproved ~~varieties.~~ We would quickly have a confrontation. We have urged the EU to accelerate its scientific review to minimize the possibility of such a confrontation.

The next most critical issue is to seek to work out with the Commission ~~an improved~~ approval process to take care of this year and perhaps one or two more years. We are now talking with the Commission about setting up a working group to tackle this issue.

Longer term, the Commission is working on reforming the 90/220 approval process. They tell us this could take two or three years to complete. We are, of course, making sure they are aware of what we believe the problems are and what we consider to be acceptable fixes.

The resumption of agricultural negotiations in the WTO in 1999 offer a critical opportunity to address problems in the biotech area. We plan to take advantage of that opportunity.

will be immense as will be the potential for ongoing trade disputes and disruption. Again, we have communicated our position clearly and directly to EU officials.

- I understand that one of the purposes of these meeting is to exchange information, so I would like to take the opportunity to ask for your thoughts on the labeling issue, particularly your recommendations for our response should the Commission's draft regulations become law.

Successes

- While our attention is focused on our difficulties with the EU, we have made progress recently in gaining greater acceptance for biotechnology. For example:

    - Canada, Japan, Australia, and Argentina have all approved genetically engineered crops for either planting or importation.

    - Last November, APEC Ministers meeting in Vancouver recognized the vital contribution that biotechnology can make toward expanding food production, and they agreed on a work plan focused on science-based approaches to the introduction and use of biotechnology products.

    - Also in November, the Transatlantic Business Dialogue--a group of U.S. and European businesses--expressed concern over the EU's slow approval process for biotech products and offered recommendations on how to improve the process.

    - We just recently averted a serious disruption of our corn gluten feed exports when Dutch dairy officials decided not to require assurances that corn gluten feed does not contain unapproved varieties.

    - Last week's WTO Appellate Body decision on the EU's ban on hormones sent another strong signal that science must be at the base of any trade restriction put in place by a WTO member on the basis of health or food safety.

Biotechnology Approvals in the EU

- The abundant scientific evidence in support of biotechnology makes the problems we are having with the EU all the more frustrating and critical. I met with my EU counterpart, Sir Leon Brittan, last week and I made very clear to him the need to get a workable--and this includes timely--regulatory system in place for the products of biotechnology.

- In December at the U.S.-EU summit, President Clinton raised the issue of biotechnology with EU President Santer. This Administration is committed to achieving and maintaining access overseas for the products of biotechnology.

- As you know, three new corn products have been stuck in the EU Commission--two for over a year and the other for about seven months without any decision. These crops have now been harvested in the U.S.

- We now understand that it will be February at the earliest before the Commission's review will be completed. Additional time will then be needed for the required Member State votes and final Commission approval. The EU now runs the very serious and very real risk of not completing the approval process before these products are exported. We have made clear to the EU that there can be no disruptions in our trade as a result of their inability to get these products approved.

- There is no evidence to justify any interruption of trade between us. Member States have already conducted thorough scientific reviews on these products, and all of the reports have been positive. This is the message we have made very clear to our EU counterparts.

Labeling

- We are likewise very concerned, as are many in this group, about proposed EU regulations requiring the labeling of foods produced with GMO corn and soybeans. These regulations focus on how a food was produced rather than on whether the use of biotechnology changed its quality, safety or nutritional composition.

- The costs to producers and consumers of labeling regulations that are confusing, based on questionable science, impractical, and time consuming

Trade Engagement with Asia: More Important Today Than Ever

By Ambassador Charlene Barshefsky
New Mexico Conferenceon Trade with Asia
January 23, 1998

[Acknowledgments: Sen. Bingaman, others]

... As President Clinton has repeated again and again, the only way we can sustain our standard of living at home -- as four percent of the world population -- is to sell our goods and services to those ninety-six percent of the world beyond our borders. Exports not only enrich this economy but shift the locus of job creation to high wage jobs -- 13-15% average manufacturing wage. Albuquerque has benefitted from this very strategy, leading the nation in export gains in 1996...

The starting point for a discussion about the importance of trade with Asia today is necessarily rather different than it would have been just six months ago. Then, I would have emphasized that the Asia-Pacific region contains the fastest growing economies in the world, the tremendous potential for U.S. businesses that exist in that region, and the rapid growth in US exports of goods and services to Asia. Today, we necessarily begin a discussion about Asian trade in a dramatically different place: How could countries growing so fast for three decades experience such economic difficulties overnight? Is this the end of the Asian miracle? And, what does this mean for the United States? It is my intention to briefly discuss the origins of the Asian financial crisis, and its intersection with the trade agenda as it relates to Asia.

At the outset, let me say that the US economy today is in a very strong position -- as strong as it has been in 25 years. We are now in the seventh year of sustained economic expansion. U.S. employment is up 14.3 million jobs since the President took office, 3.2 million in just the last twelve months. The unemployment rate is at its lowest level in 24 years. Real industrial production is up 27% since 1992, and 5.6% in just the last twelve months. And inflation is generally of no concern.

But even in a period of sustained prosperity -- and to date minimal impact from the Asian financial crisis -- we cannot isolate ourselves from the global economy. In 1970, trade as measured in imports and exports represented about 13% of U.S. GDP... Today trade is more than 30% of our economic activity. In the western United States (California, Washington, Oregon) almost half our exports go to Asia (New Mexico -- 70%), so we obviously have a substantial stake in stable, growing economies in the Asia-Pacific region.

Origins of the Asia Financial Crisis

Over the past six months, as all of you know, we have witnessed a dramatic reversal of the economic fortunes of many key Asian countries.

Countries which had posted phenomenal rates of growth over the past decade -- 7 to 10 percent annual growth in many cases -- now face minimal or even negative growth in 1998, and perhaps beyond. The financial crisis has also resulted in a dramatic depreciation in the value of the currencies of many of these countries.

As Treasury Secretary Rubin and others have noted, the causes of the Asian financial crisis are complex and multi-faceted. However, in each country and across the region, we find a common web -- inadequate supervision of Asian financial institutions, speculative real estate and equity booms, corruption and cronyism between governments, banks and corporations. These relationships -- and in some countries -- a deep-seated resistance to competition, including open trade and investment practices, conspired to misallocate capital. Many investments that led to insolvency would never have been made under more competitive conditions. Investment flowed in as if on auto pilot, quadrupling in less than a decade, to expand capacity well in excess of current or projected global demand with no basis in market realities. You then have a fundamental mismatch between short term bank funding (fueled by foreign investment) and long term lending transactions for projects of dubious merit -- a phenomenon Fed Chairman Alan Greenspan called a pattern of "conspicuous construction." This broad combination of factors proved combustible and the consequences have played out in on-going front page news.

In the short term, the forces unleashed by the withdrawal of capital from the Asian markets, reflected in part in depreciating currencies, and a slowdown in economic activity in the region, will of necessity, result in increased exports from the region and import contraction in Asia. Because the United States is today the strongest economy in the world, and the most open, we can expect a short-term surge in imports from the region and our exports, particularly in capital goods, will decline. Americans will do their part -- after all, Americans will buy almost anything that walks or fits in a box -- but we need to see other countries respond by opening their markets and stimulating demand as well. The short term deterioration in the trade balance we will undoubtedly experience must not, however politically tempting, open the gateway to protectionism or isolationism. To go down this path would immediately undermine our primary goal which is to stabilize the immediate crisis. The first objective on this score is of course to stabilize currencies, most particularly through the IMF, and other financial institutions, and put in place structural reforms that build a longer term foundation for economic stability in Asia and developing countries around the world.

The U.S. has critical economic and national security interests in a stable and reformed Asia. The region is a principal U.S. customer, supporting millions of U.S. jobs. Beyond Asia, more than 40% of US exports go to emerging markets. Any further contagion effect of the crisis will only exacerbate the negative fallout on our own domestic economic health. And, of course, our national security interests in Asia are very well understood. Political, social, or economic instability in Asia will affect prosperity and security around the world. U.S. financial contributions to the IMF must be top priority of Congress when it returns later this month.

The seeds of the Asian financial crisis: cronyism, corruption, a lack of transparency and market mechanisms find their parallel in the trade realm. Structural reform, including greater competition engendered by newer areas of trade policy -- market opening measures, transparency, and economic deregulation -- all intersect with the goals of market stabilization.

The Clinton Administration has spent the past five years focusing considerable attention on the Asian markets and the substantial barriers to market access for U.S. and foreign goods and services, the lack of pro-competitive mechanisms, the need for comprehensive deregulation, and greater transparency. This trade policy focus will only intensify as we look ahead.

The Administration has applied and will continue to exercise a full range of tools to achieve constructive market opening results in Asia through bilateral, regional, and multilateral means. Trade agreements, enforcement of existing agreements, and the efforts of the IMF itself all play a part in a more stable and secure Asia. Let me briefly take each in turn:

o We have a large array of <u>bilateral agreements</u> in Asia aimed at the goals of deregulation, market access and transparency. With Japan, we have negotiated 33 trade agreements under which we have achieved important and substantial market-opening results, sector by sector. U.S. exports to Japan covered under the Administration's trade agreements are up by twice as much as overall exports to Japan. Let me say however, that we are particularly concerned about the drop-off in exports to Japan in the last two quarters, as our exports in '97 fell 3% lower than '96 levels. In addition, Japan has a special obligation as the world's second largest economy to stimulate an economic turnaround in its neighborhood. The U.S. cannot be the only engine of growth or the sole buyer of goods to absorb the tremendous productive capacity of the region.

In this regard, Japan must engender domestic demand-led growth. It must stimulate domestic demand. It must initiate broad deregulation of its economy. It must broadly open its markets. And, it must follow through on comprehensive deregulation initiatives. The Administration has consistently sought a range of market access and deregulation measures to open Japan's market and fuel domestic demand in the Japanese economy, and we will continue to do so. On the trade side, we have an immediate deregulation agenda with Japan affecting critical areas of the Japanese economy -- financial services, telecommunications, housing, medical equipment and pharmaceuticals -- where we are aiming for decisive action on the part of the Japanese government in the first half of this year. Japan must stop hiding from its international obligations and accept a leadership role to provide a basis for a sound and strong Asian recovery.

We have a similarly aggressive bilateral agenda with other key trading partners in the region...
-- Korea: autos and telecommunications;
-- China: IPR, agriculture, and broad market access initiatives to expand market access for U.S. goods and services;
-- Indonesia: autos and IPR;
-- Taiwan: telecommunications.

I could go on, but my point is that we have a broad trade agenda aimed at market access, deregulation, and transparency -- all key objectives of the financial stabilization package.

<u>o</u> <u>Regionally, we are pursuing initiatives that mark concrete progress toward the ambitious APEC goal set out in Indonesia three years ago to establish free and open trade across the region by 2010.</u> (check) We just launched an immediate market opening agenda across 9 sectors of trade encompassing $1.5 trillion in global activity, including environmental goods and services, energy, medical equipment, scientific instruments, and certain natural resources products -- all areas where the U.S. is a leading competitor.

We are also pursuing "ITA II" to build upon last year's (December 1996) successful Information technology agreement which was successfully launched by APEC member countries. We have established a working group on biotechnology trade to create scientific, timely, and transparent procedures for the licensing and importation of new agricultural products. Finally, we are also working with our APEC partners and others on a global electronic commerce initiative to expand internet access and establish the principle of duty free cyberspace.

Multilaterally, the conclusion of the Uruguay Round marked strong Asian participation. Now, in the last year, the sectoral agenda in the WTO -- ITA, global telecommunications, and financial services -- encompassing trillions of dollars in trade could not have been achieved without the strong participation of Asian countries. The ITA covered $500 billion in global technology trade. Under the telecom agreement, a $675 billion worldwide industry today may double or triple in size within the next decade. And, the financial services package opens billions of dollars in trade across brokerage, lending, and insurance. Together these agreements represent the foundation of the twenty-first century economy. The agenda ahead is equally important: IPR, government procurement, agriculture and services. Agriculture is a $600 billion global market where the U.S. is the largest exporter by far. Services is a $1.2 trillion market where our exports exceed $215 billion a year.

We also seek to expand the global trading system to include such major economies as China and Taiwan, and through the disciplines of the international trading system expand opportunities for U.S. goods and services in these markets.

As we look at the breadth of the trade agenda at its center is our commitment to enforce our existing agreements to create and build opportunities for U.S. interests in the global economy. On more than seventy-five occasions, the United States has taken action on behalf of our goods and services providers all around the world. We have initiated more than thirty-five cases in the World Trade Organization affecting a broad range of industries. We won important cases against Japan to protect the rights of our IPR industry and put an end to discriminatory tax policies. In Korea, we gained important reforms in import clearance procedures and restrictions against telecommunications providers. With India, we have pursued reforms affecting the interests of our IPR industries and long-standing market barriers erected as part of India's Balance of Payments policy. In China, we have applied bilateral enforcement measures to achieve an unprecedented crackdown against IPR piracy, and our textiles agreements have targeted illegal transhipment practices.

Our overall enforcement agenda has delivered dollars and cents results across the board for U.S. industries. In the WTO, among the cases we've brought our won-loss record is 15-1 -- and even in the film case which we lost, we will continue to push for aggressive market-opening reforms.

Finally, the IMF effort itself will further our reform agenda. Especially in countries like Indonesia and Korea, a key to sustained economic recovery is the implementation of structural reforms. Through the IMF program in Indonesia, for example, the IMF will require the elimination of a WTO-illegal subsidies scheme which directly benefitted a Tommy Suharto company. Here we see that IMF disciplines reach such practices as trade distorting subsidies.

The IMF stabilization package will also serve to reorient investment away from harmful over-capacity in "strategic" industries, deregulation, the restructuring of distribution systems, de-monopolization and tariff reductions -- all critical in trade terms.

Let me say in conclusion, through the two-fold strategy of stabilization and broad structural market-opening reforms, the Clinton Administration will continue to set an aggressive agenda for U.S. engagement in Asia. Financial stabilization is an inseparable objective from deregulation, transparency, and competition. IMF replenishment, broad trade negotiating authority for the President, and an insistence that Japan also undertake fundamental economic reforms to stimulate domestic demand remain our highest priorities. In both the long run and the short run, our approach recognizes that a strong global economy is fundamentally in the US domestic interest.

Speeches

Bob Kapp
- Bob Cassidy
- Richard Fisher
- [illegible]
Mr. Joe - Mr. Schnur
regrets to Li Daoyu

REMARKS OF THE HONORABLE
CHARLENE BARSHEFSKY
U.S. TRADE REPRESENTATIVE
BEFORE THE
U.S.-CHINA BUSINESS COUNCIL
JANUARY ~~28~~ 29,1998

China at the Crossroads of Reform

I want to thank you for this opportunity to address you today, just at the beginning of the Chinese New Year. The U.S.-China Business Council has been one of the most active organization in providing the Administration with information and advice on developments in China and on the multitude of trade issues that have become the focus of our bilateral and multilateral trade agenda with China. Thank you for your valuable assistance.

Any discussion of trade with Asia must begin with the issue of the current financial crisis. As the President said in his State of the Union message, the countries of Asia are major customers of the United States;

they are our strategic partners. Their stability bolsters our security and our domestic economic health. The world's economies are more and more interconnected and interdependent. Today, an economic crisis anywhere can affect economies everywhere. Making the negative impact of the crisis as small as possible is therefore an imperative.

We cannot expect that Asia will sort out its problems without us, and we cannot afford the consequences if it does not. As the President said, these economies must reform or recovery is impossible. We must be in a position to help them do it. And for that reason, Congress should renew our commitment to the IMF. In addition, Japan, as the world's second largest economy must play a more active role in helping to bring Asia out of its current economic crisis. Its efforts to date have been woefully inadequate. Japan must stimulate domestic demand. It must deregulate its economy. It must open up to provide a market of first resort for the tremendous productive capacity of the region.

China has a role in this process as well, and we welcome statements by Chinese officials in recent weeks, committing to exchange rate stability and economic reform.

As the 15th Peoples Congress approaches, the Chinese government stands at a crossroads. The direction that China takes as we enter the 21st century will profoundly affect Asia, America and the world for decades. China will choose its own destiny, but its decisions will affect our national interests in such diverse areas as peace and stability in Asia -- including our ongoing efforts to dismantle North Korea's nuclear weapons program -- keeping weapons of mass destruction out of unstable hands, fighting drug-trafficking, alien smuggling and international organized crime, protecting human rights and religious freedom, and making global trade and investment as free, fair and open as possible.

Engagement with China in each of these areas is crucial to our national security and to advancing fundamental American interests and values. 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.

Fifty years ago, the United States faced a great moment of decision. The decision: whether to open the nation to the challenges and opportunities of a global economy, or hide behind nostalgia and an isolationist vision.

After World War I, the United States turned inward with dire consequences. After World War II, America pursued a different course. We led the world in the creation of the institutions that are the foundation of the international economy to this day: the GATT (now the

WTO), the IMF, the World Bank. The decision to open the country to international competition has created sustained prosperity for three generations of Americans -- and for the world.

Today, China faces its own great moment of decision with the inherent domestic conflicts that this generates. Analogies between systems as diverse as those of the United States and China are always dangerous. But China, too, faces a basic choice between openness and integration on the one hand, and protection and isolation on the other. We believe the choice is clear. It is in both our countries' interests for China to chose the path that establishes the rule of law, opens its economy, and provides economic growth and stability in this strategic region.

Most fundamentally, U.S. trade policy toward China acts to encourage China's openness and integration into the international economic community. We have pursued this goal through a strong complementary policy that combines bilateral, regional (APEC), and multilateral initiatives. Our bilateral trade agreements cover specific segments of U.S. trade, but have also served to build the foundation for progress in China's WTO accession negotiations. China's accession to the WTO is critical to creating an effective framework for our trade relationship.

Our efforts on trade cannot be separated, in turn, from the broader considerations of creating a more open, rules-based society in China. Reforms of China's legal system, enactment 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 intellectual property rights (IPR) enforcement and other bilateral areas, we are working with China to create a regime that strengthens the legal system and the rule of law in general.

Embedded in each of our bilateral agreements -- in particular a hallmark of the intellectual property rights agreements -- are broader international norms to which China has committed: transparency of laws and procedures, access to administrative or judicial decision making, curbs on the arbitrary exercise of bureaucratic discretion. Each of our ongoing negotiations -- in the context of China's accession to the WTO and bilaterally, on services, market access and IPR -- is also grounded in international norms and practices and in the necessity of adherence to a rules-based regime.

If we look at the agreement on the protection of intellectual property rights, we see most obviously a case of clear U.S. economic interest: eliminating theft through piracy of our most creative industries. But the agreements we reached with China did more than simply establish an advantageous environment for U.S. business. Those agreements also embody increased access <u>for</u> and <u>to</u> America's idea industries -- books, films, music, and software. Beyond this, embedded in the agreements are the seeds of important American ideals: the development and publication of laws; consistency in decision making; recourse to law enforcement; the availability of administrative and judicial proceedings and greater transparency in the processes of government.

Adherence to these ideals by China requires political will. But the foundation established in the IPR and other agreements, all contribute toward the development of a broader and deeper concept -- that is, the development of the rule of law. And the foundation that our bilateral agreements have laid are the bases on which negotiations on China's integration into the world trading system will advance.

The progress that was achieved last year on China's accession to the WTO in the areas of IPR, transparency and judicial review owe their genesis to our underlying bilateral agreements. These commitments were also the building blocks for progress in the WTO on other key rules and principles:

- On trading rights -- the right to import and export products, both manufactured and agricultural;

- On non-discrimination -- elimination of practices that discriminate against imported goods and foreign producers of goods in China such as dual pricing;

- On agriculture -- the commitment not to use export subsidies;

- On uniform application of all laws affecting trade in goods and services, such as tariffs and licensing requirements.

But China's integration into the world trading system and its accession to the WTO is not dependent solely on commitments to internationally agreed rules and principles. Equally important are the market access obligations of the WTO and, for an acceding country such as China, those obligations are substantial. Since the GATT was founded in 1947, contracting parties have engaged in seven rounds of trade negotiations, the last being the Uruguay Round, the benefits of which have been extended to China. And since the Uruguay Round, we have completed global agreements on information technology, basic telecommunications services and, most recently, global financial services, including banking, securities and insurance. China will have to assume obligations commensurate with its place as a major trading power and with the benefits it receives.

Having made progress on some of the key WTO rules and principles, market access negotiations advanced late last year for the first time in several years, at the Presidential summit in Washington and later, in Vancouver at the APEC Trade Ministers meeting and at the two Presidents' bilateral meeting.

At the summit in Washington, President Jiang committed that China will join the Information Technology Agreement (ITA) as soon as possible. The ITA calls for the elimination of tariffs on all information technology products such as computers, semiconductors, telecommunications and other related equipment generally by the year 2000. These are the growth areas of the 21st century. China's commitment to join the ITA represented a dramatic shift in China's policy since, previously, China had refused to participate in any zero-for-zero sectoral arrangements. This commitment is independent of China's accession to the WTO.

The other major achievement of the summit was the expressed recognition by President Jiang that the basis for accession would be on commercially meaningful, not political, terms. Up until December 1994, when China had hoped to enter the WTO as a founding member, China had pressed to accede to the WTO on a political basis. China, like many other countries, misinterpreted the nature of the WTO. It is not a political institution. It embodies, instead, a comprehensive contractual arrangement among trading partners that defines the principles and terms on which trade will take place. The binding dispute settlement process underscores the contractual nature of the arrangement. China's explicit recognition that the terms of accession are commercial, not political, demonstrated that a firmer foundation for real negotiations exists.

Further progress on market access was achieved in Vancouver at the two Presidents' bilateral meeting in the context of the APEC Ministerial and Leaders meeting. China's Trade Minister Wu Yi, as confirmed by her President, made a number of proposals that form the basis for more serious negotiations on market access for goods. Minister Wu proposed:

- to significantly reduce tariffs for agricultural and manufactured products, generally by the year 2000, and to sharply limit the number and range of tariff peaks;

- to participate fully in other zero-for-zero sectoral arrangements;

- to eliminate all non-tariff measures affecting manufactured products, generally by the year 2000, and to provide substantial import growth during the phase out period.

In addition to the proposals that Minister Wu made, China provided a new offer on services. While we remain far apart on this critical area, we have begun for the first time to discuss the defining principles of market access for services, principles such as the form of establishment -- whether wholly owned, branch, or joint venture -- comprehensive coverage of services sectors, and elimination of geographic and numerical restrictions..

Our engagement with China on trade -- whether in Geneva, the summit in Washington, or in Vancouver -- has resulted in important progress on China's WTO accession. Much more work is, however, necessary on the complex issues of market access and WTO rules. For example, U.S. market access requests have yet to be fully addressed. While China presented a new services offer, important areas like distribution, telecommunications, financial and professional services were not approached in ways that are commercially meaningful. In addition, negotiations on agricultural market access, a traditionally contentious area of negotiations with every country, have only just begun. Finally, additional work remains on WTO rules covering such critical areas as standards, technology transfer, trade related investment measures and adequate safeguards. The substantial economic role of China's state-owned enterprises gives rise to a number of serious issues which must also be addressed.

It will take hard work and political commitment to achieve a commercially meaningful agreement, one based on the principles of the WTO. The trade deficit, which has more than doubled over the last four years, further complicates the situation. Chinese buying missions, like the one that preceded the Summit, are welcome but do not solve limitations on market access for U.S. manufactured goods, agriculture and services. Yet, while the task ahead of us is considerable, the progress made in the last year is both important and encouraging.

Let me take a final moment to review briefly the bilateral trade agenda with China and its intersection with the WTO accession process. We are concerned about the failure to resolve longstanding sanitary and phytosanitary issues affecting citrus, pacific-Northwest wheat, pork and poultry. These could precipitate disputes like those involving IPR and textiles. China's practice of granting licenses for e.g., insurance providers on an experimental basis pits company against company and country against country. This piecemeal approach increases tensions.

Equally important, China has taken certain recent protectionist measures that have adversely affected U.S. interests. For example, in October, China raised the tariff on soybean oil to 20%. That increase occurred just at the time when U.S. soybean oil products were entering world markets. Because of pressure from the United States, China has since reversed that tariff increase but it demonstrates that on the bilateral side, we cannot stand still waiting with the systemic changes that WTO accession will bring.

Nowhere is the necessity for a strong bilateral approach more evident than in the case of intellectual property rights. Our efforts over the last four years, including two bilateral agreements, have generated positive results:

- China has closed 58 CD and CD-ROM production lines and the Chinese have destroyed the masters and molds being used to produce these products.

- China has arrested more than 250 people for IPR piracy and imposed prison sentences of up to 17 years.

- China has seized more than six millions CD's illegally smuggled into China.

More efforts are necessary to increase market access for legitimate products and to combat piracy, especially "end-user" software piracy by public and private entities. But we have used a consistent and forceful approach to bring China's IPR laws and enforcement up to world standards. Most important, our bilateral efforts have helped to establish the infrastructure so important to guarantee that protection will continue and improve.

Conclusion

The integration of China into the international trading system is in the interests of both China and the United States. Accomplishing this objective will require intensive efforts. It is not easy, but we have established important momentum. With respect to the WTO, the pace of accession remains in China's hands. Most important, it is substance that will drive those negotiations. There are some who would argue that China should be admitted now and "deal with the problems later." The rising trade deficit, the role of state-owned enterprises in China's economy, the uncertain shape of current reform efforts, and a weak legal regime are but a few of the many reasons why this position is untenable. We are far better off ensuring that all parties understand the obligations that WTO membership brings, starting off on the best foot possible. The U.S.-China relationship is crucial. It is important to the nation and to the world. We cannot ignore the problems, we need to solve them.

Thank you.

speech

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– Africa Trade Act

Talking Points for U.S. Mayors Conference

2/1/98

As the President ~~clearly~~ said the other night in the State of the Union address, the 21st century economy requires us to seek opportunities for economic growth, not just at home, but in all the markets of the world.

- The Mayors have supported the Administration's initiatives to expand trade and open foreign markets on every occasion: NAFTA, Japan Autos, Uruguay Round, and fast track. africa

- There is an understanding across America that trade means jobs and that every one of the Administration's trade initiatives has expanded jobs and opportunity.
  -- U.S. employment is at 4.6% (lowest in 24 years) and 14 million more Americans have jobs than in '92.
  -- Real industrial production is up 27% since 1992, and 5.6% in the last 12 months.
  -- Consumer confidence has more than doubled (128.3) since 1992.

- Exports are up more than 40% since 1992, and exports alone are responsible for more than a third of overall U.S. economic growth in the last five years. 12 m. US jobs 1.5 mfg jobs

  { on state but one – historic export gains

- When the President talks about the importance of our 240-plus trade agreements including Nafta and the Uruguay Round, the reason these agreements are important is that they create economic opportunities and jobs for U.S. workers and U.S. companies. Shift locale of job creation.

As the President acknowledged, there is also anxiety about the impact of trade on two fronts:

1) People fear that ~~lower~~ environmental and labor standards will suffer. And, here, the Administration has made it clear that we will fight for stronger labor and environmental standards. Here again,

we must recognize that if the United States is not setting the agenda in the global economy, our interests will suffer... This year, the Administration will bring forward legislation to increase surveillance against child labor practices around the world, and crackdown on imports made with child labor or forced labor.

2) In the area of making sure that all American workers are in the winner's circle, the President also called for a "G.I. Bill" to provide training and education for any workers who lose their jobs. And, the President called for a base closure community assistance program for any city that loses a major employer. This program is good for workers, good for cities, and just makes good common sense.

The cities across America are experiencing an economic renaissance and trade -- especially exports -- is a critical part of your success. The Administration's trade agenda is focused on exactly those areas where the U.S. is the most competitive economy in the world.

- In the last year, we have completed three major global trade agreements. The ITA, Basic Telecommunications Services, and Financial Services -- in areas where the U.S. is the most competitive economy in the world and which provide the infrastructure of the 21st century economy. The ITA covers $500 billion in global trade and more than $100 billion in U.S. exports. The Telecom agreement will create more than a million U.S. jobs in the next ten years. We estimate that the $650 billion global telecommunications market today could double or triple in the next ten years under this agreement. Finally, the Financial Services accord will help our companies compete in foreign markets and maintain the U.S. as the locus of activity for international banking, insurance, and brokerage services.

The trade agenda ahead will continue to focus on those areas where the United States is most competitive.

- o We have launched a trade agenda in APEC to eliminate tariffs and expand trade across $1.5 trillion in global trade (medical equip, environmental services and technology, energy equipment & services, gems & jewelry, natural resources, & telecommunications). This is especially significant given the financial crisis.

- o At the WTO, we are focused on upcoming areas of the built-in agenda that will open-up trade in agriculture ($600 billion global trade/$60 billion U.S. exports), services ($1.2 trillion in trade/U.S. exports $216+), IPR -- one of the fastest growing areas of U.S. employment, and government procurment.

- o The FTAA will launch negotiations in April.

- o We are working to expand the global trading system to bring China, Russia, and 28 other ascending Nations into the WTO under terms that open their markets for U.S. workers and companies.

- o Let me say a few words about the Asian financial crisis. As the President said, we cannot ignore the economic storm clouds gathering on the horizon in Asia. Through the involvement of the IMF, World Bank and Asian Development Bank, we are seeking to lend a hand not offer a hand-out. To receive financial assistance, these countries will be required to undertake comprehensive economic reforms. These reforms will provide benefits for U.S. providers of goods and services in opening Asian markets, breaking up the crony-capitalism web that too often existed between government, corporations, and banks, and provide a climate of longer term economic security through transparency, deregulation (as it relates to competition from foreign firms) and establishing greater economic stability through clear regulatory principles and systems.

- We will need the support of the Mayors' to secure funding for IMF programs: A small investment in the near-term $3.5 billion in emergency lending, $14.5 billion over the longer term. These are not funds that are given away, but represent stabilization loans backed up by the full faith and credit of countries that receive the loans. To secure funds, these countries must undertake fundamental economic reforms that will be in our interest -- in opening their markets -- over the long run.

- We will also need that support again on fast track in the months ahead. This President has demonstrated that he knows how to get results on behalf of U.S. workers. The Administration's trade agenda also includes an unprecedented commitment to worker training and education initiatives to expand the winner's circle to low tech as well as high tech workers.

We have worked closely with the Mayors on our entire trade agenda and welcome your support and continued engagement.

- Mayors on Afr. Tr. Act - need support

Keynote Address to the PBEC Conference

Ambassador Charlene Barshefsky

Washington, D.C.

February 12, 1998

Speeches

[Acknowledgments]

In light of the sessions you had today and those you will have tomorrow, let me first discuss the Asian financial crisis and its intersection with the trade agenda, and then move briefly to trade with the Americas.

Trade in Asia

The starting point for a discussion about the importance of trade with Asia today is necessarily rather different than it would have been just six months ago. Then, I would have emphasized that the Asia-Pacific region contains the fastest growing economies in the world, the tremendous potential for U.S. businesses that exist in the region, and the rapid growth in US exports of goods and services to Asia. Today, we necessarily begin a discussion about Asian trade in a dramatically different place. How could countries growing so fast for three decades experience such economic difficulties overnight? Is this the end of the Asian miracle? And what does this mean for the United States? Let me ~~It is my intention~~ briefly ~~to~~ discuss the origins of the Asian financial crisis, and its intersection with the trade agenda as it relates to Asia.

At the outset, let me say that the US economy today is in a very strong position -- as strong as it has been in 25 years. We are now in the seventh year of sustained economic expansion. U.S. employment is up 14.3 million jobs since the President took office, 3.2 million in just the last twelve months. The unemployment rate is at its lowest level in 24 years. Real industrial production is up 27% since 1992, and 5.6% in just the last twelve months. And inflation is generally of no concern.

But even in a period of sustained prosperity -- and, to date, minimal impact from the Asian financial crisis -- we cannot isolate ourselves from the global economy. In 1970, trade as measured in imports and exports represented about 13% of U.S. GDP. Today trade is more than 30% of our economic activity. We obviously have a substantial stake in stable, growing economies around the world. Nowhere is the need more apparent than in the Asia-Pacific region.

~~Over the past six months, as all of you know, we have witnessed a dramatic reversal of the economic fortunes of many key Asian countries. Countries which had posted phenomenal rates of growth over the past decade -- 7 to 10 percent annual growth in many cases -- now face minimal or even negative growth in 1998, and perhaps beyond. The financial crisis has also resulted in a dramatic depreciation in the value of the currencies of many of these countries.~~

As Treasury Secretary Rubin and others have noted, the causes of the Asian financial crisis are complex and multi-faceted. However, in each country and across the region, we find a common web -- inadequate supervision of Asian financial institutions, speculative real estate and equity booms, corruption and cronyism between governments, banks and corporations. These relationships -- and in some countries -- a deep-seated resistance to competition, including open trade and investment practices, conspired to misallocate capital. Many investments that led to insolvency would never have been made under more competitive conditions. Investment flowed in as if on auto pilot, quadrupling in less than a decade, to expand capacity well in excess of current or projected global demand with no basis in market realities. You then have a fundamental mismatch between short term bank funding (fueled by foreign investment) and long term lending transactions for projects of dubious merit -- a phenomenon Fed Chairman Alan Greenspan called a pattern of "conspicuous construction." This broad combination of factors proved combustible and the consequences have played out in on-going front page news.

In the short term, the forces unleashed by the withdrawal of capital from the Asian markets, reflected in part in depreciating currencies and a slowdown in economic activity in the region, will of necessity, result in increased exports from the region and import contraction in Asia. Because the United States is today the strongest economy in the world, and the most open, we can expect a short-term increase in imports from the region and our exports, particularly in capital goods, will decline. Americans will do their part -- after all, Americans will buy almost anything that walks or fits in a box -- but we need to see other countries respond by opening their markets and stimulating demand as well. The short term deterioration in the trade balance we will undoubtedly experience must not, however politically tempting, open the gateway to protectionism or isolationism. To go down this path would ~~immediately~~ undermine our primary goal which is to stabilize the immediate crisis. ~~The first objective on this score is of course to stabilize currencies~~, most particularly through the IMF and other financial institutions, and put in place accompanying structural reforms that build a longer term foundation for economic stability in Asia, ~~and developing~~

~~countries around the world~~.

The U.S. has critical economic and national security interests in a stable and reformed Asia. The region is a principal U.S. customer, supporting millions of U.S. jobs. Beyond Asia, more than 40% of US exports go to emerging markets. Any further contagion effect of the crisis will only exacerbate the negative fallout on our own domestic economic health. And, of course, our national security interests in Asia are very well understood. Political, social, or economic instability in Asia will affect prosperity and security around the world. U.S. financial contributions to the IMF must of course. be a top priority of Congress.

The seeds of the Asian financial crisis: cronyism, corruption, a lack of transparency and market mechanisms, find their parallel in the trade realm. Structural reform, including greater competition engendered by ~~newer areas of trade policy --~~ market opening measures, transparency, and economic deregulation -- all intersect with the goals of ~~reform~~ market stabilization.

The Clinton Administration has spent the past five years focusing considerable attention on the Asian markets: the substantial barriers to market access for U.S. and foreign goods and services, the lack of pro-competitive mechanisms, the need for comprehensive deregulation and greater transparency. This trade policy focus will only intensify as we look ahead.

The Administration ~~has applied and~~ will continue to ~~exercise a full range~~ of tools to ~~achieve constructive market opening results in Asia through bilateral, regional,~~ and ~~multilateral means~~. new Trade agreements, enforcement of existing agreements, and the efforts of the IMF itself all play a part in a more stable and secure Asia. Let me briefly take each in turn:

We have a large array of bilateral agreements in Asia aimed at the goals of deregulation, market access and transparency. We have negotiated 34 trade agreements with Japan under which we have achieved important and substantial market-opening results. From 1993 to 1996 exports increased by 41% to Japan, reaching in excess ~~of $67~~ billion. The ~~growth rate~~ of exports to ~~Japan over~~ this period ~~exceeded the still strong growth rate of U.S. exports to the world by nearly one quarter~~. In 1997, however, exports to Japan declined by 3 percent, while our exports to the rest of the world grew by nearly 12 percent. We are naturally concerned about this drop off in our exports to Japan. The Japanese economy which enjoyed a single year's spurt of growth of 4 percent in 1996, fell back to a bare 0.6 percent increase in 1997 and, on current policies, is widely believed to be facing well under one percent growth this year.

Japan has a special obligation as the world's second largest economy to help stimulate an economic turnaround in its neighborhood. The U.S. cannot be the only engine of global growth, or the sole buyer of goods to absorb the tremendous productive capacity of the Asian region. In this regard, Japan must pursue a policy of domestic demand-led growth. It must stimulate its economy. It must initiate broad deregulation. It must open its markets. ~~The Administration has consistently sought a range of market access and deregulation measures to open Japan's market and spur domestic demand in Japan, and we will continue to do so. On the trade side, we have an immediate deregulation agenda with Japan affecting critical areas of the Japanese economy -- financial services, telecommunications, housing, medical equipment and pharmaceuticals -- where we are aiming for decisive action on the part of the Japanese government in the first half of this year.~~ Japan must accept a leadership role in providing a basis for a sound and strong Asian recovery.

We have a similarly aggressive bilateral agenda with other key trading partners in the region:

-- Korea: autos and telecommunications;

-- China: IPR, agriculture, and broad market access initiatives for U.S. goods and services;

-- Indonesia: autos and IPR;

-- Taiwan: telecommunications.

I could go on, but my point is that we have a broad bilateral trade agenda aimed at market opening, deregulation, and transparency + competition.

Regionally, we are pursuing initiatives that mark concrete progress toward the ambitious APEC goal set out in Indonesia three years ago to establish free and open trade across the region. We have launched a market opening agenda across 9 sectors of trade encompassing $1.5 trillion in global activity, including environmental goods and services, energy, medical equipment, scientific instruments, and certain natural resources products -- all areas where the U.S. is a leading competitor. Six additional sectors are to follow. Of course, the limited residual negotiating authority we have is not sufficient to achieve broad results so vital to our economy; in these sectors renewed authority will be critical.

We are also pursuing "ITA II" to build upon last year's (December 1996) successful Information Technology Agreement, the completion of which was largely attributable to APEC leadership. We have established a working group on biotechnology trade ~~to create scientific, timely, and transparent procedures for the licensing and importation of new agricultural products. We are also working with our APEC partners and others~~ and on a global electronic commerce ~~initiative~~ -- to expand internet access and establish the principle of duty free cyberspace.

Multilaterally, the conclusion of the Uruguay Round marked strong Asian participation. Within the last year, the sectoral agenda in the WTO -- ITA, global telecommunications, and financial services -- encompassing tens of trillions of dollars in trade could not have been achieved without the strong participation of Asian countries. The ITA covers $500 billion in global technology trade. Under the telecom agreement, a $675 billion worldwide industry today may double or triple in size within the next decade. And, the financial services package opens trillions ~~of dollars of~~ opportunities in banking, securities and insurance. Together these three agreements -- represent the foundation of the twenty-first century economy. # The global agenda ahead is equally important: IPR, government procurement, agriculture and services.

the trifecta of trade

We will also seek to expand the global trading system to include such major economies as China, Russia and Taiwan, on commercial terms and through the disciplines of the international trading system, including transparency and the rule of law, expand opportunities for U.S. goods and services in these markets.

And at the center of the trade agenda is our commitment to enforce our existing agreements. ~~On more than seventy-five occasions~~, the United States has taken enforcement actions on behalf of our goods and services providers around the world. We have initiated more than thirty-five cases in the World Trade Organization affecting a broad range of industries. ~~from recent~~ We have won important cases against Japan on intellectual property rights and discriminatory tax policies. In Korea, we gained important reforms in import clearance procedures and restrictions against telecommunications providers. In India, we have pursued reforms affecting IPR and long-standing barriers erected as part of India's Balance of Payments policy. In China, we have applied bilateral enforcement measures to achieve an unprecedented crackdown against IPR piracy and textile transhipments. 75

~~Our overall enforcement agenda has delivered dollars and cents results across the board for U.S. industries. In the WTO~~, among the cases we have brought, our win-loss record is 17-1. And even in the film case, in which we did not prevail, we will continue to push for aggressive market-opening reform using as the baseline the formal representations made by the Government of Japan on the manner in which its market for film operates.

Finally, the IMF effort itself will further ~~our~~ the reform agenda. Especially in countries like Indonesia and Korea, a key to sustained economic recovery is the implementation of structural reforms. Through the IMF program in Indonesia, for example, trade distorting subsidies will be eliminated. In the case of Korea, the IMF stabilization package will serve to reorient investment away from non-economic additions to capacity in so-called "strategic" industries. Deregulation, the restructuring of distribution systems, de-monopolization and tariff reductions -- all critical in trade terms -- are also being pursued.

Through the two-fold strategy of stabilization and broad structural pro-competitive market-opening reforms, the Clinton Administration will continue to set an aggressive agenda for U.S. engagement in Asia. Financial stabilization is an inseparable objective from deregulation, transparency, and competition. IMF replenishment, broad trade negotiating authority for the President, and an insistence that Japan also undertake fundamental economic reforms to stimulate domestic demand, remain our highest priorities. In both the long run and the short run, our approach recognizes that a strong global economy is fundamentally in the U.S. domestic interest.

Trade in the Americas

Let me turn for a moment to a discussion of trade in our hemisphere, ~~particularly focusing on~~ particularly NAFTA, ~~and its impact on U.S. trade and investment,~~ as well as our broader Latin American agenda.

There is no question but that NAFTA has had a positive impact on the U.S. economy -- adding between $7 and $12 billion in additional U.S. exports to Mexico; contributing $13 billion to U.S. real income in 1996 alone; and adding significant jobs. ~~an additional 90,000 to 160,000 jobs associated with exports to Mexico, jobs that pay 13 to 16 percent more than the national average for non-supervisory production positions~~. These positive results have come despite that fact that many of the market opening measures required of Mexico by the NAFTA have yet to be fully phased-in.

Recent trade data underscore just how important our trading relationship with Canada and Mexico are to our overall economy. In 1997, nearly one-third of U.S. two-way trade in goods with the world was with Canada and Mexico ($475 billion). ~~Two-way trade with our NAFTA partners has grown 44 percent since NAFTA was signed, compared with 33 percent for the rest of the world.~~ Mexico and Canada accounted for 50% of total U.S. export growth in 1997, with exports to our NAFTA partners up 70% since 1992. ~~The critical nature of our trade relationship with our NAFTA partners really hits home when we realize that~~ Canada remains our single largest trading partner, while in 1997, Mexico displaced Japan as the United States' second largest export market, even though the Mexican economy is one-twelfth the size of Japan's.

The indirect impact of NAFTA may be at least as important as the direct impact. There is no question but that the NAFTA protected U.S. exports and jobs during Mexico's 1995 recession. The comparison between what happened following Mexico's 1982 financial crisis and the crisis in 1995 could not be more stark: ~~following the 1982 crisis, Mexico's output drifted down for nearly two years before rising again, and did not recover to pre-crisis levels for five years. After the 1995 crisis, the Mexican economy reached pre-crisis levels by the end of 1996. Similarly, following the 1982 crisis, it took Mexico 7 years to return to international capital markets; in 1995, it took 7 months. The trade implications are equally clear.~~ Just look at the trade picture: In 1982, Mexico raised tariffs by

100 percent and U.S. exports to Mexico fell by half and did not recover for seven years. In 1995, Mexico continued to implement its NAFTA market opening obligations even as it raised tariffs on imports from other countries. As a result, U.S. exports recovered in 18 months, and ~~by~~ in 1997 were some 40% higher than in 1994, the year before the peso crisis erupted.

Finally, the NAFTA has provided an entirely new framework and impetus to pursue unprecedented cooperation in both the environmental and labor areas, with joint work on ~~For example,~~ ~~the Commission for the Environmental Cooperation has begun work on 38~~ 38 environmental projects ~~, including the conservation of North American birds, regional implementation of the International Coral Reef Initiative, and production of a biodiversity database for North American plants. An unprecedented trilateral discussion is taking place to~~ the creation of regional action plans for the phase-out of toxic substances, including PCBs, DDT, mercury and chlordane, and an active border cleanup operation

~~The Border Cooperation Commission and NADBank~~ are making significant progress in certifying and arranging financing for numerous infrastructure projects designed to reduce pollution and improve the environment in the border region. For example, four border region water and wastewater projects the NADBank approved last year are now either under construction or in the procurement stage. The NADBank is also strengthening community environmental capacity by providing technical assistance through its Institutional Development Program. Under this program, which has already doubled in size, the Bank has authorized $2.2 million in technical assistance to help 34 border communities upgrade their management of local utilities.

On the labor front, the U.S. Department of Labor and its counterparts have initiated a broad program of cooperation with Canada and Mexico on industrial relations, worker rights, gender issues, occupational safety and health and child labor. Since the ~~NAFTA was~~ signed, Mexico's Secretariat of Labor increased funding for enforcement of labor laws by almost 250 percent and data indicate that there has been a 30 percent reduction in the number of workplace injuries and illnesses. While much work remains to be done on the environmental and labor cooperation fronts, we now have a structure in place that will be increasingly important to progress in these areas of mutual concern.

~~While much~~ more work needs to be done, ~~[illegible]~~ the NAFTA ~~has been an important~~

Of course, our focus on the Americas extends well beyond NAFTA. ~~As President Clinton said in his State of the Union address two weeks ago~~,

~~"As we enter the 21st century, the global economy requires us to seek opportunity not just at home, but in all the markets of the world.... I want to keep [our exports] growing, because that's the way to keep American growing and to advance a safer, more stable world."~~

as a whole is a

~~Latin America is obviously one such key market~~. If current trends continue, Latin America will exceed 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 four times that of the U.S.

In Latin America, much of the work to build new alliances will come through the ongoing efforts to form a Free Trade Area of the Americas by the year 2005, as called for in the declaration of the 1994 Summit of the Americas. Today, we are in the process of formulating, with our Latin American partners, the negotiating structure for the FTAA in preparation for the formal launch of negotiations in Santiago, Chile in April of this year.

Since the Miami Summit in 1994, many of the countries in the region have also sought to deepen and expand their own trading arrangements, ~~Chile is now more fully~~

which exclude the U.S.

integrated into the MERCOSUR structure and has concluded six free trade agreements in our hemisphere with more in the works. The MERCOSUR countries are pursuing a Free Trade Arrangement with the Andean Community, which they hope to complete prior to the Santiago Summit. MERCOSUR is also engaged in on-going preliminary talks ~~on the Free Trade Arrangement~~ with the European Union and has negotiated a Trade and Investment Cooperation Arrangement with Canada. Mexico has entered into Free Trade Arrangements with Colombia, Venezuela, Ecuador, Chile and Nicaragua and is in on-going negotiations with the Central American "northern triangle" of Guatemala, El Salvador and Honduras, not to mention more limited market access talks with MERCOSUR. Countries throughout the Americas are also seeking new and closer ties with both Asia and Europe -- phenomena of direct relevance to the United States and our interests.

~~Given all of these changes, it~~ It is thus more critical than ever that the United States continues to build the FTAA in a manner consistent with U.S. interests and with the objective of encouraging hemispheric growth. President Clinton has continued to demonstrate his commitment to this goal, which was reinforced during his two trips to the region in 1997. His commitment to broad fast track authority is equally clear, stressing its importance in the State of the Union.

Maintaining a focus on free and open Latin American markets is especially important at this moment in time. The Latin economies are not immune to the "Asian flu." E.g. Many Latin American economies depend on natural resource exports for a key part of their economic growth. Almost 40% of Chile's exports, for example, are accounted for by copper, 30% of which is sold in Asia. Brazil is a huge exporter of pulp and paper. Venezuela depends heavily on oil exports, as does Mexico. The slump in Asia is expected to lead to a reduction in demand for Latin American raw materials, and with it, downward price pressure that could engender broader resistance to the Americas market opening agenda.

But ~~However~~, the problems in Asia also present an historic opportunity for the Americas. By showcasing the tremendous progress made in Latin America in democracy building and in restructuring key sectors, enacting reforms, adopting more transparent practices and market economics, Latin America is something of a model. The Santiago Summit is a perfect forum for the Americas to underscore the commitment to free and open markets.

Conclusion

Asia and Latin America are vital regions for the U.S. -- in economic, political and security terms. Trade is increasingly the cement that binds us to these, and other regions of the world, and that helps ensure U.S. prosperity in the 21st century. As the President said in his State of the Union address, " We must shape this global economy, not shrink from it." That is why ~~we intend~~ this admin. intends to stay focused on expanding markets, building alliances, assisting stability, and creating greater opportunities for U.S. workers, farmers and businesses.

Press Briefing on Trade Compliance Center Database
Ambassador Charlene Barshefsky
February 13, 1998

1. • It's a pleasure to join Secretary Daley today as the Trade Compliance Center enhances this Administration's ability to monitor and enforce our trade agreements.

2. • Vigorous enforcement of trade agreements plays a fundamental role in the Clinton Administration's trade policy -- which we recognized when we established offices at both USTR and Commerce two years ago to focus exclusively on monitoring and enforcing these agreements.

5

• ~~For the past five years, the Clinton Administration~~ has systematically monitored our trade agreements, and investigated every instance of unfair trade practices brought before us, using our trade laws and dispute settlement procedures to take enforcement action on 75 occasions. 4 We have negotiated 243 trade agreements and have delivered important opportunities for U.S. workers and businesses in the global economy by opening foreign markets. We continue to pursue this two-track strategy of negotiating good, smart agreements for our firms and farmers, and ensuring that the terms of those agreements are fulfilled.

3. • ~~In this connection~~, Information and assistance from the public helps us to identify the foreign trade barriers that we should challenge, and to ensure that U.S. companies and workers are actually taking advantage of the opportunities that our trade agreements create. The interactive Web site being demonstrated today should make us even more effective.

• It will also be a valuable tool for assisting USTR's lawyers in litigating the cases that we take to dispute settlement to enforce our rights under the WTO agreements and the NAFTA. We rely on the Departments of Commerce and Agriculture, and other agencies, to help us gather the facts we need to make the U.S. case in this litigation.

- Together USTR and Commerce have paid special attention to ***Japan*** because of the number and detailed nature of bilateral agreements and the types of trade barriers that U.S. goods and services face in the Japanese market. USTR leads the interagency effort to monitor Japanese compliance with, among others, bilateral agreements on ***glass, telecommunications, computer procurement, supercomputer procurement, insurance*** and the ***deregulation initiative***; and we co-chair monitoring task forces on ***autos and auto parts***, and ***photographic film and paper*** with the Commerce Department. Commerce leads the monitoring effort on other Japan agreements, including ***construction*** and ***medical technology***. We will continue these efforts in 1998, drawing on input from our Embassy in Tokyo, other agencies, the business community, and information gathered through the new Commerce Internet service.

- Over the next year, USTR and the Departments of Commerce ~~and~~ with ~~Agriculture, in conjunction with the Department of State~~, will be working together to intensify trade agreement compliance and outreach efforts. We will continue and intensify our monitoring of bilateral and regional agreements -- with a particular focus on Japan, Korea, China and NAFTA -- using monitoring teams that include country specialists, sector specialists and economists. In addition, USTR is beefing up its legal staff by 50%, bringing in seasoned trade litigators to help prosecute our large, and growing, dispute settlement caseload.

- With greater and more focused resources at our disposal for monitoring and enforcing our trade rights -- including the new Commerce Internet service -- we will be pursuing trade agreement violations with heightened vigor and higher technology.

- With the assistance of Commerce and other agencies, USTR has invoked formal procedures under the new World Trade Organization dispute settlement mechanism in 35 cases to date -- more than any other country in the world. These cases cover a number of WTO agreements -- involving rules on trade in goods, ~~trade in~~ services, and intellectual property protection -- and affect a wide range of sectors of the U.S. economy.

- So far our WTO record is **17 to 1** for complaints brought by the United States. We have prevailed before a WTO panel or the Appellate Body in 9 disputes, and we have settled 8 other disputes on terms favorable to the United States. This record of success is unparalleled, and the benefits are tangible.

- Just last week we received a favorable WTO panel ruling in the largest case the United States has ever brought to the WTO ~~in terms of dollar value of trade~~. The case we won was against the European Union, Ireland and the United Kingdom for raising tariffs on U.S. computer networking equipment in violation of WTO obligations.

OK

- ~~U.S. computer networking equipment has a commanding share in the European market, where U.S. firms are the technology leaders. The~~ European market totals over ***$5 billion*** in sales annually, and U.S. companies account for ***more than half*** of that market. Cases like this one demonstrate that a vigilant enforcement strategy pays off.

- And just ***this morning*** we reached agreement with the Philippines Government that settles a dispute that we took to the WTO on behalf of U.S. pork and poultry producers. This agreement will ensure that the Philippines Government lives up to its WTO commitments to open its market to imports of pork and poultry from the United States.

Testimony of Ambassador Charlene Barshefsky
United States Trade Representative
before the House Ways & Means Trade Subcommittee
February 24, 1998

<u>Embargoed Until 11:00am Tuesday, February 24, 1998</u>

Thank you, Mr. Chairman, for this opportunity to discuss the implications of the financial situation in Asia for U.S. trade policy and the importance of rapid Congressional action on the Administration requests for a commitment for our IMF quota subscription and an augmented back-up facility, the New Arrangements to Borrow (NAB).

The starting point for a discussion about trade with Asia is necessarily very different than it would have been just six months ago. Today, we begin by asking how economies that have seen impressive economic growth for three decades could experience such economic difficulties so quickly? Is this the end of the Asian miracle? And, what does this mean for the United States?

By any measure the Asian economies have experienced a dramatic reversal of fortune. Countries which had high rates of growth over the past decade -- 7 to 10 percent annual growth in many cases -- now face minimal or even negative growth in 1998, and perhaps beyond. The financial crisis has also resulted in a dramatic depreciation in the value of the currencies of many of these countries. Before turning to a discussion of the crisis, let me make a few preliminary observations.

First, the U.S. economy is strong -- as strong as it has been in almost 30 years. Our ability to weather the storm in Asia is therefore better than at any time. U.S. employment is up 14.7 million jobs since the President took office; 3.3 million jobs in just the last twelve months. Importantly, interest rates have come down so significantly that American homeowners are re-financing their homes in record numbers, realizing significant purchasing power which otherwise would have been eaten up by mortgage payments. Real industrial production is up 28% since 1992, and 7.0% in just the last twelve months. Inflation is of little concern. Economic growth in the U.S., which has been remarkably robust, will continue in 1998, along with continued job creation.

Second, U.S. prosperity is in no small part the result of the export opportunities that we have created in Asia and around the globe, including those gained through the negotiation of some 245 trade agreements since 1993. Today, exports support an estimated 12.1 million American jobs. As President Clinton has said, the only way we can sustain our standard of living at home -- as four percent of the world's population -- is to sell our goods and services to those ninety-six percent of the consumers beyond our borders. Exports not only grow this economy, but shift the locus of job creation to higher wage jobs -- employment supported by goods exports pay 13-16% higher than the U.S. national average wage.

Even in a period of sustained prosperity, however, -- and to date, minimal impact from the Asian financial crisis -- we cannot isolate ourselves from the global economy. In 1970, trade as measured in imports and exports had a value of about 13% of U.S. GDP. Today the value of our trade has reached the equivalent of more than 30% of our economic activity. Our economic interests demand that we continue to open foreign markets and lead in the global economy.

The Asia Financial Crisis

As Treasury Secretary Rubin and others have noted, the causes of the Asian financial crisis are complex and multi-faceted. However, in each country and across the region, we find a common web -- inadequate supervision of Asian financial institutions, speculative real estate and equity booms, excessively close ties between governments, banks and corporations. These relationships -- and in some countries -- a deep-seated resistance to competition, including open trade and investment practices, resulted in a misallocation of capital. Many investments that led to insolvency would never have been made under more competitive conditions. Investment flowed in as if on auto pilot, quadrupling in less than a decade, to expand capacity well in excess of current or projected global demand with no basis in market realities. The result was a fundamental mismatch between short term bank funding (fueled by foreign investment) and long term lending transactions for projects of dubious merit -- a phenomenon Fed Chairman Alan Greenspan called a pattern of "conspicuous construction." This broad combination of factors proved combustible, as Secretary Rubin has said, and the consequences have played out in on-going front page news.

In response to the crisis, the IMF moved quickly to stabilize the economies and create the conditions for stabilized currencies in the affected countries. While these measures were taken to restore financial stability and promote an early return to sustainable economic growth, a stable Asia is also the single most important trade policy objective. The region is a principal U.S. customer, supporting millions of U.S. jobs. In 1997, Asia accounted for 28% of total U.S. exports. We cannot sell to Asia if Asians cannot buy. The IMF is, therefore, critical in trade terms for this most basic and fundamental reason. The immediate objective must be to stabilize Asian economies and create the conditions for stabilized currencies. Not doing so only further undermines our export opportunities and a return to sustainable Asian economic growth. Not doing so also puts additional pressure on our domestic industries that must compete with cheaper imports.

But, beyond this immediate and most critical objective, structural reform must be put in place to build a longer-term foundation for economic stability in Asia. The stabilization programs that the IMF is financing in Asia reflect this goal; they are more heavily focused on structural reforms than on adjustment to macroeconomic policies. Such reforms include measures to strengthen financial sectors, rationalize business-government linkages, improve transparency and open markets to foreign investment and reduce trade barriers.

The IMF concluded that microeconomic barriers to competition helped to worsen the financial problems. The seeds of the Asian financial crisis find their parallel in the trade realm. Structural reform leading to systemic change, including greater competition engendered by market opening distribution of imports; and

- other barriers to market access, including in the financial services sector.

The Korea stabilization package, negotiated by the IMF in December 1997, should help to open and expand competition in Korea by creating a more market-driven economy. Korea is moving forward strongly and decisively to implement the IMF program. Korea still faces many challenges but, if it continues on the path to reform there will be important benefits not only for Korea but also for the United States. The incoming President Kim Dae Jung has demonstrated a strong commitment to market opening and economic restructuring that are at the heart of the economic reform program. We look forward to working with him in this effort.

The reforms will put a stop to government-directed lending for industrial policy goals, will ease restrictions on foreign investment, and will simplify licensing and certification requirements to allow greater competition from imported goods.

The IMF-directed restructuring of the Korean financial and corporate systems to make them more sound, transparent, and efficient already is addressing the systemic problem of government-prompted loans to non-economic uses, including those to the *chaebols*.

The financial sector reforms, coupled with tighter rules on corporate governance and transparency, will force banks to assess the creditworthiness of potential borrowers and their commercial viability. The banks are now under pressure to increase their capital asset ratios and thus, are unlikely to be an easy source of new financing for already overextended conglomerates. This, in turn, should provide incentives to scale back business lines and to tailor capacity, production, and export decisions to *market* cues.

Korea's agreement to liberalize foreign ownership rules should expose the Korean economy to more outside influence, thereby offsetting the Korean penchant for providing preferences to "strategic" domestic industries.

Furthermore, more specific, structural reforms in Korea's IMF package will complement the U.S. trade agenda by reinforcing and expanding upon Korea's commitments in the WTO and in the OECD. Specifically, Korea has agreed to:

- accelerate implementation of its commitments to WTO members on the elimination of trade-related subsidies and its import diversification program;
- bind in the WTO, the commitments it made in the OECD on financial sector market access; and
- liberalize its rules on import licensing and certification, which could help alleviate entry and distribution barriers for agricultural commodities, food, distilled spirits, and industrial products including autos, pharmaceuticals, and cosmetics.

In sum, the financial, corporate, and foreign investment conditions in Korea's IMF package, along with the specific trade-related commitments, should help to (1) improve market access in Korea, and (2) correct the overcapacity and aggressive exporting patterns of the Korean *chaebols*. Our companies will be better able to compete with their Korean competitors on a more level playing field.

Indonesia

Indonesia is also an important U.S. trading partner and was an export destination for approximately $4.5 billion in U.S. goods exports in 1997. But in Indonesia, too, market access for U.S. goods and services is limited by a host of barriers that distort competition.

U.S. trade policy concerns have centered on:

- Indonesia's "interventionist" automotive policies involving trade distorting subsidies and discriminatory tax and tariff benefits granted in exchange for meeting levels of local content;
- restrictions on internal distribution and retail marketing arrangements;
- excessive tariff levels on certain products;
- commodity import and marketing monopolies, domestic cartels, licensing and other non-tariff measures; and
- the national aircraft project.

Like the Korean stabilization package, the IMF stabilization program for Indonesia contemplates far-reaching changes to Indonesian policies and practices which, if faithfully implemented, should move the country in the direction of more open markets, transparency, and increased competition. Additionally, the package contains trade and investment provisions that go to the heart of some of the most vexing trade problems I just mentioned.

Key elements of the IMF program include:

- the immediate elimination of special tax, customs or credit privileges granted to the "National Car" project;
- implementation, ahead of schedule, of the WTO panel ruling on the National Car project and elimination by 2000 of tariff preferences tied to local content levels for auto producers;
- the immediate elimination of any budgetary and extra-budgetary support and credit privileges for the "strategic" national aircraft project;
- the removal of foreign investment restrictions on wholesale and retail trade by March 1998;
- the reduction of customs duties and border non-tariff measures on both imports and exports, including agricultural and food products;
- the elimination of local content requirements on dairy products;
- domestic market deregulation in the form of the elimination of commodity import and marketing monopolies for sugar, wheat, wheat flour, soybeans and garlic (leaving only rice so restricted);
- the removal of restrictive internal marketing arrangements for such products as cement,

paper and plywood; and

- the removal of export quotas for cement, plywood, sawn timber, processed wood and the abolition of wood shipping cartels.

These commitments address practices that have long been the subject of this Administration's bilateral trade policy as reflected in the Administration's National Trade Estimates Report on Foreign Trade Barriers, which has identified many of the barriers that are addressed in the IMF package. Most notable in this respect is the commitment by Indonesia to eliminate the tax, tariff and credit privileges provided to the national car project. We have challenged this very program in the WTO. Additionally, the IMF program seeks broad reform of Indonesian trade and investment policy, like the aircraft project, monopolies and domestic trade restrictive practices, that stifle competition by limiting access for foreign goods and services.

Impact on the Trade Agenda

In the short term, the forces unleashed by the withdrawal of capital from the Asian markets, reflected in part in depreciating currencies and a slowdown in economic activity in the region, will of necessity, result in increased exports from the region and import contraction in Asia. Because the United States is today the strongest economy in the world, and the most open, we can expect a short-term increase in imports from the region and a decline in our exports. We will keep our markets open, but we need to see other countries respond by opening their markets and stimulating demand as well. In this regard, I will say more about Japan in a moment.

The expected short-term deterioration in the trade balance must not, however politically tempting, open the way to protectionism or isolationism. To go down this path would immediately undermine our primary goal which is to stabilize the immediate crisis. We would also jeopardize the real possibility of longer-term structural reform of these markets.

The U.S. has critical economic and national security interests in a stable and reformed Asia. The region is a principal U.S. customer, supporting millions of U.S. jobs. Beyond Asia, more than 40% of US exports go to emerging markets. Any further contagion effect of the crisis will only exacerbate the negative impact on our own domestic economic health. And, of course, our national security interests in Asia are very well understood. Political, social, or economic instability in Asia will affect prosperity and security around the world. For these reasons, our broad national interest and the interests of American workers, farmers and businesses dictate that we adequately capitalize the IMF and participate in the New Arrangements to Borrow (NAB). Support for the IMF also sends the important message that America will continue to lead in the global economy, a message that is particularly critical today.

Administration's Asian Trade Policy

The Clinton Administration has spent the past five years focusing considerable attention on the Asian markets: the substantial barriers to market access for U.S. and foreign goods and services, the lack of pro-competitive mechanisms, and the need for comprehensive deregulation and greater transparency. Systemic reform of the Asian economies through the implementation of the IMF structural measures will intensify the benefits of an already aggressive trade policy and it is to that policy that I will now turn.

The Administration has applied and will continue to exercise a full range of tools to achieve constructive market opening results in Asia through bilateral, regional, and multilateral means. Quite apart from but complementary to the IMF reform, new trade agreements and the enforcement of existing agreements play a part in a more stable and secure Asia. Let me briefly take each in turn:

We have a large array of bilateral agreements in Asia aimed at the goals of deregulation, market access and transparency.

Japan: We have negotiated 34 trade agreements with Japan under which we have achieved important and substantial market-opening results. From 1993 to 1996 exports increased by 41% to Japan, reaching in excess of $67 billion. The growth rate of exports to Japan over this period exceeded the still strong growth rate of U.S. exports to the world by nearly one quarter. In 1997, however, exports to Japan declined by 3 percent, while our exports to the rest of the world grew by nearly 12 percent. We are naturally concerned about this drop off in our exports to Japan. The Japanese economy which enjoyed a single year's growth spurt of 4 percent in 1996, fell back to a bare 0.6 percent increase in 1997 and, on current policies, is widely believed to be facing a growth rate well under one percent this year.

Japan, the second largest economy in the world, has an especially crucial role to play. We see the need for action in three areas. First, we strongly agree with the view of the IMF that fiscal stimulus is needed to support Japan's economy and to make it a potential source of confidence for the region. Second, it is crucial for Japan to act clearly and decisively to strengthen its financial system with an infusion of public money. Finally, it is equally important for Japan to deregulate financial and other sectors to open up the Japanese economy. The U.S. cannot be the only engine of global growth or the sole buyer of goods to absorb the tremendous productive capacity of the Asian region.
The Administration has consistently sought a range of market access and deregulation measures to open Japan's market and spur domestic demand in Japan, and we will continue to do so. We have an immediate deregulation agenda with Japan affecting critical areas of the Japanese economy -- financial services, telecommunications, housing, medical equipment and pharmaceuticals -- where we are aiming for decisive action on the part of the Japanese government in the first half of this year.

China: U.S. trade policy has been geared to encourage China to establish the rule of law, open its economy to imports and investment, and reform its trading regime pursuant to the rules and obligations of the World Trade Organization. We have pursued a complementary policy that combines bilateral, regional (APEC) and multilateral trade initiatives. Embedded in our bilateral agreements -- in particular a hallmark of the intellectual property rights agreements -- are broader international norms to which China has committed: transparency of laws and procedures, access to administrative and judicial decision making, and curbs on the arbitrary exercise of administrative discretion. Each of our ongoing negotiations -- in the context of the WTO and bilaterally, on services, market access and IPR -- is also grounded in international norms and practices and in the necessity of adherence to a rules-based regime.

Taiwan: Last week we reached a comprehensive market opening agreement with Taiwan which will dramatically open Taiwan's markets to U.S. agricultural products, services, and industrial goods. U.S. farmers will see new markets for pork, chicken, and other meat products that have never been open to any foreign imports. U.S. exporters of industrial products will achieve levels of market access comparable to those available in other developed economies. And, Taiwan will provide broad access for the full range of services, including financial and telecommunications services. Once all members of the WTO have completed their bilateral market access negotiations with Taiwan, multilateral negotiations will ensue to work out the full range of rules-related commitments Taiwan must make to formally enter the WTO.

APEC: Regionally, we are pursuing initiatives that mark concrete progress toward the ambitious APEC goal set out in Indonesia three years ago to establish free and open trade across the Asia-Pacific region. We have launched a market opening agenda across 9 sectors of trade encompassing $1.5 trillion in global activity, including environmental goods and services, energy, medical equipment, scientific instruments, and certain natural resources products -- all areas where the U.S. is a leading competitor. Six additional sectors are to follow.

We have established a working group on biotechnology trade to create scientific, timely, and transparent procedures for the licensing and importation of new agricultural products. We are also working with our APEC partners and others on a global electronic commerce initiative to expand Internet access and establish the principle of duty-free cyberspace.

WTO: Multilaterally, the conclusion of the Uruguay Round marked strong Asian participation. Recent achievements in the WTO sectoral agenda -- global agreements on ITA, telecommunications and financial services -- encompassing tens of trillions of dollars in trade could not have been realized without the strong participation of Asian countries. The ITA covers $500 billion in global technology trade. We are also pursuing "ITA II" to build upon last year's (December 1996) successful Information Technology Agreement, the completion of which was largely attributable to APEC leadership. Under the telecom agreement, a world-wide industry worth $675 billion today will double or triple in size within the next decade. And, the financial services package will open tens of trillions of dollars of opportunities in banking, securities and insurance. Together these agreements represent the foundation of the twenty-first century economy. The global agenda ahead is equally important: IPR, government procurement, agriculture and services.

We will also seek to expand the global trading system to include such major economies as China, Russia and Taiwan, and through the disciplines of the international trading system, including transparency and the rule of law, expand opportunities for U.S. goods and services in these markets.

Implementation of Existing Trade Agreements and Monitoring of IMF Obligations

At the center of the trade agenda is our commitment to monitor and enforce existing agreements. The United States has taken more than 75 enforcement action on behalf of our goods and services providers around the world. We have initiated more than 35 cases in the World Trade Organization affecting a broad range of industries. We have won or settled on favorable terms important cases against Japan on intellectual property rights and discriminatory tax policies. In Korea, we gained important reforms in agricultural shelf-life restrictions, import clearance procedures, and restrictions against telecommunications providers. In China, we have applied bilateral enforcement measures to achieve an unprecedented crackdown against IPR piracy and textile transhipments.

Our overall enforcement agenda has delivered dollars and cents results across the board for U.S. industries. As plaintiff in the WTO, our win-loss record is 17-1. And even in the Japan film case, in which we did not prevail, we will continue to push for aggressive market-opening reform, using as the baseline the formal representations made by the Government of Japan to the WTO about the operation of its film market.

Monitoring the implementation of the commitments made in the IMF stabilization packages is equally central. Only with full and faithful implementation of the commitments will the causes of the immediate crisis be addressed and long-term stability ensured. This monitoring will occur in several contexts including through the IMF, the Administration, U.S. industry, and the WTO. In this regard, recipient countries such as Korea have welcomed monitoring, as they can tolerate backsliding even less than we can.

First, the IMF monitors and ensures implementation of the conditions in its stabilization packages through periodic reviews; a failure to adhere to the commitments may result in withholding the disbursement of further funds. Even after full disbursement, experience suggests that there tends to be little backsliding on IMF commitments; countries do not wish to impair their relationship with the IMF. Market pressures also effectively avoid a retreat from the commitments; any such retreat could again erode investor confidence.

Second, the Administration is coordinating its monitoring efforts. Specifically, the existing USTR and Commerce units charged with monitoring and ensuring compliance with trade agreements are actively monitoring compliance with the IMF trade-related commitments. The State Department has instructed our Embassies to supplement these efforts in the relevant markets. Treasury Department and other Administration officials, including we at USTR, have intensified visits to the region. Through its Treasury representatives to the IFIs, the Administration will provide the information it collects on recipient countries' implementation. We will be particularly sensitive to ensure that the credit the IFIs are providing to the recipient countries' central banks is not being used to provide export incentives or subsidies, particularly those that are WTO-inconsistent, that would encourage exports from sensitive industries.

Additionally, when the commitments made by a recipient country overlap with its commitments in the WTO, OECD, or in bilateral trade agreements, the Administration will use the means available in these traditional trade fora for ensuring implementation. The Administration's continued pursuit of the WTO case concerning Indonesia's "national car project" is illustrative, as is our pending action against Korean autos.

Third, we are working closely with the U.S. business community, both through our formal advisory groups and through the Commerce Department, to obtain the benefit of their experiences in the relevant market.

Finally, the WTO has substantial existing mechanisms to complement IMF and Administration efforts. The various Committees that oversee the WTO Agreements along with the country-specific trade policy reviews will work to monitor changes in a country's trade regime. We will be working with the WTO not only towards effective monitoring, but also to explore ways to strengthen the relationship between the WTO and the IFIs.
This comprehensive monitoring effort will ensure that the commitments made are fully and faithfully implemented.

Conclusion

The Clinton Administration will continue to set an aggressive agenda for U.S. engagement in Asia through the two-fold strategy of stabilization and broad, structural market-opening reforms. Financial stabilization is an inseparable objective from deregulation, transparency, and competition. IMF replenishment, broad trade negotiating authority for the President, and an insistence that Japan also undertake fundamental economic reforms to stimulate domestic demand remain our highest priorities. In both the long run and the short run, our approach recognizes that a strong global economy is fundamentally in the U.S. domestic interest.

Thank you for the opportunity to appear before you; I welcome your questions.

Opening Statement of Ambassador Barshefsky
before
House Ways and Means Committee Mark-up of H.R. 1432
February 25, 1998

I am pleased to come before you today. I would like to commend you, Mr. Chairman and Congressman Rangel, for your leadership in bringing H.R. 1432, the African Growth and Opportunity Act, to full Committee mark-up. I would also like to recognize the hard work of other Members of this Committee on behalf of this bill. Congressman Crane and Congressman McDermott have championed this bill, and I also thank them for their efforts.

Last year I came before the Committee to discuss the growth in sub-Saharan Africa of democracy and market-oriented economic reforms. I also set forth the Administration's new economic approach to Africa, called the "Partnership for Economic Growth and Opportunity in Africa." This partnership begins with the simple but powerful idea that American interests are best served if we view African countries as partners in trade, not simply recipients of aid. I also stressed that the Africa Growth and Opportunity Act is complementary to the Administration's efforts. Together, through legislation and the Administration's program, we can maximize the contribution our trade relations with Africa can make to broad economic reform and accelerated growth in this region.

Now is the time to respond and to build the economic bridges to Africa that will help move the region further toward economic and political stability. H.R. 1432 signals to reforming countries in Africa that the United States will work with them to encourage investment and trade, on the basis of commitments to open markets, develop their civil society and implement transparent procedures. African countries have shown that when they embark upon sustained programs for economic and political reform, there is no reason that they cannot experience the same strong growth rates we have seen elsewhere in the world. The President observed last year that as African nations join the global march toward freedom and open markets, the United States has a deep interest in helping to ensure they succeed.

For those who are concerned about development assistance for Africa, I would remind you that the President has also reaffirmed that we know there will be a continued need for bilateral and multilateral aid, and we are committed to maintaining assistance funds. We know that Africa needs both aid and economic reform.

As the President made clear in his State of the Union address, we strongly support this broad bipartisan initiative of the Congress and we urge the Congress to pass this bill quickly. While some concerns have arisen with respect to certain provisions of the bill, we stand ready to work with interested members of Congress in order to enact this legislation.

The United States must respond constructively to the changes in Africa. As the President has said, no nation can recover if it does not reform itself. But when nations are willing to undertake serious economic reforms, we should help them do it. Working together, the Administration and Congress can pass legislation that will encourage continued reform and development in Africa and a renewed U.S.-African partnership.

Remarks of Ambassador Charlene Barshefsky
1998 Legislative Conference of the National Association of Counties
The Importance of International Trade to the United States
Washington Hilton & Towers, Washington, D.C.
March 2, 1998

Acknowledgments

Thank you Randy (*Randy Johnson, NACo President and Hennepin County [Minnesota] Commissioner*). It is a pleasure to speak today before NACo's 1998 Legislative Conference. There is an increasing awareness among all levels of government that trade is essential to our domestic prosperity and to our long-term economic security. Our ability to embrace the opportunities of the international market place will determine our future economic well being. That's why I am very pleased that you, Randy have made increased awareness of the impact of globalization on the local level one of the priorities of your term as NACo President.

Trade is no longer a strategic issue to be pondered by those of us who live and work in Washington. Trade is now a pocketbook issue where the benefits are measured in the gain of high-paying jobs and the risks lie in opportunities foregone. I realize that this is a daunting challenge and a change from the way that we have traditionally viewed the task of economic development, particularly on the regional level. We must all realize that if U.S. firms don't provide global consumers with the high-quality products they want, then someone else will. Increasingly, it's essential to think in global strategic terms to ensure economic success at the local level.

But the United States has no reason to shrink from this challenge. Our economic position at home is solid, and the envy of the world.

The Importance of Trade to U.S. Economic Prosperity

Let me begin by putting trade in the context of the U.S. economy. We are in the 7th year of economic expansion in the United States. The unemployment rate is at the lowest level in nearly a quarter-century. We have created over 14 million new jobs since 1992. More Americans are working now than at any time since the Government began recording labor statistics nearly 50 years ago. Industrial production is 28 percent higher than in 1992; this compares with gains of only 4 percent in Japan and 5 percent in Germany. And strong investment has expanded industrial capacity by 3.5 percent a year, the fastest rate since the 1970's.

The good news continues on inflation, and consumer confidence is the highest in 28 years, more than twice the level of 1992. The combination of the unemployment and inflation rates in the U.S. is just over 6 percent, the lowest so-called "misery index" of any major economy, and the lowest for the U.S. since the 1960's.

And last month brought perhaps the best news. The President submitted a balanced budget for 1999. For the current fiscal year, estimates show that we will be roughly in balance. For the first time since 1969 the federal government is on its way to spending no more than it takes in, an achievement that was not expected until the year 2002. This is a far cry from the annual $300-billion deficits of just a few years ago. We also see the very real prospect of budget surpluses in the near future.

The role of international trade has played in our economic expansion cannot be overstated. Since 1992, exports have accounted for more than one third of U.S. economic growth. By comparison, in 1970 exports of goods and commercial services accounted for only 5 percent of our Gross Domestic Product; by last year the share had more than doubled to 12 percent. Exports account for 1 in 6 new jobs, and 1 in 5 manufacturing jobs. U.S. exports now support just over 12 million jobs; jobs that pay 13 to 16 percent higher than the national average.

The 1997 trade figures were released late last month and they confirm that America's export-led growth remains robust. Exports grew a strong 10 percent last year and reached a record $932 billion. Last year's export growth rate surpassed the growth in 1996 by more than 44 percent. Growth in exports since President Clinton took office is up 51%.

The trade deficit, which remained essentially flat last year, continues to decline as a percent of our Gross Domestic Product. Because our economy grew at nearly 4 percent last year, the trade deficit accounted for just 1.4 percent of GDP, less than half the level of ten years ago.

Metropolitan areas large and small across the country are benefiting from international trade. In 1996, the top 5 largest metropolitan area exporters were

San Jose CA; New York; Detroit; Los Angeles; and Chicago--all with exports in excess of $20 billion. Smaller regional metropolitan areas are also realizing the benefits of trade. The fastest growing metropolitan exporters in 1996 included: Albuquerque NM, with exports up 174 %; Champaign-Urbana IL, up 107%; Melbourne Fl, up 105 %; St. Joseph MO, up 90.4%; and Wheeling WV-OH with foreign sales up 68%.

The importance of trade is underscored by our shrinking share of the world's population. Americans now comprise only 4% of the world's population, and the world's population is growing more rapidly than our own. The power of an emerging global middle class made up of consumers with the ability to shift their consumption patterns have become a critical factor driving markets. In India and China, for example, there will be just over 300 million new members of the middle class by 2005. These new middle class consumers around the world represent a booming potential market for our goods, services, and agriculture.

Whether we capture this export potential will determine whether the U.S. economy remains on top of the world in the next century. Our success depends on a vision that sees the future of the United States in the 96 percent of global consumers that live outside our borders. Vision that demands an active trade agenda to open new markets and reduce barriers. Vision that insists that other countries live up to their obligations just as we live up to ours. Vision that recognizes that our ability to compete in a changing global environment, including a meaningful safety net here, will be critical to our children's future. This is the vision that underlies the Clinton Administration's efforts to expand and preserve open access to overseas markets.

Trade Policy Successes Create Market Opportunities

The ability of our firms and workers to compete successfully in the global marketplace is the direct result of the efficiency and competitiveness of the U.S. economy and the liberalizing, market-opening trade policies pursued by this and previous Administrations. Under the President's leadership and the bipartisan support of Congress, we have negotiated 245 trade agreements in the last 5 years, including 34 market access agreements with Japan alone, all designed to advance our domestic economic and trade interests.

In the last year alone we have completed three major global trade agreements in areas where the United States is the most globally competitive and which provide the infrastructure for the 21st century economy.

- The **Information Technology Agreement** covers $500 billion in global trade, more than $100 billion in U.S. exports, and eliminates tariff barriers to over 90% of world trade in information technology products such as semiconductors, computers, telecommunications equipment and the like. The ITA will provide our companies a $5 billion annual tax cut because foreign tariffs are higher than ours.

- The **Agreement on Basic Telecommunications Services** will create more than a million U.S. jobs in the next ten years, and a world-wide industry worth $675 billion today will double or triple within the next decade. Under the agreement, U.S. telecommunications companies will be able to compete fully against local phone monopolies.

- The **Financial Services Accord** will ensure that our companies can compete in foreign markets and maintain the U.S. lead in international banking, insurance, and brokerage services.

We also concluded negotiations on two landmark market-opening agreements--the North American Free Trade Agreement (NAFTA) and the Uruguay Round Agreements.

These agreements and hundreds of others negotiated by the Clinton Administration are yielding results for U.S. workers and companies. Exports to our ***NAFTA*** partners continue to rise; up 13% to Canada and an impressive 22% to Mexico last year. Two-way trade with our NAFTA partners has grown 44 percent since NAFTA was signed, compared with 33 percent for the rest of the world. The importance of NAFTA really hits home when we realize that Canada remains our single largest trading partner, and that last year Mexico displaced Japan as our second largest export market, even though the Mexican economy is one-twelfth the size of Japan's. The U.S. trade surplus with the rest of Latin America has tripled.

The ***Uruguay Round*** resulted in hard-won gains in reducing tariffs, improving market access in goods, agriculture, and, for the first time, services. The Uruguay Round also established a tighter, more enforceable dispute settlement mechanism.

Of course, while the negotiation of agreements for market access is a central feature of Administration trade policy, enforcement of U.S. rights is equally critical.

Since 1993, the United States has brought over 75 enforcement actions under our domestic trade laws and international agreements. The United States has brought more enforcement actions in the WTO--35 cases to date--than any other country. Of these, the United States has prevailed on 17 of the 18 complaints we have filed. We have brought good cases to the WTO and under U.S. trade laws, we have scored significant victories for the full spectrum of U.S. industries from agriculture to IPR and manufactured goods.

Significant Hurdles Remain for U.S. Exports

Despite our successes, more work is clearly necessary. Our task today is more complex than simply reducing tariffs, although there is surely more to do in this area. Our trade policy agenda has a broad focus. It seeks to strengthen global free trade rules under the WTO system, ensure that countries comply with the agreements that they've signed, and expand trade opportunities for U.S. exporters through bilateral or regional agreements, or through broad sectoral agreements.

The trade agenda ahead will continue to focus on those areas where the United States is most competitive. Let me give you just a few examples:

- When the Uruguay Round was completed in 1995, we knew that there was unfinished business. That's why we insisted on a so-called ***"built-in agenda"*** of work for the WTO. More open markets for agriculture, services, intellectual property rights, and government procurement are all part of the built-in agenda. Multilateral trade negotiations in agriculture, for example, are set to begin in 1999. At the WTO's Ministerial Conference this spring, I will discuss with other trade ministers the negotiation of future agreements under the WTO.

- We are working to expand the global trading system to bring China, Russia, and 29 other nations wishing to join the ***WTO*** under terms that open their markets for U.S. workers and companies. We are taking a leadership role in all these negotiations, making sure that all these accessions are concluded on commercially meaningful terms.

- Agreements to expand the coverage of the ***Information Technology Agreement (ITA)*** and the duty-free ***Agreement on Pharmaceuticals*** represent new opportunities valued at billions of dollars to U.S. exporters. Similarly, ***mutual recognition agreements*** in professional services will contribute to U.S. competitiveness in this critical sector, as will an agreement on global electronic commerce.

- We have launched a trade agenda in the ***Asia Pacific Economic Cooperation*** forum to eliminate tariffs and expand trade across $1.5 trillion in global trade, including medical equipment, environmental services and technology, energy equipment and services, natural resource products and telecommunications.

- Our exports to Latin America continue to grow more than twice as fast as our exports to the rest of the world. The ***Free Trade Agreement of the Americas*** (FTAA) provides the means for establishing hemisphere-wide rules that substantially expand opportunities and promote non-discrimination among all 34 FTAA countries. Formal negotiations toward an FTAA will be launched next month in Chile.

- The President's Partnership for Economic Growth and Opportunity for ***Africa*** and the bipartisan African Growth and Opportunity Act, HR 1432, currently pending before Congress, send a resounding message that our nation is committed to pursuing a new economic partnership with a new emerging Africa. The United States will work to open African markets to foreign trade and investment. We will also pursue efforts to assist in Africa's integration in the global community of trading nations.

- The U.S.-EU alliance will be further strengthened as we look to expand areas of cooperation and achieve further market opening under the Transatlantic Agenda initiated in 1995.

- We will continue building on our initiatives to make ***trade and***

environmental policies mutually supportive so that economic growth and higher standards of living occur hand in hand with global environmental protection.

- The Clinton Administration will continue its strong advocacy of the need to include ***worker rights*** and core labor standards in the World Trade Organization and strengthen the International Labor Organization. As globalization intensifies, the trading system must deal with such issues as exploitive child labor, deplorable working conditions, and the right to collectively bargain. In this regard, the social dimension of technology-driven change, including trade, must be addressed at home as well as abroad.

We cannot lose sight of perhaps the most immediate trade challenge facing U.S. exporters--the unfolding of economic events in **Asia**. The causes of the Asian financial crisis are complex, but across the region a common web emerges -- inadequate supervision of financial institutions, speculative real estate and equity booms, excessively close ties between governments, banks and corporations. These relationships and, in some countries, a deep-seated resistance to competition and free trade and investment, resulted in a misallocation of capital.

We know that in the short term U.S. exports will be lower compared with what they would have been without the Asian problems. But the international effort to restore economic and financial stability to the region is the single most important trade policy objective we can have. It offers an unparalleled opportunity to push with renewed vigor for much-needed and long-delayed fundamental economic reforms -- reforms that can lead to improved economic performance and economies more open to imports.

The stabilization programs in Asia spear-headed by the International Monetary Fund are heavily focused on structural reforms. Such reforms include measures to strengthen the financial sector, rationalize business-government linkages, improve transparency and open markets to foreign investment and reduce trade barriers. If effectively implemented, these programs will complement and reinforce our trade policy goals. For these reasons, it is imperative that the IMF funding requests now before the Congress be approved as soon as possible.

We cannot and must not turn our backs on events in Asia. The United States has enormously important economic and national security interests at stake in promoting restoration of financial stability in Asia. When we act to resolve the Asian crisis as part of an international effort, we act to protect and benefit the American people. Put another way, the countries in trouble are some of our biggest customers. In 1997, Asia accounted for 28% of total U.S. exports.

The Clinton Administration has spent the past five years focusing considerable attention on the Asian markets: the substantial barriers to market access for U.S. and foreign goods and services, the lack of pro-competitive mechanisms, and the need for comprehensive deregulation and greater transparency. Systemic reform of the Asian economies through the implementation of the IMF structural measures will intensify the benefits of an already aggressive trade policy.

The United States Must Stay Involved in World Trade

Let me say in conclusion that I sometimes hear people blame trade agreements as the cause of trade problems. This argument is simply wrong because it fails to recognize that the United States already has the most open market in the world. The objective of trade agreements is to open new markets and create new opportunities for our products.

The problem is not trade agreements. The problem is high tariffs and long-standing trade barriers in foreign markets. The problem is phony science. The problem is preferential treatment that other countries enjoy. The solution is to be very, very aggressive in using all of the tools at our disposal to crack open what is clearly a world of opportunity. We owe it to U.S. workers and farmers to resolve today's disputes without losing sight of the benefits of further reform of the international trading system.

We simply do not have the option of closing our borders and ignoring the rest of the world. There is nothing that our competitors would like more than for this country to retreat and engage in an endless debate on trade. The nation tried this with Smoot-Hawley once, and the result was to exacerbate the consequences of the Great Depression.

The danger of inaction is the danger of lost opportunity. We risk losing out increasingly to others not because they are more efficient producers, but because they are party to trade agreements that put the United States at a commercial disadvantage.

As the President said in his State of the Union Address, "We must shape this global economy, not shrink from it". The President also reiterated his intention to ask Congress for the fast track authority he needs to negotiate open markets for U.S. workers, farmers, and companies.

Our dynamic economy means there is a great deal of job turnover as new firms enter and exit the economy, or expand or contract. In fact, during the 1980's, trade accounted for less than 10 percent of all job displacements in manufacturing in most years. By far most of the job loss resulted from other forces, principally technological change.

That is why this Administration has developed a broad safety net to make American workers better prepared for today's global economy:

- The President's balanced budget for 1999 provides for significant investments in education and health.
- We have increased the minimum wage and provided for a new $500 per-child tax credit for working families.
- The President has made reform of existing trade adjustment assistance programs a priority. One such reform is to provide adjustment assistance to all workers displaced from firms that have shifted production to another country. Such assistance is already available within NAFTA for companies that shut down and move to Mexico and Canada.
- We will also work with Congress to increase funding for worker training.
- We will continue to pursue policies that support a healthy economy; an economy that grows and provides for new jobs.

The trade work ahead can seem daunting. But the livelihood of American families depends, in large part, on our ability to sustain and to build a global presence for U.S. products in foreign markets. If you agree, I hope you make your voices heard. Your support matters.