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Prepared for Delivery

Ambassador Charlene Barshefsky  
Brookings Business Strategy Institute

May 4, 1998

Challenges  
- index: cold war  
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- social

Good morning. Thank you all, and thank you, Mark, for that kind introduction. I am very happy to be with you this morning and I want to welcome you to the Brookings Business Strategy Institute program.

INTRODUCTION

TY David  
Bill Daley

pleasure to  
be here w/  
Bill.  
Feminist OSC  
Secy + policy  
leader

I'm told you are just beginning a five-day program, focusing on the implications of economic globalization, policy changes and Internet commerce for business. I hope this morning to put these issues in the context of our trade policy agenda, and save time for some more informal conversation afterward.

And let me begin with a look at the situation in which we find ourselves today. → then more to the 3 big challenges ahead:

Our country is prospering. We are at peace with the major countries of the world. American companies are as competitive as they have been in quite a long time, and given the high rate of investment in new technologies, that could continue for some time to come. The government's budget is in balance; crime and welfare rates are falling; and economic growth is high while unemployment and inflation are low.

So, in essence, we face the challenge of good times. That is, refusing to be complacent. Looking to the future, evaluating the long-term trends, adapting to them when we must and steering them in the right direction whenever we can. And that is what we hope to do in trade policy.

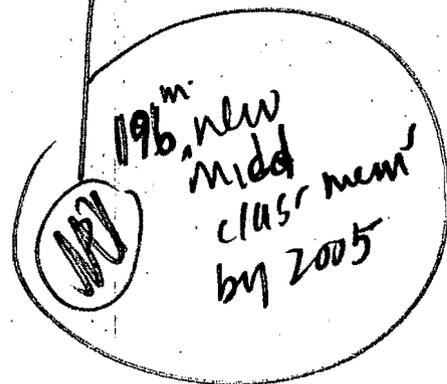
## **TRADE IN THE U.S. ECONOMY**

And let me begin by putting trade in the context of our economy generally.

Trade has played a crucial role in our economic expansion during this decade. Since 1992, exports have accounted for over one third of U.S. economic growth.

Over 12 million American jobs -- just under one in ten -- now depend on our exports. That proportion is growing, as between 1992 and 1996, exports accounted for one in every six new jobs. And that in turn means higher living standards, as jobs supported by exports pay an average of 13 percent to 16 percent higher than the U.S. national average.

And in the future, exports will be still more important to our country and the success of our businesses. About one in every twenty-five people in the world is an American. The other 24 -- or 96% of world population, included <sup>the</sup> the fastest-growing middle classes -- live somewhere else. India, for example, will have 115 million new members of the middle class by 2005. China. If we can't sell to these people, we will have a hard time continuing to lead the world's economy in the next century.



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Open access to  
the world's mkt's  
is a  
must.

OMR

And so our trade agenda is full. Since January 1993 we have concluded 250 separate trade agreements. We have succeeded in over 75 enforcement actions under our domestic trade laws and international agreements. We have filed more altns ~~complaints~~ in the WTO--35 cases to date-- than any other country; and we have prevailed on 18 of the 19 American complaints acted upon so far

enforcement

This is our baseline - now, let's look ahead.

### LOOKING AHEAD

We also have a full agenda to pursue over the next year with our industrialized trading partners and at the World Trade Organization.

In Japan, we will push for fiscal stimulus to prevent recession, and broad deregulation to create long-term, demand-led growth. And we will continue to enforce our thirty-four bilateral trade agreements, including telecommunications procurement, autos and auto parts, insurance and glass, as well as monitoring market access for photographic film and paper.

We are also exploring a major trade initiative with the European Union. And next year we will launch negotiations at the WTO in agriculture and services -- the fields in which trade barriers are highest, and in which American producers lead the world.

### THREE NEW CHALLENGES

These three issues -- trade with Europe, trade with Japan and the development of the GATT and now WTO -- have really been at the heart of our trade policy in the postwar era. ~~But we now, I think,~~ face three new challenges *of substantial*

~~whose economic significance is just as great.~~ *WE* And their political significance, both in the international sense and in the sense of domestic support for the trade agenda, may be greater still.

First, the end of the Cold War, which has created new markets, new competitors, and the challenge of integrating a vast part of the world into normal commerce →

Second, the vast changes in business, economics and daily life propelled by information technologies and electronic commerce.

Third, and probably most important, ensuring that as trade grows and has greater effects on the lives of ordinary people, trade policy retains the support of ordinary Americans.

## 1. END OF THE COLD WAR

Let me address each of these in turn, and let me begin with the first -- ~~that~~ <sup>the</sup> challenge posed by the end of the Cold War.

The decline of communism and the dissolution of the Soviet Union mean, most obviously, a freer, more peaceful world. They also, though, present us with profound questions in trade and economics.

Regions of the world that were once Cold War battlegrounds -- Latin America, Southeast Asia and Africa -- are now by and large at peace. They are growing, opening to the world, becoming better markets and becoming

= 1/4 important,

competitors. ~~More serious still,~~ former communist countries in Eastern Europe,  
the former Soviet Union, China and Indochina are building market economies and  
applying to join the World Trade Organization. These things have already had an  
enormous effect on business strategies; commodity markets; and investment  
decisions. As time passes they will have an equally big effect on our economy  
and people at home.

We must adjust to a new reality in which the billion and a half people of  
Latin America, Southeast Asia and ultimately Africa are fully integrated into a global  
trade. To ensure that their markets are as open to our goods and services as our  
market is to them, we must be sure that the United States leads in writing the  
ground rules for a much larger trading world in the future. Our creation of the  
Free Trade Agreement of the Americas; President Clinton's inauguration of the  
annual summit meetings at the Asia Pacific Economic Cooperation forum; and the  
~~Africa~~ legislation in Congress are all part of this effort. It is an immense task, that  
~~is already raising immense controversy and debate~~ as you see in the continuing  
discussion of fast track.

Admin's  
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~~An~~ Equally large, and even more difficult, ~~task~~ is the integration, of another billion and a half people -- the citizens of Eastern Europe, China, Indochina and the former Soviet Union. Our task is to bring these countries into the world trade <sup>into the global tr. sys.</sup> ~~system~~, on the basis of the rules created <sup>over the past 50 years</sup> by the GATT and WTO ~~in the past fifty years~~. As long as these nations remain outside the rules-based system that now includes most of the world's trading countries, the system will be incomplete, imperfect and subject to distortion from those who are not bound by its rules. And their ultimate entry is part of a larger effort to secure <sup>kind of</sup> a permanent peace, similar to the integration of Japan and Germany into ~~the world~~, after the Second World War. <sup>a broader global trading system</sup>

But their WTO admissions are a complicated task. ~~While the Latin, Southeast Asian and African economies are at least familiar,~~ <sup>R</sup> reforming communist countries often lack basic price mechanisms; are only beginning even in theory to separate governments from business and banking; and at an even more basic level, <sup>of non</sup> have little familiarity with the concept of the rule of law. To strengthen rather than undermine the world's market-based rules, they should be brought in, but ~~through~~ <sup>only</sup> on the right terms. The result must be enforceable commitments to open markets; transparent, non-discriminatory regulatory systems; and effective national treatment both at the border and within the

domestic economy.

This is very demanding, ~~both~~ for the countries involved ~~and for our own~~  
~~negotiators~~. And having just returned from China, I can tell you we have a ways  
yet to go. But I believe we will ultimately get there.

## 2. THE 21ST CENTURY ECONOMY

Let me now turn to our second great challenge: preparing our country for  
the economic world of the 21st century.

Trade policy concerns -  
industrial  
gradualist vs activist  
agenda will continue -  
will form a sig part of the  
agenda.  
But →

Today, and more so tomorrow, services as well as goods cross borders.

Business is done by e-mail and computer as well as in person. And human  
ingenuity creates new categories of goods, new forms of services and entirely new  
ways to conduct trade every day. To quote IBM's Chief Executive Officer, new  
uses of information technologies in business include:

“transactions among employees within a business to improve how products  
are developed, ideas are shared, how teams are formed, how work gets  
done; transactions between a business and its suppliers, distributors and  
retailers, to increase cycle time, speed and efficiency; and the very

important transactions between governments and citizens, students and educators, health care providers and their patients."

*the completion of*

Trade policy must catch up with this in two ways. One, it has to move faster. We can no longer wait seven <sup>or ten</sup> years for ~~multilateral WTO Rounds to~~ <sup>help the opening markets</sup> address trade barriers. And two, it has to more fully reflect the reality that barriers to new technological products do not help countries promote their own industries, but reduce their productivity and growth.

And we can already see the system beginning to react. Last year we completed three global agreements <sup>trine trifecta</sup> at the foundation of the 21st century economy: information technology, telecommunications, and financial services. So significant are these agreements that WTO Director General Renato Ruggiero speaks of them as the equivalent of a major trade Round.

The Information Technology Agreement (ITA) will eliminate tariffs on a wide range of global information technology products over the next several years; products that even today make up about one in every thirty dollars of world GDP. And we are moving forward with negotiations for an ITA II for expanded product

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and country coverage.

The Agreement on Basic Telecommunications includes 70 countries and over 95% of world telecom revenue in a \$600-billion industry. It provides U.S. and foreign companies access to local, long-distance and international service through any means of network technology, and ensures that U.S. companies can acquire, establish or hold a significant stake in telecom companies around the world. In doing so, it replaces a 60-year tradition of national telecommunications monopolies and closed markets with market opening, deregulation and competition, reflecting American values of free competition, fair rules and effective enforcement.

And last December, we secured the multilateral Agreement on Global Financial Services, ~~including~~ <sup>including</sup> banking, securities, insurance and financial data services. It covers 95% of the global financial services market, <sup>12</sup> ~~and~~ 102 WTO members <sup>undertaking</sup> ~~now have~~ market-opening commitments in the financial services sectors. They encompass \$18 trillion in global securities assets; \$38 trillion in global (domestic) bank lending; and \$2 trillion in worldwide insurance premiums.

These agreements recognize that we are in an era of intense technological change. When product life cycles are measured in months and information and money move around the globe in seconds. When we can no longer afford to take ~~two~~ years to finish a trade Round, or let decades pass between identifying and acting on a trade barrier. When the infrastructure of the 21st century economy is as much information and communications as roads and ports.

### **GLOBAL ELECTRONIC COMMERCE**

And we must do more. In particular, we must address global electronic commerce, electronic transmissions and especially the Internet. And we will have to do it not by painstakingly scraping off the barnacles, as we generally do in trade negotiations, but preventing them from latching onto the ship in the first place.

As the President noted in his speech to the Technology '98 Conference, the Internet is the fastest growing social and economic community in history. A survey this month concluded that the World Wide Web has at least 320 million

pages today, and will have more than three billion by the turn of the century.

Experts predict that by 2002, electronic commerce between businesses in the U.S.  
alone will exceed \$300 billion.

And today, the world of electronic transmissions is, in trade terms, pristine.  
The GATT system, to oversimplify only slightly, represents fifty years of undoing  
the tariff and non-tariff barriers governments created over a century. The right  
vision today will spare the next generation that work in electronic commerce. No  
member of the WTO now considers electronic transmissions imports subject to  
duties for customs purposes. There are no customs duties on cross-border  
telephone calls, fax messages or computer data links, and this duty-free treatment  
should include electronic transmissions on the Internet. We hope to keep it that  
way, as a first step to make sure electronic commerce remains a catalyst for  
growth and expansion of trade.

### **3. THE BROADER DIMENSIONS OF TRADE**

Finally -- and I believe, most important -- trade policy must do more to win  
the support of citizens, in three critical ways.

One, the pace of change -- growing trade, advancing technology -- in today's economy causes apprehension and anxiety even among workers and consumers who reap the benefits of global trade. Many fear, and not without some reason, that growing trade and technological progress, while creating jobs and raising salaries for the most skilled and educated among us, will devalue the work of those less fortunate.

So we must integrate trade policy with the right approach to education and training. There is absolutely no reason that everyone should not have the skills to succeed in a new world. That is why the President has asked Congress for the money to help schools across the country hire 100,000 new teachers; link every school to the Internet; and give all young Americans the skills they need. Why he has asked for lifelong learning programs to help older workers upgrade their skills, through Pell Grants, tax credits and tax deductions to finance returns to school. And why he has asked both Congress and business to ensure that worker training, health care, adjustment assistance and other services must be there, not only as the

initiative of particular companies, but when workers change jobs. Thus we are working to reform trade adjustment assistance, and to increase funding for worker training generally.

Two, many people see trade policy, and especially the World Trade Organization, as opaque and unresponsive to the public. ~~And again,~~ They are not entirely wrong. ~~Transparency in the system, including in decision-making &~~ ~~The~~ trading system must do more to address difficult,

controversial but real questions like the links between trade, labor and the environment. It need not always assume these goals conflict -- the APEC commitment to eliminate tariffs on environmental goods and services will directly mean cheaper waste-water treatment plants and efficient power technologies for developing countries, and thus cleaner water, cleaner air, and reduced carbon emissions. But it must address them.

dispute settlement proceedings will be a positive step.

The WTO

must ~~also~~ become more open to civil society. (There is no reason the

transparent + more at the v. least

interested public should be excluded from observing dispute settlement proceedings or filing amicus briefs. Public input is good, not something to fear. Likewise, secretiveness breeds distrust. So we must make the WTO, including its dispute settlement body, more open, transparent and accessible to the public if the

public is to have confidence in it.

And three, many Americans have broad concerns -- amply reinforced by those who wish to make political hay out of protectionist arguments -- that trade agreements or trade itself may be the enemy of good jobs and high living standards. And the answer here is a sustained effort to improve public understanding of the role of trade in the economy.

*Over one- economic*  
The facts are plain. <sup>^</sup> ~~A~~ third of our growth in the past five years has come from ~~the~~ exports. One in five new American jobs depends on exports. These jobs pay 13% to 16% above the average wage. We will not prosper in the future if we cannot sell to the 96% of humanity that lives beyond America's borders. And the right education and training policies can help everyone take advantage of these opportunities.

But the public -- at home, not just in Washington -- must get the facts.

Government, businesses, ~~like yours, academics like Mark and his colleagues at the Brookings Institution,~~ must all work harder than we have in the past. We must build public understanding of trade policy; respond to legitimate concerns; dispel unwarranted fears; and set the stage for the tasks we must complete to ensure our nation's prosperity as the next century begins.

## CONCLUSION

The consequence of failure will be severe. A half-century march toward prosperity; jobs; growth; and higher living standards might be interrupted. The ability of the United States to shape the 21st-century world shrunken or eliminated. And of course, the prospects of many of your own businesses diminished.

But if on the contrary we, at the beginning of this new century, redouble our efforts, the rewards — ~~both moral and material~~ — will be enormous.

The trends we see are good: a world more at peace and more stable; a country more prosperous than at any time in modern memory.

The tasks at hand are clear -- to integrate a new set of nations into this world, thus cementing the peace and building prosperity for all; and to allow everyone to take advantage of the new world of science, technology and medicine opening around us.

And the reward of success will be extraordinary. Here in the United States we will see men and women working at higher incomes. Business flourishing. New products and services making life safer and easier for ordinary people.

And beyond our borders, a world that reflects our most deeply held values. Where new technologies help freedom of inquiry and expression blossom. Where hard work, creativity and individual initiative find rewards. And where the rule of law is stronger than the rule of force.

→ It is quite a prospect; and let us work together to make it real.

Thank you all very much.

BRIEFING

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

May 4, 1998

MEMORANDUM FOR AMBASSADOR CHARLENE BARSHEFSKY

FROM: Donald W. Eiss

*DWE*

*Barshefsky*

SUBJECT: AEA Awards Dinner -- Tuesday, May 5, 1998; 6:30 - 9:00 pm

You are scheduled to attend a dinner on Tuesday, May 5 at which you will receive an award from the American Electronics Association (AEA). The dinner will be held in the Great Hall of the Library of Congress (10 First Street, SE). The reception begins at 6:30, followed by dinner from 7 - 9 pm. You have been invited to bring a guest. You are also asked to make brief remarks of 2-3 minutes. This event is private and closed to press, although AEA may do a pre- and post-event press release. The letter of invitation and list of the 1997/98 AEA Board of Directors are attached.

You will be met at the reception desk by Heather McColl (AEA's National Conference Manager) or another AEA staff member and taken to Deborah Waggoner, AEA's Senior Vice President, International. Deborah Waggoner will then introduce you to the appropriate people and take you to your table.

The dinner is an annual event for AEA, but this is the first year that awards will be given. AEA has created a "High Tech Legislator Hall of Fame" and the full AEA Board of Directors has voted to induct you based on the following award criteria: sponsorship of significant legislation affecting the high-tech industry, support of major legislative issues affecting the high-tech industry, and continual efforts to educate public policy officials about the issues affecting the high-tech industry. Other inaugural award recipients are: Senate Majority Leader Trent Lott, Senator Joseph Lieberman, Representative Anna Eshoo, and Representative Rick White.

AEA has chosen you as the first and only Executive Branch official because you have been a leader in every major international issue AEA has had over the past several years -- ITA, Japan market access, China, telecom, electronic commerce, semiconductors, and the LAN classification issue.

About 350 industry leaders and elected officials are expected to attend and recognize your contributions to the high-tech industry. The corporate sponsors of the event are: Cisco, Corning, Hewlett-Packard, Microsoft, Motorola, Nasdaq, and the Greater Washington Initiative (an economic development group for the District and surrounding areas). Industry leaders from small local electronics firms have been particularly targeted to attend this dinner. In addition, people involved in the financial and accounting side of the industry have been invited.

Dick Levy, the Executive Vice President of Varian Associates and the Chairman of the American

Electronics Association will make remarks on why you have been selected to receive this award. Bill Archey, the President and CEO of the American Electronics Association will actually hand you the award.

**Talking points:**

- Thank you very much for presenting me with your Legislative award. I am deeply honored to be one of the first recipients, and let me congratulate the Majority Leader, Senator Lieberman, Congresswoman Eshoo and Congressman White for their work on behalf of America's high-tech industry.
- The growth of the high-tech industry presents us with some of our most complex and important trade policy challenges. And perhaps in no other field will the rewards of successful trade policy, to our country and the entire world, be so great.

From the economic perspective, over the next few years, U.S. employment in the information technology industries will grow from 1.2 million to 2.5 million jobs; these jobs already pay 46% more than the average wage; and the United States is the world's leader in the field.

Through trade policy, we have an opportunity to set ground rules now for the economy of the next century. Through the Information Technology Agreement, the Basic Telecommunications Agreement, protection of intellectual property, and our efforts to prevent taxes and tariffs on electronic transmissions, we can help make the 21st century one of openness, growing trade, and rapid technological advance.

And this in turn will help people live better lives -- with innovation in everything from telemedicine to traffic safety and air travel. And it will offer us a chance, world-wide, to promote some of the most important American values -- freedom of expression and freedom of inquiry; open and accountable government; scientific advance and artistic creation.

(If appropriate) We also have the vehicles to pursue this vision -- through the FTAA, APEC, and the WTO. All we need now is the domestic will and (fast-track) authority from Congress so that we, rather than our competitors, shape the global trade agenda and the manner in which high-tech trade evolves into the next century.

- It is a great opportunity. All of us are lucky to be present at the very beginning. So I thank you again for this honor, and I look forward to some very exciting years ahead.

(Note: A speech on high-tech issues you are scheduled to give earlier in the day on May 5 is attached.)

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Drafted: B. Norton x56160  
Talking points and attached speech: E. Gresser

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## **American Electronics Association**

Representing the software, electronics, and information technology industries

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### **AEA High Tech Legislator Hall of Fame Awards**

Attend the *AEA High Tech Legislator Hall of Fame Awards* dinner on Tuesday, May 5, 1998, at the Great Hall of the Library of Congress in Washington, D.C. from 6:30 - 9:15 p.m.

Join AEA in recognizing the impact public policy decision-makers have on the industry's competitiveness. Over 350 industry leaders and elected officials will attend the *AEA High Tech Legislator Hall of Fame Awards* dinner to recognize the 1998 award winners:

- U.S. Trade Representative Charlene Barshefsky
- Senate Majority Leader Trent Lott (R-MS)
- Senator Joseph Lieberman (D-CT)
- Representative Anna Eshoo (D-CA)
- Representative Rick White (R-WA)

The award winners were voted into the High Tech Legislator Hall of Fame by the AEA Board of Directors based on the following criteria: sponsorship of significant legislation affecting the high-tech industry, support of major legislative issues affecting the high-tech industry, and continual efforts to educate public policy officials about the issues affecting the high-tech industry.

Join *AEA High Tech Legislator Hall of Fame Awards* sponsors: Greater Washington Initiative, Cisco Systems, Inc., Corning Incorporated, Hewlett-Packard Company, Microsoft Corporation, Motorola, Inc. and The Nasdaq Stock Market, Inc. at this exciting event on May 5, 1998. To register, please contact Heather McColl, National Conference Manager, at 202-682-4459 or [heather\\_mccoll@aeenet.org](mailto:heather_mccoll@aeenet.org).

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**Draft -- 4/28/98**  
**"Trade Policy in the Information Age"**

**Ambassador Charlene Barshefsky**  
**Economic Strategy Institute Conference**  
**Washington, DC**

**May 5, 1998**

Good afternoon, everyone. Thank you, Clyde; and thanks to everyone who has come for the conference this week.

The annual Economic Strategy Institute conference is a great tradition. And it is great because it dares to think big. Your agenda covers economic relations with Europe; the Asian financial crisis; hemispheric economic integration and the future of the World Trade Organization. And you have asked me to take on perhaps the most challenging question of all: the response trade policy must make to the information age.

### **INTRODUCTION**

American trade policy is rooted in material interests and goals. Higher exports for American companies. Rising growth rates for our economy. Better jobs at higher wages for our citizens.

But as we look to the new century, we have a chance to do even more. The right trade policy can create a higher quality of life, here and everywhere else in the world, as well as higher growth rates. It can help us build a more secure and stable peace. It can help us create a world that, more than ever before, reflects fundamental values -- openness, creativity, individual initiative, the rule of law -- that we treasure as Americans. And that is nowhere more true than in our response to the new world of information technologies.

### **THE NEW WORLD**

Let me begin by stating the obvious. A new information age is upon us, and we must adapt to it whether we like it or not.

We can look at statistics -- 60 million people on the Internet today, over a billion by 2005. Fifty Web pages when President Clinton took office in 1992, 300 million today, over three billion by 2002.

Or we can look at our daily lives -- the proliferation of cable TV channels, direct deposit of paychecks, children visiting libraries on the Internet. Either way we see the same thing. Extraordinary change is here, it cannot be avoided, and it will accelerate as the new century opens.

And nowhere is this more exciting than in trade and commerce. Reflect that today, 45% of all business equipment investment in America is in information technology. That will support a leap in electronic commerce, in the U.S. alone, from \$8 billion today to \$300 billion by the turn of the century.

These figures may lead us to think first of the big companies and the technological leaders -- IBM, Microsoft, Intel, Cisco, Oracle, Netscape. It is a great source of pride to our country, and rightly so, that our companies are the most advanced and competitive in their fields. In a world where open electronic commerce remains free, we can expect that our country and its major firms will do even better.

But those who benefit most from electronic commerce will be those who are now shut out, by geography or size, from trade. You can already see it happening. In a few minutes on the computer, you can already find the Hopi Nation in northern Arizona advertising kachina dolls to urban buyers, and warning them to protect the tribe's intellectual property by asking informed questions and refusing to buy fakes. Small bookstores and restaurants reaching out to find customers. Or the manager of a real estate firm in Dhaka, the capital of Bangladesh, selling luxury condominiums to wealthy overseas Bengalis, noting that:

"the Internet has become an extremely practical medium through which to contact and inform our international and local clientele."

These people are like the first skiers moving out onto a field of fresh snow. In the years to come, their numbers will surge, and so will the volume of goods and services they sell. And the right trade policy today can make it happen more easily. And thus scientific and technological advance will be faster, more Americans will have the chance to become entrepreneurs, and our entire nation will benefit as much as it should from our excellence in these fields.

But finding the right trade policy requires us to think in a new way. Trade policy usually scrapes off barnacles -- tariffs, quotas, non-tariff measures -- that have accumulated on the trade system over decades. But information technologies create entirely new goods, services and methods of trade. So our challenge is to keep the barnacles from attaching themselves to the ship. And we can meet that challenge by applying to the information age some principles that have helped our country succeed for two hundred and twenty years: faith in the essential goodness of human nature; free markets under the rule of law; and equality of opportunity.

### **CREATIVITY AND INGENUITY**

Let me begin with the first of these principles.

Human beings are intelligent and creative; and we believe these qualities are not cause for suspicion but for applause, because people generally use them well. Their use in scientific inquiry, artistic creation, political debate and commerce are all of a piece. They make life better -- certainly in a moral sense, but also in the material sense.

Since the Industrial Revolution, each leap in technology has meant longer lifespans, better health, wider education and generally easier, safer, better lives. And that is true of the revolution in information technology as well. As Thomas Jefferson said of the young America, the world of the information age:

"though but a child of yesterday, has already given hopeful proofs of genius, as well of the nobler kind, which arouse the best feelings of man ... as of the subordinate, which serve only to amuse."

Family doctors in rural communities who run into a puzzling illness or a complicated pregnancy can now use telemedicine services to consult with the world's top specialists at the Centers for Disease Control or the National Institutes of Health.

The Global Positioning Service satellites which guided American troops in the Gulf War now lets families on vacation pinpoint their location at any moment -- thus making sure their children can't get lost in the woods, and helping them avoid traffic jams on the way home.

And over the Internet you can buy everything from cars to vacation packages, movies, music and things that are totally unclassifiable -- like a "book" purportedly written entirely by a computer program, selling for \$9.95 and entitled The Policeman's Beard is Half Constructed.

Of course, information technologies also bring us some things we do not welcome. The Internet can promote mediocrity and vulgarity along with innovation and creativity. But we can and will rely on consumers to be the ultimate defenders of excellence, goodness, and good taste on the Net as in ordinary commerce.

It also has room for things that are genuinely dangerous -- hate groups, pornography and advice for terrorists. In these cases, we will rely as much as possible on appropriate controls developed by business. But we also need some government action to fight crime and defend children, as well as to ensure privacy and protect intellectual property rights.

These things, though, must not obscure the larger truth. Information technologies and electronic commerce bring us good things. Better medicine, more consumer choice, more free time, safer factories and all the rest. And the reflex of government should be to applaud, not to limit or regulate, this process. The Internet is a free medium now; and it should stay free.

### **OUR POLICY AGENDA**

From this principle we build our practical policy agenda. It recognizes -- as the renowned author Timothy Ferris puts it -- that "science, education and liberty form a whole; we need them all." We will support science through basic research; ensure the widest dissemination of its benefits through open trade; and through education, give our citizens the ability to take advantage of the new world. And the office of the U.S. Trade Representative, of course, is responsible for the second part of this agenda.

And let me begin with an observation. While previous leaps in industry and technology pushed governments to raise trade barriers, information technologies are pushing governments to reduce or avoid them. The mass production revolution, for example, required only understanding of the concept of the assembly line, plus readily and locally available inputs: unskilled labor, stone and brick to build factories, metal and wood for assembly lines and products. So political and industrial leaders of that era felt that trade barriers, while impoverishing consumers, might also boost the industrial power of nations by fostering infant industries.

Barriers to trade in information technologies, by contrast, retard development. To make factories more productive and help economies grow today, you need software programs, semiconductor chips, computers, Internet connections and skilled people. The more a modern nation restricts access to these things, the more quickly its economy will fall behind.

Each month, we find that more of our trade partners agree. And you can see that in our trade agreements. Ten or even five years ago, information technology agreements tended to be bilateral arrangements with individual countries, adopted to solve often bitter disputes about specific products. Our agreements with Japan on semiconductors, super-computers and cellular phones are examples. Today, by contrast, our trade partners are working with us -- not to help the United States, but from self-interest -- on world-wide agreements covering much broader categories of products, or even basic principles that go beyond industrial sectors.

These agreements will ensure access to all the critical factors in development of electronic commerce. One, access to information technology products. Two, access to high quality, high speed, broadband networks that can communicate between computer terminals. Three, capital so entrepreneurs can invest in new businesses. Four, protection of intellectual property, so people who sell innovative goods and services can be sure other people won't simply copy their work. Five, absence of artificial barriers to entirely new forms of commerce. And six, users educated in electronic commerce. Let's look at these one by one.

## **THE FOUNDATION OF THE 21ST CENTURY ECONOMY**

-- One, information equipment. The Information Technology Agreement (ITA) will eliminate tariffs on global information technology products over the next several years. Semiconductors, or computers, telecom equipment, integral circuits - the range of equipment that every factory needs to become safer, more productive, more able to meet the demand of individual customers. Even today these products make up about one in every thirty dollars of world GDP. And we are moving forward with negotiations for an ITA II for expanded product and country coverage.

-- Two, communication. The Agreement on Basic Telecommunications includes 70 countries and over 95% of world telecom revenue in a \$600-billion industry. It gives U.S. and foreign companies access to local, long-distance and international service through any network technology, and allows them to acquire, establish or hold a significant stake in telecom companies around the world. Thus it replaces sixty years of national telecommunications

monopolies and closed markets with market opening, deregulation and competition.

-- Three, access to financial services. Last December, we completed the Agreement on Global Financial Services, including banking, securities, insurance and financial data services. It covers 95% of the global financial services market and 102 WTO members. Their commitments include \$18 trillion in global securities assets; \$38 trillion in global (domestic) bank lending; and \$2 trillion in worldwide insurance premiums.

-- Four, incentives for innovation and creativity. The Uruguay Round, and our ongoing negotiations on intellectual property, will ensure that creators and innovators get the rewards they deserve and the incentives to go further.

### **ELECTRONIC COMMERCE**

Five, the market can also help create entirely new methods of trading information goods and services. And we must act now to protect this opportunity.

We cannot predict the direction technologies will take. Neither can anybody else; even the creators and innovators themselves. The computer pioneer Alan Turing, one of the scientific geniuses of the 20th century, reporting to the British government in 1945, said his proposed machine could calculate range tables for field artillery and "count the number of butchers due to be demobilized in June 1946." He thought it might also solve jigsaw puzzles. Within fifteen years, his work, together with that of a few other computer pioneers, had sent a man into space. A few years later it has transformed the world.

If the most far-sighted scientists and engineers cannot predict the direction technologies will take, governments will certainly do no better. And thus attempts to impose a vision of how electronic commerce should develop will certainly fail, and probably hold it back.

So while government has an important role to play in supporting basic scientific research, its first responsibility -- as the Vice President said a few weeks ago at the launch of the Next Generation Internet project -- is to learn from medicine and "first, do no harm."

And the essence of our trade policy approach to electronic commerce is to make sure we do no harm. trade terms, the Internet is pristine. No member of the WTO now considers electronic transmissions imports subject to duties for customs purposes. There are no customs duties on cross-border telephone calls, fax messages or computer data links, and this duty-free treatment should include electronic transmissions on the Internet.

We hope to keep it that way, with a decision to bar customs duties over the Internet at the celebration of the GATT's 50th Anniversary two weeks from now in Geneva. And we will move on from there to an updated and expanded ITA II; new negotiations in services; early voluntary sectoral liberalization efforts in the Asia Pacific Economic Cooperation forum; and a focus on electronic commerce in our new initiative with the European Union.

### **EQUALITY OF OPPORTUNITY**

And finally, to take full advantage of the opportunities these markets will create, we rely on another basic American principle: equality of opportunity.

This is an area in which government not only can but must act. As technology advances, Americans will need a new level of skill and education. Those who have it are prospering. Jobs in the information technology and electronic commerce fields already pay 46% more than other jobs. And employment in the information technology industries will double in the next ten years, from 1.2 million to 2.5 million.

By contrast, those who lack education and skills are likely to suffer. Already today, if you have a college degree, unemployment is under 2%; but for those without high school degrees, it is over 7%. This disparity may well worsen as the years pass. And we must recognize and act upon that fact today.

We already see widening gaps between educated and less educated workers in America. The Labor Department reports that unemployment for those with college degrees is under 2%. In engineering and technical fields, unemployment may actually be negative, as companies search abroad to fill empty slots. But for those without high school degrees it is over 7%, in the strongest and most successful economy we have had in forty years. And we know that technological advance and automation is the largest cause of job displacement in the country -- which is one reason restricting trade is no solution.

It may be that as the price of computers drops and information technologies become easier to use, the gaps will close again. But we cannot count on that. Instead we must make education, from elementary school to college and on throughout life, must be available to every American. And we must ensure that worker training, health care, adjustment assistance and other services are guaranteed when workers change jobs.

That is why the President has asked Congress to help hire 100,000 new teachers and link every school to the Internet. For lifelong learning programs to help older workers upgrade their skills, through Pell Grants, tax credits and tax deductions to finance returns to school. For broad reform in trade adjustment assistance. And increased funding for worker training generally.

## CONCLUSION

Let me then sum up. We begin with a faith in the goodness and value of human intelligence and creativity. We back this with practical initiatives to open the key markets at the foundation of the 21st century economy; ensure that electronic commerce remains free and open; support the basic research that will help us continue our scientific advance; and educate all our citizens to take advantage of the results.

As a result, the Americans of the next century will be more prosperous, as open markets allow us to export more efficiently to the world; skills and wages rise; and entrepreneurial opportunity opens to the parts of our country that are today the most impoverished and isolated.

We will be healthier and safer as information technologies improve the practice of medicine, make factories safer, and speed response to pollution and other threats to public health.

We will, if we choose, be more educated, as we develop new forms of entertainment, and gain easier access to the classics of art and literature.

And we will see the basic values we have championed -- freedom of inquiry and expression; open government; opportunity and equality -- advance around the world.

The prospects are extraordinary. And the time to make them real is now.

Thank you very much.

Speaker

Talking Points -- AEA

May 5, 1998

Thank you very much for presenting me with your Legislative award. I am deeply honored to be one of the first recipients, and let me congratulate the Majority Leader, Senator Lieberman, Congresswoman Eshoo and Congressman White for their work on behalf of America's high-tech industry.

The growth of the high-tech industry presents us with some of our most complex and important trade policy challenges. And perhaps in no other field will the rewards of successful trade policy, to our country and the ~~entire~~ world, be so great.

WWT

From the economic perspective, over the next few years, information technology already makes up one dollar in thirty of world GDP. U.S. employment in the information technology industries will ~~grow from 1.2 million to 2.5 million jobs~~ <sup>double</sup> and these jobs already pay 46% more than the average wage; the number of web pages is up from fifty when the Clinton Administration took over to 320 million today, and an estimated 3 billion by the turn of the century. And the United States is the world's leader in the field.

Through trade policy, we have an opportunity to set ground rules now for the economy of the next century; not by attempting to impose a vision of how science and technology should develop, but by facilitating <sup>development</sup> ~~their development~~. And as the <sup>world's</sup> technological leader, our country will reap the benefits of ~~that~~.

creating the conditions & setting out ~~the~~ ground rules for their

~~That~~ <sup>is</sup> the foundation of all our efforts. Through the Semiconductor Agreement with Japan, and its expansion to Europe, Korea, Taiwan and others; the Information Technology Agreement, ~~the Basic~~ the Telecommunications Agreement; <sup>the</sup> protection of intellectual property rights, including improvements in China; <sup>the</sup> ensuring open markets for genetically modified organisms and biotechnology products; to litigation and the LAN

deployment internationally

Global

the Global Finan. Svc. Agreements

and negotiation now of IDA II, to the

to <sup>toward every free cyberspace</sup>  
case, Mutual Recognition Agreements in technology intensive areas, our efforts to ~~prevent taxes and tariffs on electronic transmissions~~, we can help make ~~the~~ 21st century one of openness, growing trade, and rapid technological advance.

commerce

- o This in turn will help people live better lives -- with innovation in everything from telemedicine to traffic safety, air travel, factory safety, and education. And it will offer us a chance, world-wide, to promote some of the most important American values -- ~~free markets~~; the rule of law; freedom of expression and freedom of inquiry; open and accountable government; scientific advance and artistic creation.

market economics

o The United States must be there to shape this new world, ~~in trade policy as well as in research and development~~. We will need the right ~~vehicles to do it~~ the FTA, the World Trade Organization, ~~APTE~~, bilateral negotiations -- and fast track. ~~APTE~~

+ the manner in which high tech trade crosses into the next century.

to policies the right vehicles that will include F/T.

It is a great opportunity. We are all very lucky to be present at the ~~very~~ beginning. So I thank you again for this honor, and I look forward to ~~some very~~ <sup>almost</sup> ~~very~~ exciting years ahead.

wonderful

Prepared for Delivery  
"Trade Policy in the Information Age"

Ambassador Charlene Barshefsky  
Economic Strategy Institute Conference  
Washington, DC

speech

May 5, 1998

Good afternoon, everyone. Thank you, Clyde.

I am very pleased to be here at the annual Economic Strategy Institute conference. It is a great tradition. It is great because it dares to think big. And that is what you have asked me to do today.

In my view, our trade policy faces three great challenges. At home, maintaining public support for trade policy as trade grows. Abroad, responding to the end of the Cold War, as three billion people -- in Southeast Asia, Latin America, Africa, China, Eastern Europe and the former Soviet Union -- turn toward the market and away from state control. And, third, looking ahead to ensure that trade policy keeps pace with the technological revolution that is changing the face of the world. And let me begin with that.

## A WORLD TRANSFORMED

We can look at statistics -- 60 million people on the Internet today, over a billion by 2005. Fifty Web pages when President Clinton took office in 1992, 300 million today, over three billion by 2002.

Or we can look at daily life. Food supplies made more secure by new plant varieties that resist disease. Rural health care transformed as family doctors consult on-line with the Centers for Disease Control through telemedicine. Family vacations made easier and safer as the Global Positioning Service satellites provide immediate warnings of bad weather or traffic jams ahead.

Now for all  
Just find a way to  
stop the kids from  
fighting in the back seat

Either way we see the same thing. Extraordinary change is here; and it is making life better. As Thomas Jefferson said of the young America, the world of the information age:

“though but a child of yesterday, has already given hopeful proofs of genius.”

## TECHNOLOGY AND TRADE POLICY

And it promises much ~~more to come~~. Neither government, nor business, nor even the best-informed scientists and engineers, can predict the future of the scientific revolution. *Stephen Hawking's response* Alan Turing, one of the scientific geniuses of the 20th century, applying to the British government in 1945 for a grant to build one of the world's first computers, said he thought it could calculate range tables for field artillery and "count the number of butchers due to be demobilized in June 1946." He said it might also solve jigsaw puzzles. Within fifteen years, his work, together with that of a few other computer pioneers, had sent a man into space. A few years later it has transformed the world.

Our responsibility now is not to predict the innovations of the next decades.

Rather, it is to set some ground rules that will encourage scientific advance; ease its passage from the laboratory to daily life; and ensure that its benefits are worldwide.

And if we do it right, the rewards -- in healthier lives, reduced hunger in poor nations, cleaner air and water, freedom of expression and inquiry, safer workplaces and much more -- will be greater than we can imagine.

## POLICY AGENDA: MARKET ACCESS

That is the effort ~~we have begun~~ and let me give you four examples.

The first is market access.

*on industrial + hi tech goods*  
Our efforts here really began in the early and mid-1980s. They were driven by concerns about our own technological leadership, and focused on specific disputes with Japan. The result was a series of bilateral agreements -- on semiconductors, computers, supercomputers, satellites, cellular phones, medical equipment, telecommunications, the NTT procurement *+ SO ON* agreement and the broadened semiconductor agreement of 1996. The Mutual Recognition Agreements with the European Union in telecommunications and other technology intensive areas such as pharmaceuticals are another example.

These agreements have won results. In Japan we see foreign semiconductor market share up from 8.5% in 1985 to 35.8% in the first half of 1997. Cellular phone subscriptions to the North America TAC system up from 22,000 in 1994 to 600,000 at the end of 1995. Growing market share in medical technology procurement. And deregulation measures in basic telecommunications, wireless cable, direct-to-home satellite services and cable TV.

But we now see opportunities to go beyond specific agreements on specific products, toward global rules that ease the development and dissemination of new technologies everywhere. And that is because open markets in technology also serve the interest of our trade partners. They can more easily export their own innovations, of course, but they also see the advantage of access to new medicines, software programs and specialized semiconductor chips that make their people more secure and their economies healthier. And thus we move towards international or global agreements, reached not so much to solve disputes as to take advantage of common interests. Trade policy at its pro-active best.

These agreements include the most recent Semiconductor Agreement with Japan, broadened to include Europe, Korea and other major producing nations. And more recently, the three agreements we reached last year under the WTO, which together lay the foundation for the economy of the 21st century.

-- The Information Technology Agreement (ITA) will eliminate tariffs on global information technology products over the next several years.

Semiconductors, or computers, telecom equipment, integrated circuits - the range of equipment that every factory needs to become safer, more productive, more able to meet the demand of individual customers. Even today these products make up about one in every thirty dollars of world GDP. And we are now negotiating ITA II with expanded product and country coverage.

-- The Agreement on Basic Telecommunications, which includes 70 countries and over 95% of world telecom revenue in an industry estimated at \$750 billion. It gives U.S. and foreign companies access to local, long-distance and international service through any network technology, and allows them to acquire, establish or hold a significant stake in telecom companies around the world. Thus it replaces sixty years of national telecommunications monopolies and closed markets with market opening, deregulation and competition.

-- And financial services. Last December, we completed the Agreement on Global Financial Services, including banking, securities, insurance and financial data services. It covers 95% of the global financial services market and 102 WTO members. Their commitments include \$18 trillion in global securities assets; \$38 trillion in global (domestic) bank lending; and \$2 trillion in insurance premiums.

## POLICY AGENDA: INTELLECTUAL PROPERTY

The same phenomenon -- the advance of trade policy from specific disputes to global rules that advance science and recognize the mutual interests we and our trade partners share -- is also clear in my second example: intellectual property rights.

*- intensive products*  
Intellectual property ~~works~~ -- pharmaceuticals, software, entertainment -- are often cheap to produce at top quality, once the initial very expensive research and development has been done. American companies ~~and agricultural producers~~ are the world leaders in these fields. We should not tolerate theft of their research.

Fifteen years ago the world's intellectual property standards were very weak. Many countries simply had no copyright, trademark or patent laws at all. Some saw such laws as obstacles to development. And we saw billions of dollars in losses for our own country every year. And so, in the mid-1980s, <sup>U.S.</sup> ~~our~~ efforts on IPR with <sup>all</sup> began with bilateral negotiations, soon bolstered by the "Special 301" law, to simply win the passage of basic laws. <sup>IPR</sup> And from there, we moved on to enforcement. <sup>in foreign countries</sup>

These efforts vastly improved the world's intellectual property standards. They remain <sup>very</sup> ~~very~~ important, as we continue to use Special 301 to ensure passage and enforcement of laws, and will apply it to new areas ~~like the emerging problems~~ of CD and end-user software piracy. ]

But as we look ahead, both we and our trade partners see the value of a broader effort. If piracy of intellectual property is widespread, neither Americans nor foreign entrepreneurs will see much advantage in putting in the work that creates a new software program or an improved staple food. That will slow advances in every field from medicine to entertainment, environmental monitoring, travel and anything else you can imagine. It will prevent countries with weak standards from developing their own film, pharmaceutical and software industries, and it may bar their access to the most modern technologies in other areas.

And so we were able to set standards for the world through the TRIPS agreements in the Uruguay Round. That is a profound change. Our task now is to broaden these standards, deepen them, and make sure they keep up with science.

We must look ahead to prevent piracy of future technologies like digital video discs, and address the threat of an explosion of on-line piracy through implementation of the World Intellectual Property Organization copyright treaties. And we must include innovations in other areas, such as biotechnology products and new plant varieties which are resistant to disease or capable of growing in harsh conditions.

~~These~~ Global rules, to match the technology, must be created. Again,

### POLICY AGENDA: AGRICULTURE

And that brings me to my third example: agriculture, where trade is as old as civilization.

Our trade policies here again, begin with market access, fairness for American producers, and bilateral negotiations. Prior to the Uruguay Round agreement, agriculture was only a weak participant in the GATT system. We had little leverage over export subsidies, high tariffs and other policies common among agricultural importers and exporters. And with the Uruguay Round, for the first time we were able to discipline <sup>subsidies</sup> subsidies, reduce tariffs, and win an international commitment to continue reform through the "built-in agenda."

Supports ↗

Tariffs, quotas and export subsidies remain at the center of our agenda. But we can also look ahead to broad reform and international standards that both reflect and promote scientific advances in agriculture.

The Uruguay Round's Agreement on Sanitary and Phytosanitary Measures, requiring trade restrictive measures taken to protect plant, animal and human health, to have a scientific basis, is the beginning. And the future will require much more.

The New York Times yesterday carried a fascinating story on the application of information technologies to farming, as productivity improves through better predictions of the weather, deeper analysis of soil and continuous monitoring of each part of a field. Biotechnology and genetic engineering are better known and even more impressive.

The potential for these advances to make agriculture more productive and to reduce hunger has no limit. But to reach this potential, we need to ensure open markets. And we must do it through broad agreement to renounce policies on importation and planting of these organisms, and the labeling of products containing them, with no basis in scientific principle.

## POLICY AGENDA: GLOBAL ELECTRONIC COMMERCE

USA  
Having touched on the oldest form of commerce, let now me address the newest.

Today, 45% of all business equipment investment in America is in information technology. That will support a leap in electronic commerce, in the U.S. alone, from \$8 billion today to \$300 billion by the year 2000. This may make us think first of big companies and technological leaders. And Americans rightly take pride in the success of IBM, Microsoft, Intel, Cisco, Oracle, Netscape and others. But its benefits will be greatest in for people now often shut out of trade. A few minutes on the computer already finds the Hopi Nation in northern Arizona advertising kachina dolls to urban buyers, and warning them to protect the tribe's intellectual property by refusing to buy fakes. Or the manager of a real estate firm in Dhaka, the capital of Bangladesh, selling luxury condominiums to wealthy overseas Bengalis, noting that:

“the Internet has become an extremely practical medium through which to contact and inform our international and local clientele.”

And we must act now -- not, as trade policy usually does, to remove barriers -  
- but to prevent them from arising. That is the essence of our policy on electronic commerce. In trade terms, the Internet is pristine. No member of the WTO considers electronic transmissions <sup>as</sup> imports subject to duties for customs purposes. There are no customs duties on cross-border telephone calls, fax messages or computer data links, and this duty-free treatment should include electronic transmissions on the Internet.

We must not close off the possibilities even before they open up. Government must certainly fight crime and ~~defend~~ <sup>Internet protect</sup> children. But its reflex should be to applaud and support, not to limit or regulate, new technologies and their commercial applications. So while government can help a great deal by supporting basic research, its first responsibility -- as the Vice President said at the launch of the Next Generation Internet project -- is to learn from medicine and “first, do no

harm”

Continuing the current practice?

Duty free cyberspace is the top policy response to that maxing.

12  
These 4 examples =  
ind. nat. security, IS, SEC ~~and~~ <sup>will</sup>  
among the backbone of an ~~tech~~ <sup>tech</sup> pol.  
response to ~~the~~ <sup>tech</sup> resolution

## END OF THE COLD WAR

Let me now move to our second great challenge.

That is the end of the Cold War. Regions of the world that were once Cold War battlegrounds -- Latin America, Southeast Asia and Africa -- are now by and large at peace. The ideological battles of the Cold War in these regions have ended as well, as they turn to the market for the prosperity. And so beginning about fifteen years ago, a billion and a half people have joined the world trade system. And we must help write the ground rules for their full integration into the trade system. Our creation of the Free Trade Area of the Americas; President Clinton's inauguration of the annual summit meetings at the Asia Pacific Economic Cooperation forum; the President's Africa policy and pending Africa legislation in Congress; all are part of this effort.

Equally large, and with effects even more profound, will be the integration of another billion and a half people -- the citizens of Eastern Europe, China, Indochina and the former Soviet Union.

Our task is to bring these countries into the world trade system, on the basis of the rules created by the GATT and WTO over the past fifty years. As long as they remain outside the rules-based system that now includes most of the world's trading countries, the system will be incomplete, imperfect and subject to distortion from those who are not bound by its rules.

But their WTO admissions are a complicated task. ~~While the Latin, Southeast Asian and African economies are at least familiar,~~ the reforming communist countries often lack basic price mechanisms. They are only beginning even in theory to separate governments from business and banking. And at an even more basic level, they have little familiarity with the concept of the rule of law. So to strengthen rather than undermine the world's market-based rules, they should be brought in, but only on the right terms. The result must be enforceable commitments to open markets; transparent, non-discriminatory regulatory systems; and effective national treatment both at the border and within the domestic economy.

This is very demanding, both for the countries involved ~~and for our own negotiators.~~ And having just returned from China, I can tell you we have a ways yet to go. It will take patience and effort; but the reward will be worth the effort.

In trade policy terms, the integration of these countries will make sure that standards of market access, intellectual property, and openness are truly accepted worldwide. And underlying this, the principles we seek to promote -- rewards for individual initiative, intellectual property rights, open flows of information -- are also the basis of the free markets, civil society and the rule of law. Thus trade policy will help us complete a broader effort to integrate China, Russia and the others into the world community. And by doing so, it will complete the work begun with the reintegration of Japan and Germany after the Second World War. That is, it will lay the foundation of an era of peace as well as an era of prosperity.

### EQUALITY OF OPPORTUNITY

Finally, let us look to the third great challenge trade policy faces -- the challenge at home.

Any policy, trade or not, must always remember one essential point: it must work to the benefit of ordinary men and women. <sup>+ be perceived as working to their benefit</sup> And this brings us to the final great challenge: ensuring that trade policy retains the support of citizens as trade grows. And as we see technology advance, and three billion people enter the world trade system, this will be no easy task.

As technology advances, Americans will need a new level of skill and education. Those who have these skills are already prospering, as jobs in the information technology and electronic commerce fields already pay 46% more than other jobs. And the future may be dazzling, as employment in the information technology industries doubles in the next ten years, from 1.2 million to 2.5 million and the value of electronic commerce soars.

By contrast, those who lack education and skills are at a disadvantage. Already today, if you have a college degree, unemployment is under 2%; but for those without high school degrees, it is over 7%. This disparity may well worsen as the years pass. And we must recognize and act upon that fact today.

So we must make education, from elementary school to college and on throughout life, must be available to every American. And we must ensure that worker training, health care, adjustment assistance and other services are guaranteed when workers change jobs or lose jobs through no fault of their own.

That is why the President has asked Congress to help hire 100,000 new teachers and link every school to the Internet. For lifelong learning programs to help older workers upgrade their skills, through Pell Grants, tax credits and tax deductions to finance returns to school. For broad reform in trade adjustment assistance. And increased funding for worker training.

## CONCLUSION

Let me then sum up.

If we adapt the right policies today, new technologies can revolutionize every walk of life. They can help people live safer, healthier lives. Make the air and water cleaner. Make governments everywhere more accountable to citizens. Give citizens more ability to become artists and entrepreneurs.

And the right approach is clear. It rests on an insight almost as old as America itself -- in fact, once again, to Thomas Jefferson.

Jefferson, as the author Timothy Ferris writes, was an amateur scientist and patron of research; founded the University of Virginia and originated our broader concept of public education; and was our early nation's great defender of individual rights. He did not pursue these things in isolation -- instead he saw that "science, education and liberty form a whole."

*a better*  
That whole is ~~the~~ good life. And his insight will serve the modern world, as it served ~~the~~ young republic, very well.

Thank you very much.

*Meeting*

ISAC CLOSED SESSION

*WTO -  
Regional - all same  
- (REC) ...  
\* Japan ASIO ...  
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ITR II*

Thank you. Let us now open the closed session.

5/10/98

**I. CONTEXT**

**A. The US Economy Today:**

- Let me begin today with some context. 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 15 million new jobs since 1992, meaning that 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 7 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 30 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" for the U.S. since the 1960's.

- And last month the President submitted a balanced budget for 1999. For the first time since 1969 the federal government will to spend no more than it takes in. And we see a real prospect of budget surpluses in the near future.

#### **B. The Role of Trade:**

Trade is a critical part of this record. Since 1992, exports have accounted for more than one third of U.S. economic growth. Exports now support just over 12 million jobs - a little less than 10% of total employment -- and account for 1 in 6 or 17% of new jobs. And these jobs, on the whole, pay wages 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 10 percent last year and reached a record \$932 billion. Last year's export growth rate surpassed the growth rate in 1996 by more than 42 percent. Growth in exports since President Clinton took office is up 51%.

- The trade deficit remained essentially flat last year. 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. We expect a somewhat higher figure this year due to the Asian financial crisis and the consequent drop in exports. Korea, for example, is importing about \$600 million less from us each month.

**C. In the Future:**

Trade will be even more important in the future. Americans make up 4% of the world's population, and that fraction is shrinking. An emerging global middle class made up of consumers able 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. They are a booming potential market for our goods, services, and agriculture. And our ability to sell in this market will decide whether we remain the world's economic leader in the next century. That is the goal of the Clinton Administration's efforts to expand and preserve open access to overseas markets.

Let me now review our specific agenda.

## II. IMF

Our most important priority is passage in Congress of our contribution to the International Monetary Fund.

Last week, the Congress, due to opposition in the House of Representatives, decided not to include IMF funding in its emergency supplemental appropriation bill. The Senate has given a very strong vote of support, 84-16, to the IMF package. The President remains committed to the IMF funding request, and urges the House leadership to move the legislation forward. It is vital to our national interest that the IMF have the financial resources to address future financial crises as they may arise, and that the United States not send a signal that we are backing away from leadership in the present Asian crisis. The US role as a world leader, and our specific economic interest in healthy Asian markets open to our goods and services, requires us to lead and to take responsibility.

## III. WTO

Let me now turn to the state of our negotiations. In my comments to the opening session, I divided these into four parts: the traditional agenda of the multilateral system,

Europe and Japan; the issues arising from the end of the Cold War; building the 21st century economy; and strengthening support for trade policy at home. Let me go cover these in turn.

**A. Enforcement** -- Before negotiating new agreements, of course, comes monitoring and enforcing those we already have. 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 18 of the 19 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.

**B. OECD and Quad Meetings**

I recently returned from meetings in the OECD and Quad in Paris, to review the OECD agenda and prepare for the WTO Ministerial in two weeks. At the OECD, we have embarked upon a new OECD initiative to develop core standards and guidelines on corporate governance; agreed to work toward an agreement on global electronic commerce, which I will touch on later; continued work on the Multilateral Agreement

on Investment; and reaffirmed the importance of core labor standards at the Ministerial. We look forward to the ILO meetings in June where it is hoped agreement will be reached on a declaration on core labor standards and on a monitoring mechanism.

C. **WTO Ministerial and "Built-in Agenda"** -- Let me now look ahead to the WTO Ministerial in two weeks. One of our major goals there is a decision to maintain the Internet as a duty-free zone and create a work program on global electronic commerce. I will discuss those issues in a little more detail later. We are also looking ahead to the "built-in agenda," on which negotiations will open next year. 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. In addition, new areas of focus for the GATT system must include developing a global response to competition policy, and bribery and corruption to ensure that markets operate as efficiently as possible.

D. **Labor and Environment** -- We will continue building on our initiatives regarding *core labor standards* and *trade and environmental* policies in all fora to make sure that worker exploitation and environmental indifference abroad do not damage America as well.

#### IV. EUROPE

You have no doubt heard of our initiative for closer trade relations with the European Union. The United States and the European Union already enjoy the largest trade and investment relationship in the world. The U.S.-EU New Transatlantic Agenda (NTA) of December 1995 sought to expand and deepen relations through a series of joint actions in the political, economic and social spheres. The idea of the New Transatlantic Marketplace (NTM) component of the NTA was to build upon the already strong bilateral economic relationship and to further reduce bilateral direct and indirect barriers to trade and investment.

Our efforts under the NTM over the last two years have been fruitful. For example, government and industry leaders on both sides applauded the successful conclusion last year of a Mutual Recognition Agreement on product testing and certification that will reduce the costs of exporting in six industrial sectors covering \$50 billion in two-way trade. Sir Leon Brittan and I have been discussing for some time how we can logically move ahead. Neither side is proposing a traditional comprehensive Free Trade Agreement.

The rejection on Monday by the EU Council of the European Commission's version of a transatlantic initiative does not diminish our interest in a broad-based, mutually beneficial initiative between the United States and Europe. We are doing our own independent analysis of what might make sense, but the breadth and scope of any future set of recommendations have not yet been decided. We have also been consulting with the private sector in order to take on board its ideas on what would be most in its interests for inclusion. Obviously, agriculture issues are important for the United States, and agricultural elements will have to be included in anything we do.

#### V. JAPAN --

Now let me turn to Japan. The Administration continues to be concerned about the economic situation in Japan and its impact on U.S.-Japan trade and Asian economic recovery. Japan's global trade surplus grew 80 percent for 1997, and high-level Japanese officials acknowledge that, in the short term, the outlook is not good. Japan's April 24 economic stimulus package is a start, but its success will depend on how quickly Japan implements this package and whether it can follow up with further actions to strengthen its financial system and open and deregulate its economy.

On deregulation, Japan's three-year program was a step in the right direction; but we believe it was insufficient. Last week in Paris, Deputy USTR Fisher met with his Japanese counterparts in Paris. These were productive meetings but we are still working to conclude a package of comprehensive and meaningful deregulatory measures in time for the Birmingham summit.

We also remain concerned about Japan's implementation of several of our bilateral agreements. It is critical that we make concrete progress under these agreements, particularly as our trade balance deteriorates. We are closely monitoring Japan's implementation and enforcement efforts, especially in key sectors such as autos and auto parts, insurance, glass, and computers.

## VI. END OF THE COLD WAR

Now let me review our efforts to respond to and guide the economic developments emerging from the end of the Cold War. And let me begin with Latin America -- our fastest growing foreign market, in which President Clinton has just inaugurated the talks that will create a visionary hemispheric free trade area.

A. FTAA -- Last month in Santiago we launched a truly historic initiative. The *Free Trade Agreement of the Americas* (FTAA) will establish hemisphere-wide rules for all 34 FTAA countries. The 34 Leaders of the democratic nations of the western hemisphere formally launched this in Santiago on April 19, and it is now our responsibility to begin the detailed work.

We have established a structure with leadership determined through the end of negotiations in 2005; nine negotiating groups with chairs set for the first 18 months; and a Committee on Electronic Commerce, comprised of both government and private sector experts, to make recommendations on how to increase and broaden the benefits to be derived from the electronic marketplace. Additionally, we achieved consensus on two key principles for the United States for the negotiations: (1) The FTAA negotiations should improve upon the WTO rules and disciplines wherever possible and appropriate; and (2) the FTAA can co-exist with bilateral and sub-regional agreements to the extent that the rights and obligations under those agreements are not covered by or go beyond those of the FTAA. In other words, the FTAA aims to provide a single set of rules throughout the hemisphere.

B. APEC -- This year's agenda in the *Asia Pacific Economic Cooperation* forum will, if successful, 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. As with the ITA, we will use the WTO to multilateralize and lock in these sectoral agreements. In mid-April meetings in Kuala Lumpur, APEC economies were able to work out some of the details of these proposals and identify sensitivities. However, much work remains to be done, particularly between now and June, and we are disappointed that major differences of view still remain in agreement on scope, coverage and staging in some of the sectors, and in the uncooperative posture of several APEC economies - in particular Japan!

C. Africa -- We have a major opportunity on trade with Africa. Our exports to Africa are now small; at \$6.2 billion last year they take less than 1% of our total exports. But the opportunities for the future, as you saw in President Clinton's trip last March, are great. Africa grew at over 4% last year, and has a population of 700 million. And those who trade and invest in Africa prosper — African investments yield on average 28.7% returns, compared with 11.7% worldwide.

Our goal this year is passage of the President's Partnership for Economic Growth and Opportunity initiative. The Initiative is a comprehensive program aimed at promoting sustained, stable economic growth in Africa by focusing on those countries that are successfully implementing economic reform programs. The House has already

passed the Economic Growth and Opportunity Act, which provides enhanced access to the U.S. market for those African nations which adopt open economies and reform to grow and prosper, and we are now working with the Senate Finance and Foreign Relations Committees to clear up jurisdictional issues and pass a bill this year.

D. **The Middle East** --I should also mention the *Middle East*. Our trade goals here are to bring countries in the region more fully into the multilateral trading system and promote economic integration. This will enhance productivity, make countries more competitive in global markets, and foster the economic cooperation that is central to the peace process. We took an important step in that direction earlier this year when I designated the first "qualifying industrial zone," an industrial park in the city of Irbid, Jordan, where Israeli and Jordanian companies working together will enjoy duty-free access to the United States.

E. **China WTO Accession** -- Let me now turn to 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 policy goals are broader international norms: transparency of laws and procedures,

access to administrative and judicial decision making, and curbs on arbitrary 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.

The pace of WTO accession is up to China. Our objective is a strong, commercially meaningful agreement under which China will provide progressive market access and abide by WTO rules. I had discussions with Chinese officials two weeks ago. We had been concerned that WTO negotiations had taken a step backwards from the November Vancouver meetings. Our experts will now meet -- as they have been -- to look one-by-one at the individual issues.

This is a slow, difficult process. It covers market access issues such as tariffs, non-tariff measures such as quotas and licensing, services including professional services such as accounting, legal and architectural services; distribution such as wholesale and retailing, and ancillary distribution services, for example courier services, transportation, maintenance and repair; telecommunication, including basic and value-added, and banking securities and insurance. It also covers rules - transparency, non-discrimination, uniform application of tariffs, trading rights,

intellectual property rights, trade-related investment measures, judicial review, standards and many more. And accession is not concluded until everything is concluded.

I should also note our recent comprehensive market opening agreement with *Taiwan* which will 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 get market access comparable to other developed economies. Taiwan will also 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.

## VII. 21ST CENTURY ECONOMY

Now let me address the third broad topic -- our efforts to lay the groundwork for the 21st century, and in particular global electronic commerce.

A. **Three Agreements** -- Last year we 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. In the coming years, we will move ahead on talks for an ITA II for expanded product and country coverage
- **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. The agreement covers 95% of the world telecom market and will allow U.S. telecommunications companies 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. The agreement on financial services covers \$18 trillion in securities assets; \$38 trillion in bank lending; and \$2 trillion in insurance premiums -- altogether, twice the value of the GDP of the entire world.

**B. Global Electronic Commerce:** The next step is to ensure that global electronic commerce can develop unimpeded. This means addressing electronic transmissions and especially the Internet. As I noted earlier we hope to obtain a Ministerial decision at the WTO's 50th anniversary celebration to preserve the Internet as a duty-free zone. In the decision, WTO Members would agree to continue their current practices whereby customs duties are not imposed on electronic transmissions, with a view to making this action permanent by making appropriate changes in their WTO schedules by the time of the next ministerial meeting.

We also intend to call for a future WTO work program on electronic commerce. Under this work program, the General Council would be instructed, as part of its preparations for 1999, to seek the views of the respective Councils and Committees (including those responsible for the plurilateral agreements) and to prepare recommendations regarding e/commerce and current WTO disciplines and regarding the role of e/commerce in strengthening the multilateral system.

C. **Intellectual Property** -- Underlying all this is the principle of intellectual property rights. This is the fundamental concept that creates incentives and rewards for scientific advance. Our efforts include not only passing and enforcing basic laws, but ensuring that new products, such as biotechnology products, new plant varieties and more receive proper protection.

## VII SUPPORT FOR TRADE POLICY

Finally, some thoughts about the big picture. The rapid growth of trade and technology make people worried. That is the issue underneath the debates about fast-track, about NAFTA and about trade generally.

The problem in trade policy, of course, is not trade agreements. The problem is high tariffs and long-standing trade barriers in foreign markets; phony science; preferential treatment that other countries enjoy. The solution to these practical problems is to use 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.

And in daily life, the problem is not growing trade or technological advances -- it is making sure that Americans are prepared for the new world. And that is what our Administration is determined to do.

- The President's balanced budget for 1999 provides for significant investments in education and health. It will help schools link their students to the Internet, hire new teachers, and reduce class sizes.
- 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.
- The President also is pushing for lifelong learning programs, so that today's workers aren't stranded. And we will work with Congress to increase funding for worker training within our balanced budget.

## IX. CONCLUSION

Together we have a tremendous opportunity. We will need to work together, and I will need your advice. Let me now hear your comments

**Prepared for Delivery**

**Ambassador Charlene Barshefsky  
ISAC Plenary Session**

**May 6, 1998**

Good morning. Thank you all for coming. It is a great pleasure to be here with Secretary Daley, and I want to welcome all of you to this Plenary Session.

**INTRODUCTION**

Later on we will be able to discuss our trade negotiations in detail. I look forward to your advice, here and in the panel sessions. First, though, I will try to put our agenda in some broader context. And let me begin with a look at the situation in which we find ourselves today.

Our country is prospering. We are at peace with the major countries of the world. American companies are as competitive as they have been in quite a long time, and given the high rate of investment in new technologies, that could continue for some time to come. The government's budget is in balance; crime and welfare rates are falling; and economic growth is high while unemployment and inflation are low.

So, in essence, we face the challenge of good times. That is, refusing to be complacent. Looking to the future, evaluating the long-term trends, adapting to them when we must and steering them in the right direction whenever we can. And that is what we hope to do in trade policy.

**TRADE IN THE U.S. ECONOMY**

Let me begin by putting trade in the context of our economy generally.

Trade has played a crucial role in our economic expansion during this decade. Since 1992, exports have accounted for over one third of U.S. economic growth. Over 12 million American jobs -- just under one in ten -- now depend on our exports. That proportion is growing, as between 1992 and 1996, exports accounted for one in every six new jobs. And that in turn means higher living standards, as jobs supported by exports pay an average of 13 percent to 16 percent higher than the U.S. national average.

And in the future, exports will be still more important to our country and the success of our businesses. About one in every twenty-five people in the world is an American. The other 24 -- or 96% of world population, included the fastest-growing middle classes -- live somewhere

else. India, for example, will have 115 million new members of the middle class by 2005. China. If we can't sell to these people, we will have a hard time continuing to lead the world's economy in the next century.

And so our trade agenda is very full. Since January 1993 we have concluded 250 separate trade agreements. We have succeeded in over 75 enforcement actions under our domestic trade laws and international agreements. We have filed more complaints in the WTO--35 cases to date-- than any other country; and we have prevailed on 18 of the 19 American complaints acted upon so far.

## **LOOKING AHEAD**

We also have a full agenda to pursue over the next year with our industrialized trading partners and at the World Trade Organization.

In Japan, we will push for fiscal stimulus to prevent recession, and broad deregulation to create long-term, demand-led growth. And we will continue to enforce our thirty-four bilateral trade agreements, including telecommunications procurement, autos and auto parts, insurance and glass, as well as monitoring market access for photographic film and paper.

We are also exploring a major trade initiative with the European Union. And next year we will launch negotiations at the WTO in agriculture and services -- the fields in which trade barriers are highest, and in which American producers lead the world.

## **THREE NEW CHALLENGES**

Europe, Japan and the GATT have really been at the heart of our trade policy in the postwar era. But we now, I think, face three new challenges whose economic significance is just as great. And their political significance, both in the international sense and in the sense of domestic support for the trade agenda, may be greater still.

First, the end of the Cold War, which has created new markets, new competitors, and the challenge of integrating a vast part of the world into normal commerce.

Second, the vast changes in business, economics and daily life propelled by information technologies and electronic commerce.

Third, and probably most important, ensuring that as trade grows and has greater effects on the lives of ordinary people, trade policy retains the support of ordinary Americans.

### **1. END OF THE COLD WAR**

Let me address each of these in turn, and let me begin with the first -- that posed by the

end of the Cold War.

The decline of communism and the dissolution of the Soviet Union mean, most obviously, a freer, more peaceful world. They also, though, present us with profound questions in trade and economics.

Regions of the world that were once Cold War battlegrounds -- Latin America, Southeast Asia and Africa -- are now by and large at peace. They are growing, opening to the world, becoming better markets and becoming competitors. More serious still, former communist countries in Eastern Europe, the former Soviet Union, China and Indochina are building market economies and applying to join the World Trade Organization. These things have already had an enormous effect on business strategies; commodity markets; and investment decisions. As time passes they will have an equally big effect on our economy and people at home.

We must adjust to a new reality in which the billion and a half people of Latin America, Southeast Asia and ultimately Africa are fully integrated into trade. To ensure that their markets are as open to our goods and services as our market is to them, we must be sure that the United States leads in writing the ground rules for a much larger trading world in the future. Our creation of the Free Trade Agreement of the Americas; President Clinton's inauguration of the annual summit meetings at the Asia Pacific Economic Cooperation forum; and the Africa legislation in Congress are all part of this effort. It is an immense task that is already raising immense controversy and debate -- as you see in the continuing discussion of fast track.

An equally large, and even more difficult, task is the integration of another billion and a half people -- the citizens of Eastern Europe, China, Indochina and the former Soviet Union. Our task is to bring these countries into the world trade system, on the basis of the rules created by the GATT and WTO in the past fifty years. As long as these nations remain outside the rules-based system that now includes most of the world's trading countries, the system will be incomplete, imperfect and subject to distortion from those who are not bound by its rules. And their ultimate entry is part of a larger effort to secure a permanent peace, similar to the integration of Japan and Germany into the world after the Second World War.

But their WTO admissions are a complicated task. While the Latin, Southeast Asian and African economies are at least familiar, the reforming communist countries often lack basic price mechanisms; are only beginning even in theory to separate governments from business and banking; and at an even more basic level, have little familiarity with the concept of the rule of law. To strengthen rather than undermine the world's market-based rules, they should be brought in, but only on the right terms. The result must be enforceable commitments to open markets; transparent, non-discriminatory regulatory systems; and effective national treatment both at the border and within the domestic economy.

This is very demanding, both for the countries involved and for our own negotiators. And having just returned from China, I can tell you we have a ways yet to go. But I believe we will

ultimately get there.

## 2. THE 21ST CENTURY ECONOMY

Let me now turn to our second great challenge: preparing our country for the economic world of the 21st century.

Today, and more so tomorrow, services as well as goods cross borders. Business is done by e-mail and computer as well as in person. And human ingenuity creates new categories of goods, new forms of services and entirely new ways to conduct trade every day. To quote IBM's Chief Executive Officer, new uses of information technologies in business include:

“transactions among employees within a business to improve how products are developed, ideas are shared, how teams are formed, how work gets done; transactions between a business and its suppliers, distributors and retailers, to increase cycle time, speed and efficiency; and the very important transactions between governments and citizens, students and educators, health care providers and their patients.”

Trade policy must catch up with this in two ways. One, it has to move faster. We can no longer wait seven years for multilateral WTO Rounds to address trade barriers. And two, it has to more fully reflect the reality that barriers to new technological products do not help countries promote their own industries, but reduce their productivity and growth.

And we can already see the system beginning to react. Last year we completed three global agreements at the foundation of the 21st century economy: information technology, telecommunications, and financial services. So significant are these agreements that WTO Director General Renato Ruggiero speaks of them as the equivalent of a major trade Round.

The Information Technology Agreement (ITA) will eliminate tariffs on a wide range of global information technology products over the next several years; products that even today make up about one in every thirty dollars of world GDP. And we are moving forward with negotiations for an ITA II for expanded product and country coverage.

The Agreement on Basic Telecommunications includes 70 countries and over 95% of world telecom revenue in a \$600-billion industry. It provides U.S. and foreign companies access to local, long-distance and international service through any means of network technology, and ensures that U.S. companies can acquire, establish or hold a significant stake in telecom companies around the world. In doing so, it replaces a 60-year tradition of national telecommunications monopolies and closed markets with market opening, deregulation and competition, reflecting American values of free competition, fair rules and effective enforcement.

And last December, we secured the multilateral Agreement on Global Financial Services, including banking, securities, insurance and financial data services. It covers 95% of the global

financial services market, and 102 WTO members now have market-opening commitments in the financial services sectors. They encompass \$18 trillion in global securities assets; \$38 trillion in global (domestic) bank lending; and \$2 trillion in worldwide insurance premiums.

These agreements recognize that we are in an era of intense technological change. When product life cycles are measured in months and information and money move around the globe in seconds. When we can no longer afford to take 7 years to finish a trade Round, or let decades pass between identifying and acting on a trade barrier. When the infrastructure of the 21st century economy is as much information and communications as roads and ports.

### **GLOBAL ELECTRONIC COMMERCE**

And we will have to do more. In particular, we will have to address global electronic commerce, electronic transmissions and especially the Internet. And we will have to do it not by painstakingly scraping off the barnacles, as we generally do in trade negotiations, but preventing them from latching onto the ship in the first place.

As the President noted in his speech to the Technology '98 Conference, the Internet is the fastest growing social and economic community in history. A survey this month concluded that the World Wide Web has at least 320 million pages today, and will have more than three billion by the turn of the century. Experts predict that by 2002, electronic commerce between businesses in the U.S. alone will exceed \$300 billion.

And today, the world of electronic transmissions is, in trade terms, pristine. The GATT system, to oversimplify only slightly, represents fifty years of undoing the tariff and non-tariff barriers governments created over a century. The right vision today will spare the next generation that work in electronic commerce. No member of the WTO now considers electronic transmissions imports subject to duties for customs purposes. There are no customs duties on cross-border telephone calls, fax messages or computer data links, and this duty-free treatment should include electronic transmissions on the Internet. We hope to keep it that way, as a first step to make sure electronic commerce remains a catalyst for growth and expansion of trade.

### **3. THE BROADER DIMENSIONS OF TRADE**

Finally -- and I believe, most important -- trade policy must do more to win the support of citizens, in three critical ways.

One, the pace of change -- growing trade, advancing technology -- in today's economy causes apprehension and anxiety even among workers and consumers who reap the benefits of global trade. Many fear, and not without some reason, that growing trade and technological progress, while creating jobs and raising salaries for the most skilled and educated among us, will devalue the work of those less fortunate.

So we must integrate trade policy with the right approach to education and training. There is absolutely no reason that everyone should not have the skills to succeed in a new world. That is why the President has asked Congress for the money to help schools across the country hire 100,000 new teachers; link every school to the Internet; and give all young Americans the skills they need. Why he has asked for lifelong learning programs to help older workers upgrade their skills, through Pell Grants, tax credits and tax deductions to finance returns to school. And why he has asked both Congress and business to ensure that worker training, health care, adjustment assistance and other services must be there, not only as the initiative of particular companies, but when workers change jobs. Thus we are working to reform trade adjustment assistance, and to increase funding for worker training generally.

Two, many people see trade policy, and especially the World Trade Organization, as opaque and unresponsive to the public. And again, they are not entirely wrong. The trading system must do more to address difficult, controversial but real questions like the links between trade, labor and the environment. It need not always assume these goals conflict -- the APEC commitment to eliminate tariffs on environmental goods and services will directly mean cheaper waste-water treatment plants and efficient power technologies for developing countries, and thus cleaner water, cleaner air, and reduced carbon emissions. But it must address them.

It must also become more open to civil society. There is no reason the interested public should be excluded from observing dispute settlement proceedings or filing amicus briefs. Public input is good, not something to fear. Likewise, secretiveness breeds distrust. So we must make the WTO, including its dispute settlement body, more open, transparent and accessible to the public if the public is to have confidence in it.

And three, many Americans have broad concerns -- amply reinforced by those who wish to make political hay out of protectionist arguments -- that trade agreements or trade itself may be the enemy of good jobs and high living standards. And the answer here is a sustained effort to improve public understanding of the role of trade in the economy.

The facts are plain. A third of our growth in the past five years has come from new exports. One in five new American jobs depends on exports. These jobs pay 13% to 16% above the average wage. We will not prosper in the future if we cannot sell to the 96% of humanity that lives beyond America's borders. And the right education and training policies can help everyone take advantage of these opportunities.

But the public -- at home, not just in Washington -- must get the facts. Government, businesses, and academics must all work harder than we have in the past. We must build public understanding of trade policy; respond to legitimate concerns; dispel unwarranted fears; and set the stage for the tasks we must complete to ensure our nation's prosperity as the next century begins.

## CONCLUSION

The consequence of failure will be severe. A half-century march toward prosperity; jobs; growth; and higher living standards might be interrupted. The ability of the United States to shape the 21st-century world shrunken or eliminated. And of course, the prospects of many of your own businesses diminished.

But if on the contrary we, at the beginning of this new century, redouble our efforts, the rewards -- both moral and material -- will be enormous.

The trends we see are good: a world more at peace and more stable; a country more prosperous than at any time in modern memory.

The tasks at hand are clear -- to integrate a new set of nations into this world, thus cementing the peace and building prosperity for all; and to allow everyone to take advantage of the new world of science, technology and medicine opening around us.

And the reward of success will be extraordinary. Here in the United States we will see men and women working at higher incomes. Business flourishing. New products and services making life safer and easier for ordinary people.

And beyond our borders, a world that reflects our most deeply held values. Where new technologies help freedom of inquiry and expression blossom. Where hard work, creativity and indi

**Testimony of Ambassador Charlene Barshefsky  
U.S. Trade Representative  
Senate Committee on Agriculture, Nutrition and Forestry  
May 7, 1998**

Thank you, Mr. Chairman and Members of the Committee. I appreciate the opportunity to join Secretary Glickman today and appear before you to discuss the Administration's preparations for renewed multilateral negotiations in agriculture which are set to begin in 1999.

**The Importance of Trade to U.S. Economic Prosperity**

Let me begin by putting agricultural trade in the context of the U.S. economy.

We are well into the seventh year of economic expansion for the United States. Unemployment is at its lowest level in nearly a quarter-century. The good news continues on inflation, and consumer confidence is at its highest level since 1970. We have created over 15 million new jobs since 1992; which means that more Americans are working today than at any time since the Government began recording labor statistics nearly 50 years ago.

In February the President submitted a balanced budget for 1999. For the first time since 1969 the federal government will spend no more than it takes in, an achievement that was not expected until 2002. We now are discussing budget surpluses for the first time in many of our memories.

And throughout this economic expansion, trade has played a crucial part. Its role, in fact, is hard to overstate. Since 1992, exports have accounted for over one-third of U.S. economic growth. Over 12 million American jobs now depend on our exports, including one in five manufacturing jobs. One out of every six new jobs created in the last 5 years is because of exports. And that in turn means higher living standards, as jobs supported by exports pay an average of 13 to 16 percent higher than the U.S. national average.

**Trade and Agriculture**

And in no sector of our economy is the link between trade and today's prosperity clearer than in agriculture.

Agricultural exports help our entire economy: near-record farm exports of just over \$57 billion in 1997 and a positive trade balance of \$21 billion. Agricultural sales abroad account for nearly 10 percent of total merchandise exports. And during the last five years, U.S. agricultural exports are up by one-third.

Agricultural exports mean jobs and prosperity for America, and reduced risk for American agriculture. Overall, one out of every three acres of America's farms is dedicated to exports. Agricultural sales overseas support nearly one million jobs in the United States. And America's

farmers and ranchers rely twice as heavily on foreign trade as the U.S. economy as a whole, with exports accounting for an estimated 30 percent of gross cash receipts.

In the future, exports will be still more important to our country and its farmers and ranchers. Americans comprise only 4% of the world's population and we are near zero population growth. But the world's population is growing rapidly, and the power of emerging middle classes made up of consumers with the ability to shift their consumption patterns have become a critical factor driving markets. In India, for example, there will be 115 million new members of the middle class by 2005. China, among the fastest growing economies in the world, will have 196 million more members of the middle class by 2005. All these new middle class consumers, and others around the world, represent a booming potential market for our products.

### **Results and Enforcement of Our Agreements**

Today's impressive agricultural export numbers reflect the efficiency and competitiveness of U.S. agriculture. They also reflect years of bipartisan work to reduce trade barriers and gain access to foreign markets. Let me discuss our trade policy work in two areas: first, the results and enforcement of our major existing agreements; and second, the work ahead.

We have negotiated 253 separate trade agreements. They include five landmark market-opening accords -- the Information Technology Agreement, the Global Financial Services Agreement, the Global Telecommunications Agreement, the North American Free Trade Agreement (NAFTA) and the Uruguay Round Agreements.

The NAFTA and the Uruguay Round are of particular significance for agriculture. We are now seeing the results come in, both in U.S. export figures and better ways to defend the rights of our farmers and ranchers in trade disputes.

Under *NAFTA*, our agricultural exports are booming. Let me repeat that. Our exports to our NAFTA partners are booming. In the current fiscal year, agricultural exports to Canada and Mexico are forecast to grow by \$1 billion to \$12.7 billion. Sales to these two countries should account for almost one quarter of all U.S. farm exports. In just the first five months of FY 1998, exports to Mexico are up 17 percent, and sales to Canada are up by 9 percent. And the increases are widespread, in exports of bulk, intermediate, and consumer-oriented products to each country.

NAFTA's preferential tariffs for U.S. exports, particularly in Mexico, are especially important given the Asian financial crisis. Exports to these countries have thus far offset to a great extent the severe decline in Asian demand. Of the top five U.S. export markets for agriculture, only sales to Canada and Mexico are running ahead of year-earlier levels.

The *Uruguay Round* helped us discipline export subsidies, improve market access; control domestic price supports; establish sanitary and phytosanitary (SPS) disciplines and create a tighter, more enforceable dispute settlement mechanism. By the year 2000, the value of global

agricultural export subsidies will be about one-third less than when the Uruguay Round Agreements were signed.

We also have a series of bilateral achievements that have expanded access for U.S. agriculture. For example:

- We have opened up markets and overcome phytosanitary hurdles for a range of U.S. citrus or and other fruits in countries like Brazil, Chile, Mexico, China, Korea, Japan, and Thailand.
- During the Uruguay Round, we negotiated new access to Japan for U.S. pork and rice exports. Before these negotiations, Japan refused to purchase U.S. rice. Over the last two years they have purchased approximately 430,000 tons of our rice. The United States is now providing just over one-half of Japan's rice imports.
- In April 1997, Japan removed its import ban on 25 varieties of U.S. tomatoes, a move which could open a \$100-million market. We used our success in Japan to leverage export approval of these same 25 tomato varieties in Taiwan.
- In China, we have opened the market for U.S. live horses, apples from the states of Washington, Oregon, and Idaho, cherries, and , most recently, grapes.
- China has instituted a one year trial program to allow specific U.S. meat processing plants to export to China for retail sale.
- U.S. officials have established export protocols to ship live swine to Argentina and Peru and to also export live cattle to Peru.
- Last year's veterinary equivalence agreement with the EU addressed a range of sanitary issues blocking U.S. live animal and animal product exports to the EU.
- In February, we negotiated a bilateral WTO accession agreement with Taiwan that was very favorable to U.S. agricultural exports, providing new access for U.S. poultry and pork and beef variety meats. Taiwan has also committed to begin the process of opening its rice market.

Dispute Settlement, SPS Agreement Critical to U.S. Agriculture. Two of the most significant long-term achievements of the Uruguay Round are the dispute settlement system established in the World Trade Organization and the Sanitary and Phytosanitary (SPS) Agreement. These two agreements, along with renewed multilateral agricultural negotiations in 1999 and existing domestic trade legislation, form the basis of our attack on the remaining trade barriers facing U.S. farmers and ranchers.

Prior to the Uruguay Round, countries faced little cost within the international trading system if they refused to honor their trade obligations. Today, when countries do not live up to their commitments, we can pursue our rights in the WTO as well as utilize our domestic trade remedies.

Mr. Chairman, the Committee is, of course, well aware of our domestic tools including various provisions of the Trade Act of 1974, most commonly known as "Section 301" or "Special 301" to address unfair foreign government measures and intellectual property rights enforcement.

The ability of the United States to use access to its market as leverage in attacking foreign trade barriers has been enhanced under the WTO. The Dispute Settlement Understanding specifically provides for "cross-retaliation," across sectors and across agreements, providing greater leverage to enforce all the Uruguay Round agreements. This was not the case prior to the Uruguay Round.

We have not been shy in using the WTO's dispute settlement system. The United States has filed 36 complaints with the WTO. Fourteen of them -- just over one-third -- involve agricultural products. We bring good cases to the WTO and we have scored significant victories; successfully resolving 18 of 19 U.S. complaints.

Of the agricultural cases we have brought, seven have been settled, all on terms favorable to the United States. Let me review briefly each of these successes:

- Korea has made improvements to its regime for testing and inspecting agricultural imports that remove barriers to U.S. exporters;
- Korea has also substantially revised its shelf-life standards for agricultural products that acted as an unjustified barrier to imports;
- The EU signed a comprehensive agreement covering its import regime for grains with the United States;
- Hungary has agreed with the United States and several other countries to bring its agricultural export subsidy regime into compliance with its WTO obligations.
- The Philippines has agreed to administer its TRQ's for pork and poultry imports in a manner that allows imports to occur and does not discriminate against U.S. exporters.
- We prevailed in a major case against the EU's import regime for bananas. This victory provides important disciplines and limitations on licensing schemes that have restricted trade.

- Most recently in January, an appeals panel of the WTO reaffirmed the U.S. position that the EU's hormone ban, which denies full access to the EU market for high-quality U.S. beef, violates the EU's obligations under the SPS Agreement. The EU's restrictions have no basis in science.

The hormones case has been difficult. But the WTO appellate panel decision demonstrates that the WTO dispute settlement system can handle difficult disputes over food safety and health. Just last week WTO Director General Ruggiero appointed two arbitrators who will determine the length of a reasonable amount of time in which the EU must come into compliance with the WTO panel decision. Let me be clear that we expect the EU to comply with the hormones decision as well as the WTO's earlier ruling on the EU's banana regime.

We will be vigilant on similar issues whenever they appear. As we negotiate trade agreements that reduce tariffs, SPS barriers become more visible, relevant, and, to countries seeking to restrict access, attractive. We must guard against the increasing use of SPS barriers as the "trade barrier of choice."

Our ability to invoke an agreed set of international principles and rules on protecting plant, animal, and human health -- which we did not have three years ago -- is a key tool in influencing the decisions of many of our trading partners on these issues. Armed with this Agreement, the Administration has made progress in removing unjustified trade barriers and opening the door to increased agricultural and food exports.

But clearly more work is needed. This year's review of the SPS Agreement is a chance to address the overall compliance of WTO members as well as to address measures adopted by some members that violate provisions of the Agreement. The SPS Agreement is an important, effective, tool in our efforts to remove unjustified barriers to U.S. agricultural exports. We will continue to use WTO consultation and dispute settlement procedures, as well as our domestic laws, to remove these barriers.

### **Looking Ahead: Agricultural Negotiations in the WTO**

Now let me look ahead. Because while American agriculture is justly proud of its export success, our work is not finished. Around the world, we still face high tariffs; trade restrictions thinly disguised as health and safety restrictions; administrative schemes for tariff rate quotas that mimic the tariffs they replace; and state trading enterprises that restrict imports and unfairly compete with our exports in third country markets.

*New Agriculture Negotiations in 1999.* The United States realized even before the negotiations for the Uruguay Round concluded that more must be done to reform world agricultural trade. And so we insisted that the Agreement on Agriculture provide for renewed multilateral talks in agriculture to begin in 1999.

As we develop our objectives for the negotiations, which will require consultations with a range of domestic interests, we can already identify a number of areas which need further attention. Let me address briefly some of these key areas:

- Market access. The U.S. has on average among the world's lowest tariffs on agricultural products. Other countries such as Korea, Norway, Pakistan and India have much higher tariffs. Thus, across-the-board tariff reductions will help U.S. producers. We must also negotiate improved rules for tariff rate quotas and make sure countries cannot fall back on restrictive administrative procedures.
- Export subsidies. We must build on the progress made thus far in reducing and eventually eliminating export subsidies. One need only look at the amount of money budgeted for exports subsidies in the EU -- just over \$7 billion in 1997 -- to realize that the subsidy threat to U.S. exports has not vanished. We need further disciplines on export subsidies. This is vital if we are to ensure fairness for American farmers and ranchers.
- Transparency and improved disciplines on State Trading Enterprises. The United States has much to gain from disciplining STEs. STEs can distort trade and they frequently operate behind a veil of secrecy. They allow some countries to undercut US exports into third markets and restrict imports. We intend to build upon our ongoing efforts in the WTO's Working Group on STEs so that we will be ready to move aggressively in this area when negotiations begin.
- Biotechnology. The United States leads in developing genetically modified organisms (GMO's) that hold tremendous promise for global consumers and producers. The world's population grows about 2 percent annually; and thus it has 80 million more mouths to feed each year. That requires more production from every acre, and biotechnology helps our farmers and ranchers provide it. But other countries threaten to adopt policies regarding importation and planting of GMO's and the labeling of products containing GMO's that are not based on scientifically-justified principles. As the world's largest and most efficient agricultural producer, our farmers and ranchers must be able to use the technology which will allow them to be more productive.

In Geneva, we are using the WTO's Committee on Agriculture as the vehicle for moving toward consensus on an agenda of issues for the 1999 negotiations.

Here in Washington, we are beginning to gather the views of agriculture producer and commodity groups, private sector companies, academics, Congress and others to identify the goals, objectives, and negotiating positions for U.S. agriculture. We have begun a series of meetings to draw on the accumulated knowledge of government and university researchers. We will then reach out to individuals and groups in the private sector to gain the benefits of their experience.

The advice and counsel of non-governmental groups will be critical for identifying objectives for the negotiations. The Administration benefits from the advice received from the statutorily mandated private sector advisory committees that were established pursuant by the Trade Act of 1974. We expect, in addition, to undertake a full range of consultations, including a solicitation of public comment.

I would like to note at this point, Mr. Chairman, that our agenda for 1999 will benefit all Americans. We intend that the global agricultural negotiations will add to a long string of multilateral agreements that have resulted in a progressively more liberal world trading environment for goods, services, and investment. That is a world in which consumers have more choice, and therefore more freedom. In which human, financial, and natural resources are used more efficiently and productively with gains to all rather than a select few. And in which society prospers while hunger diminishes.

### **U.S. Agriculture Must Stay Involved in World Trade**

Mr. Chairman, let me say in conclusion that the price of inaction would be very high.

Our major competitors -- the EU, Canada, Australia, Brazil and Argentina -- are developing foreign markets, often through preferential trade agreements that go around us, rather than include us. And thus we risk being placed on the sidelines of global farm trade as our competitors write the rules without us and secure markets at our expense.

Nowhere does the rush to expand trade agreements affect U.S. agriculture more than in Latin America. The danger of inaction in Latin America, and other regions where free trade agreements are being signed, is lost opportunity for U.S. agriculture. We risk losing out to others in our own neighborhood -- and not because they are more efficient producers, but because they are party to trade agreements that put the United States at a commercial disadvantage. That is why the upcoming negotiations for a Free Trade Area of the Americas are so important. We will begin talks on agriculture this summer with the goal of improving access for U.S. producers and building momentum for the 1999 global agricultural negotiations.

The problems we face today in agricultural trade are clear: high tariffs, phony science, and preferential treatment enjoyed by other countries. These things reduce farm income. And 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. And the result will be more prosperous farms, higher standards of living in rural counties, and a stronger American economy generally.

As the President said in his State of the Union Address:

“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. We must shape this global economy, not shrink from it.”

As the President has consistently stated, fast track is an important trade policy tool and the Administration is committed to securing fast track authority. We intend to continue to work with the Congress on a bi-partisan basis to build the necessary consensus to assure passage. At the same time, we are going to move ahead with a comprehensive, entrepreneurial trade agenda that seeks new opportunities for U.S. exporters around the world.

I look forward to working with you, Mr. Chairman, members of the Committee, and with the agriculture community, to get the job done.

**Prepared for Delivery**

**Ambassador Charlene Barshefsky  
Washington College of Law Commencement Address**

**May 24, 1998**

Good morning. Thank you, Dean Grossman; President Ladner; Provost Kerwin; and Trustees. And congratulations to the graduates of the Washington College of Law, to your teachers, and to your parents.

**THE WORLD TODAY**

Let me begin by saying that each of you has -- in addition to the talent, perseverance and wit any law school graduate must have -- a remarkable opportunity. You live in a world whose economy is generally open; in which science and technology are more advanced than at any time in history; which is, on the whole, peaceful and free.

And much of this bright prospect rests on open trade. As President Franklin D. Roosevelt said in one of his wartime Fireside Chats over the radio:

“A basic essential to peace, permanent peace, is a decent standard of living for all individual men and women and children in all nations. Freedom from fear is eternally linked with freedom from want. [And] it has been shown time and time again that if the standard of living in any country goes up, so does its purchasing power -- and that such a rise encourages a better standard of living in neighboring countries with whom it trades.”

Every year we see his vision justified again in practice. Since 1960, an opening, liberalizing economy has helped world exports grow from \$60 billion to \$6.5 trillion in constant dollars. That has helped quadruple world economic production and more than double real per capita incomes, from under \$3100 to over \$6300 last year.

In practical terms, this means better lives. It means more consumer goods of course. But trade also transmits new medicines around the world. More open trade in agricultural products means better nutrition and a more reliable food supply. Trade in information technologies -- faxes, e-mail, the Internet -- opens freedom of expression, scientific inquiry and political debate.

As a consequence, people have better lives. In 1955, the world average life expectancy at birth was 48 years; now it is 65. Where the infant mortality rate was 148 per thousand, today it is 59. And closed, repressive societies from Latin America to Europe to Southeast Asia and Africa have turned to democracy.

## THE WORLD YESTERDAY

If we are wise, we can expect these trends not only to continue but accelerate. We can see the further progress of science. Wider opportunities for education. Continued economic growth. And consequently an even better future.

But this is not inevitable. In fact, we could easily see something very different. Because open trade -- and beyond that, high living standards, the quality of life, and peace among nations - do not arise by themselves. They are the consequences of policy and law. And we can throw them away as easily as we can encourage them. To prove the point, let me offer you a quote about an earlier era of peace and prosperity created by open trade, rearranged only very slightly:

"The inhabitant of London could order by telephone the various products of the whole earth, and reasonably expect their early delivery upon his doorstep; adventure his wealth in the natural resources and new enterprises of any quarter of the world; couple the security of his fortunes with the good faith of the townspeople of any substantial municipality in any continent; [or] secure forthwith cheap and comfortable means of transit to any country or climate... But most important of all, he regarded this state of affairs as normal, certain and permanent, except in the direction of improvement, and any deviation from it as scandalous, aberrant and avoidable... *What an extraordinary episode in the progress of man was that which came to an end in August, 1914.*"

That was John Maynard Keynes, reflecting in the autumn of 1919 on the First World War; and the new world he saw emerging from it. Russia and later China embarked on the road to famine, gulags, political purges and finally nuclear confrontation with the West. Italy, Germany and Japan established cults of race and war. And the rest of the world engaged in tariff wars that cut trade by two thirds, deepened the Depression, and left millions of people unemployed and miserable.

Such things are not simply history. They are warnings to us today, when our country stands at the peak of our power; and when the world, not without justification, looks ahead to a sunlit age of peace, prosperity and scientific advance.

We remain as free to shut our borders and impoverish ourselves as we are to open trade and grow. Many, fearing free competition, urge us to do precisely that.

We are as free to pollute the seas and the atmosphere as to protect them. And some tell us it is impossible to prosper while addressing climate change or protecting endangered species.

And just last week, India's nuclear tests reminded us that peace in the world is not a natural condition but the result of human reason and foresight; that the power of science to cast light upon the workings of the universe is also the power to destroy civilization.

## THE RULE OF LAW

The fundamental task of lawyers and the law is to replace the rule of force with the rule of law. A second, much older, quotation from the Roman historian Livy states the problem clearly:

"The defense of liberties is a difficult thing: pretending to want fair shares for all, every man raises himself by depressing his neighbor; our anxiety to avoid oppression leads us to practice it ourselves; the injustice we repel, we visit in turn upon others, as if there were no other choice except either to do it or to suffer it."

That is, within the natural desire for freedom -- for security -- for prosperity -- lie dangerous temptations. And without the rule of law to prevent them, some will act on these temptations -- if only because they fear someone else will do it first.

## THE TRADE SYSTEM

And so, over time, the United States has led an effort to create international laws and institutions which, backed by a strong national security policy, promote the rule of law; transparency; and peaceful settlement of disputes.

We have helped win acceptance of international standards of human rights -- and the Washington College of Law, including today's graduate Gillian Brady and the publication Human Rights Notes -- has advanced the efforts. We created bans on chemical and biological weapons, and limits on the testing and possession of nuclear weapons. We have set benchmarks for the protection of the environment and for core labor standards.

And we have helped realize Roosevelt's vision of universal open trade as a contributor to peace. His successors began the work with the Bretton Woods Conference in 1944. And this led to creation of the network of international institutions familiar to us today -- the IMF and World Bank, the International Labor Organization, and in 1948, the establishment of the General Agreement on Trade and Tariffs, or GATT.

At its inception the GATT was an agreement among 23 countries to cut tariffs back from the levels of the 1930s, and more broadly speaking, to base trade on freer markets, transparency and the rule of law. Today the GATT's successor, the World Trade Organization, has 132 members and includes about 4.2 billion of the world's 5.8 billion people. Its rules cover everything from tariffs to agricultural inspection standards, government procurement and intellectual property rights.

And its results are precisely those Roosevelt predicted. The trade system has created jobs. Raised living standards here and everywhere around the world. Encouraged peaceful settlement of economic disputes. And moved us toward a world based more on law, transparency, and free markets than on force and compulsion.

## **THE WORK AHEAD**

This is the foundation. It has served us well. But the job is only partly done. And it will be up to you, as the next generation of lawyers, to complete the work.

I have just returned from a conference in Geneva to mark the 50th anniversary of the GATT -- and it was extraordinary to see how wide the consensus on these things has become. Leaders from all over the world -- from President Clinton to President Mandela of South Africa, and from Britain's Prime Minister Blair to Brazil's President Cardoso -- spoke to the vast benefits of trade for their nations and people.

And as we look to the future, we also see an emerging consensus on the great tasks we must face in the years ahead.

First, the rules of trade can be more comprehensive, can cover more areas, and can thus do more to make nations prosperous and give families higher living standards.

Second, some of the world's largest and most powerful countries, representing the other 1.6 billion people in the world, are not yet members of the rules-based trading system.

Third, as revolutionary changes in technology transform the international economy, trade must adapt to the new realities.

Fourth, the trading system must do more to address concerns about the quality of life -- in particular, it must ensure open trade goes together with decent working conditions everywhere in the world, and with a clean world environment.

Finally and more generally, the system must have a stronger foundation, which can only come from greater openness and accountability.

And let me address each of these in turn.

### **A MORE COMPREHENSIVE SYSTEM: KEY TO PROSPERITY**

First, a more comprehensive system will do more to help us prosper.

Trade already makes an extraordinary contribution to our jobs, living standards and growth in our country.

Twelve million Americans work at jobs that depend on exports. That is one in every twelve workers. Even more remarkable, one in five new American jobs depends on exports, and these jobs pay 13-16% above average.

Trade gives consumers -- especially people at lower incomes -- a higher standard of living by keeping inflation down and ensuring reasonable prices for food, clothing and consumer goods.

One third of all our economic growth in the last five years has come from trade. And in the future, we know that Americans are only 4% of the world's population; and our country will not prosper or continue to create 20% of the world's wealth if we are unable to sell to the 96% of humanity that lives beyond our borders.

So we must work hard, and aggressively, to make the world more open to our goods. Agriculture and services, where Americans are the world leaders, are areas where trade barriers remain very high. And generally speaking, the world's barriers are higher than ours. It is only fair to expect others to give us the same access we offer to them.

### UNIVERSAL ACCEPTANCE: A STRONGER PEACE

Second, we must complete Roosevelt's vision of a universal system of open trade as a contributor to peace.

This means the integration of our former Cold War adversaries, Russia and China into the World Trade Organization. For decades these countries operated a system antithetical to WTO principles. They allowed virtually no private business other than a few foreign factories and small-scale private farms. They had no independent judicial system, and consequently their governments operated by arbitrary command rather than transparent laws. Their economies were almost entirely separate from those of the capitalist world; their political beliefs were hostile to it; and they thus had little stake in peace and stability beyond their borders.

This system has now conclusively failed. As late as the 1950s, Nikita Khrushchev could threaten to bury the U.S. because of the superiority of the Soviet economy. And the Soviet model continued to win adherents in developing countries until the mid-1980s. But history's judgment is now clear. When judged by productivity and living standards; scientific and technological progress; or the basic values of freedom and the rule of law, free markets are superior.

And so, in their own ways, Russia and China -- along with Vietnam, Ukraine, Kazakhstan and many other nations -- broke with this legacy. They are trying to create markets. Enter world trade. And in the largest sense, replace the rule of man with the rule of law.

Their task is enormously difficult. A former Central European dissident has compared it to "taking fish soup and making it into an aquarium." And their success in the effort -- for the living standards of Russians, Chinese, Vietnamese, Laotians and Eastern Europeans, and for the immense contribution to peace that prosperity and the rule of law in these nations will make -- is among the most important tasks the world faces today. It is, I believe, no less important than the reintegration, through the GATT and the other Bretton Woods agreements, of Japan and Germany after the Second World War.

And accession to the WTO, under commercially meaningful terms, will bring them a long way toward the goal. The negotiations we conduct on this question are vastly complex, involving everything from thousands of individual tariffs to copyright law enforcement and scientific food inspection standards. But the results, as years go by, will be profound: free markets; openness to the world; transparency; peaceful settlement of dispute; the rule of law. And that in turn will mean greater prosperity, and a more secure peace in the next century.

### **THE 21ST-CENTURY ECONOMY**

Third, we must adapt and update the trading system to the technological world of the 21st century.

In every field of human activity, science is moving ahead with astonishing speed. The Internet, for example, had fifty Web pages when President Clinton took office; it now adds 65,000 every day. Health care is advancing through telemedicine, new pharmaceuticals and advanced medical equipment. Agriculture is raising productivity, protecting the environment, and helping to guarantee the world's food supply through biotechnology. And satellites and microchips are bringing us everything from easier communications to safer family vacations.

The right trade policy will further encourage the development of these technologies, and ease their transmission from the laboratory to the market. Last year we led in the creation of worldwide agreements on open trade in information technologies and telecommunications. Last week we won a standstill on tariffs for Internet commerce. We are working toward international acceptance of patent protection for genetically designed plant varieties which can make farms more productive and help ensure a reliable supply of food for the world, and copyright enforcement that gives artists the incentive to create and to publish.

These are simply the beginning. It will be up to you to complete the job. And as you do, we will see the world more prosperous. Americans rewarded for our technological leadership. Health and nutrition will progress even further. And perhaps most important, our values of open debate, freedom of expression and civil society advance -- as we already see the Internet becoming a forum for discussion of politics, sports, science and every other subject you can imagine.

### **BROADER COVERAGE: LABOR AND THE ENVIRONMENT**

Fourth, we must ensure that trade and social values -- for example, environmental protection and the observance of core labor standards -- continue to advance together.

In the United States, the three decades since the first Earth Day in 1970 have seen GDP rise in real terms from \$3.8 to \$8.1 trillion -- while our percentage of fishable and swimmable rivers and streams doubled, the number of citizens living in cities with unhealthy air fell by half,

and many endangered or threatened species, including the bald eagle, recovered.

(These things are the result of laws passed in the 1970s. The Clean Water Act, the Clean Air Act and the Endangered Species Act deter pollution and destruction of habitat. And they help us find new technologies that eliminate lead in auto engines, scrub sulfur from fumes that come from burning coal, and sift out sea turtles from hauls of shrimp for the market. And as we look ahead, we already see the same opportunities abroad.

We can eliminate tariffs and other barriers to trade in environmental goods and services -- coal scrubbers, efficient energy technologies, waste-water treatment plants, pollution monitoring equipment -- and thus ease the task of governments in providing their people clean air, clean water, and improved public health. We can eliminate trade barriers in efficient energy technologies, allowing nations to produce more power with less emission of greenhouse gases. We can adopt rules that reduce or eliminate subsidies, such as those for fisheries, and thus move toward sustainable management of natural resources. We can look ahead to prevent conflicts from arising between trade agreements and environmental values -- and the Washington College of Law, with the Environmental Law Society's publication "Eco-Notes," and Julie Carter's work to set up the most recent International Wildlife and the Law conference, is already doing so.

Likewise, in labor policy, the trade system faces a challenge in assuring workers that they will benefit as well as companies. As part of this effort, the trade system must work more effectively with the International Labor Organization, with businesses and with citizen activists to ensure observance of core labor standards -- banning forced labor and exploitive child labor, guaranteeing the freedom to associate and bargain collectively and eliminating discrimination in the workplace. These are fundamental human rights and common concerns, and trade has a place in addressing them.

### **GREATER LEGITIMACY: THE ROLE OF THE CITIZEN**

Finally, and perhaps most important, we must make the institutions of trade more responsive to the concerns of citizens.

That means, for one thing, ensuring through education and job training that the benefits of trade and technological advance come equally to all countries, and all our citizens at home. It means a broader effort to improve public understanding of the benefits of trade -- not only from government, but from business and academia; as Dan Cornette, for example, has done by involving more Washingtonians in international law. And it means reforming the institutions of trade to make them more open, accessible and accountable to the public.

Our government has succeeded for two hundred years because it is open and accountable. And if international institutions are to succeed, people must see them as open and accountable. That is true in any field. But reform is especially urgent, I believe, in trade -- because trade touches our lives so deeply and directly. We have international rules for trade in the clothes we

wear, the food we eat for breakfast, the cars we drive to work, the computers we turn on at the office, the microchips which run them, and the banks in which we deposit our paychecks.

If people are to have faith in these rules, we must be able to see them in operation and contribute to their development. And today that is not entirely the case. For example, the World Trade Organization does not let people sit in to watch arguments before dispute settlement panels. That is wrong in itself, and is a natural breeding ground for rumors and misinformation.

And so we are beginning a movement for reform, which you will complete. It extends from opening these panels to the public -- and President Clinton was the very first world leader to offer to open up all the disputes in which we participate -- to giving civil society its proper role as we look to the rules for trade in the next century.

Here let me note one very hopeful precedent. Last month in Santiago, the democratic nations of the Western Hemisphere agreed not only to open talks toward a Free Trade Area of the Americas, but to create a Civil Society Committee to give business associations, labor unions, environmental groups, student associations, consumer representatives and others a voice in its creation. The negotiations can thus take advantage of work like that done by Adriana Moreno as the organizer of the alumni conference on hemispheric integration; and of Dean Grossman and so many Washington College of Law students on the report to the Inter-American Human Rights Commission on the status of women in the hemisphere.

## CONCLUSION

Our task today, then, is clear. President Roosevelt laid out a vision in the darkest moment of human history: of an open world, prosperous and governed by the rule of law. That vision remains valid today, when the world is more prosperous, healthy and hopeful than ever before.

And it will be up to your generation, whether you move on from the Washington College of Law to an academic career, public interest law, business or -- as I hope many of you will choose -- public service, to complete the work which has begun so well.

Universal acceptance of open markets, the rule of law, and peaceful settlement of disputes.

Incentives and rewards for the development of new medicines, more productive farms and new forms of art.

A rising quality of life as factories are safer, children are in school rather than at work, the air and water are clean and our natural heritage flourishes.

A system of international laws and institutions that are open, transparent and accountable to the public.

And as a result, a world of freedom from want; and freedom from fear.

Once again, my sincere congratulations to the Washington College of Law; to your families, and to you, the graduates, on this special day.

Thank you all very much.

**Statement on Status of U.S.-Vietnam Bilateral Trade Agreement**  
**Office of the United States Trade Representative**  
**House Ways and Means Subcommittee on Trade**  
**June 18, 1998**

Obtaining the fullest possible accounting for POW/MIAs remains the Administration's top policy priority with respect to Vietnam, and all other policy decisions are considered with this in mind, including issues pertaining to economic normalization and trade relations. In fact, it was in the context of progress on POW/MIA accounting that President Clinton lifted our trade embargo in February 1994. Until that time, the United States had no trade relations with Vietnam. In July 1995, again in light of continued cooperation in accounting for POW/MIAs, the President normalized diplomatic relations with Vietnam, and directed that the process of economic normalization with Vietnam begin in accordance with relevant U.S. laws.

With the lifting of the trade embargo in 1994, trade was allowed to flow between the United States and Vietnam, but not on normal terms. Vietnamese exports to the United States still face high tariffs in the range of 40%-80%. These high tariffs, known as "Column 2" rates, apply to the few countries that do not receive MFN treatment. Vietnam is one of only a small number of countries that are not currently eligible for normal trading status.

Extending such most-favored nation trading status to Vietnam is governed by Title IV of the Trade Act of 1974. Title IV establishes two preconditions for extending MFN trading status to Vietnam:

- First, Vietnam must meet certain freedom of emigration requirements set out in the Jackson-Vanik amendment to the Trade Act. The President may waive these requirements annually upon a finding that issuing such a waiver would promote the freedom of emigration goals of the statute. The State Department has already addressed the granting of this waiver in March 1998 and its extension this month.
- The second precondition on extending MFN status to Vietnam is the conclusion of a bilateral trade agreement addressing, at a minimum, the issues of safeguards, intellectual property rights, the settlement of commercial differences and disputes, and trade promotion. A bilateral trade agreement with Vietnam may not enter into force until after Congress passes a joint resolution of its approval.

If these two criteria are met, MFN treatment can be extended to Vietnam. However, under Title IV, the continued extension of MFN trading status to Vietnam is subject to an important caveat: if the President determines that Vietnam is not cooperating with our efforts to achieve a full accounting of military personnel lost during the Vietnam

War, he may revoke its MFN trading status.

From the beginning, the Administration's policy has been to conclude a solid, commercial agreement with Vietnam that fulfills three broad objectives:

- The agreement should be equitable and mutually beneficial. This means that in return for extending Vietnam our low "column 1" tariff rates, we expect equitable market access in Vietnam.
- The agreement should be on the basis of international norms and standards, primarily WTO standards, since these standards are the basis of our trade relations with practically every other country. In reality, because Vietnam is not yet a WTO member, the agreement will need to demonstrate that Vietnam is moving in a concrete and specific way toward WTO norms.
- The agreement should facilitate trade and investment. In other words, it should address to a reasonable degree the concerns expressed by U.S. firms interested in doing business in Vietnam.

An agreement that meets these three criteria would benefit both the United States and Vietnam by establishing trade relations on the firmest possible footing. It would create business opportunities for exporters on both sides -- by giving Vietnam access to the large U.S. market, and ensuring equitable access for the United States to Vietnam's growing market of over 70 million people. Such an agreement would also serve as a concrete indication of Vietnam's commitment to integrating into the world economy on terms accepted by nearly all other countries, and would thereby advance economic reform and liberalization in Vietnam. In contrast, over the long term, the lack of an agreement can be expected to result in the loss of opportunities for Americans in Vietnam's market, since virtually every other country already has normal trade relations with Vietnam.

Negotiations on this comprehensive agreement are underway and making progress. In early 1997, after spending most of 1996 discussing and analyzing Vietnam's trade and investment regime, the United States completed a detailed proposed text for the agreement. In April 1997, we successfully concluded negotiation of a bilateral copyright agreement that will give U.S. copyrighted works legal protection in Vietnam for the first time. In October 1997, Vietnam presented a first partial response to our proposed text of the trade agreement. This was followed in April 1998 by a detailed comprehensive Vietnamese response, that included all four substantive issues proposed by the United States: market access for goods, intellectual property rights, market access for services, and investment.

In light of the comprehensive Vietnamese response, a round of negotiations was held in Washington in late May. Those negotiations served to highlight the areas where the gap between the two sides has narrowed, as well as areas where our views continue to

diverge. We expect talks to continue actively in the coming months.

It is difficult to predict when this agreement will be completed because there are still many substantive issues left to be resolved. The Administration is firmly committed to concluding this agreement, and to normalizing trade relations with Vietnam, but we have made it clear that the agreement must meet the substantive criteria outlined above for it to be in the commercial interests of the United States. We will continue to keep this Committee apprised of progress in the negotiations, and look forward to working with you to ensure the approval of the agreement after it is completed.