AMBASSADOR CHARLENE BARSHEFSKY
SPEECHES AND TESTIMONY
1999

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Toward the Pacific Community: American Trade Policy in Asia

Ambassador Charlene Barshefsky
United States Trade Representative

The Asia Society
New York, NY

January 21, 1999

Good evening, everyone. Thank you very much, and let me express my gratitude to the Asia Society and Ambassador Platt for this chance to speak with you on our trade agenda in Asia.

This topic, of course, is no small one. The trade agenda itself is very broad, ranging from our response to the Asian financial crisis, to the effort to integrate China into the world economy, economic reform in Japan, the APEC meetings and much more. And of course trade policy is only part of a broader Asian agenda, which includes such issues as weapons proliferation, regional security, climate change, and the advance of human rights.

So let me begin by putting our work as trade negotiators in its context.

SHARED DESTINY

America is a Pacific nation. Thus as Americans we have a vital interest in the security, stability and prosperity of the Pacific Rim; and we can see that in the events of this century. This is the enduring foundation beneath our Asian policies. With it as a guide:

We make an unwavering commitment to ensure peace and security: as we have from the Open Door era through today, with our Security Treaties with Japan, South Korea, Thailand, the Philippines, Australia and New Zealand; our engagement with China and our unofficial relations with Taiwan; and our close relationship with ASEAN.

We promote the universal values of human rights, individual freedom, and the rule of law: as Jose Rizal wrote, the strongest assurances any nation can have of domestic peace and harmony.

We support education and intellectual exchange -- from the Chinese scholarship program inaugurated in 1908 to the 260,000 Asian students attending our colleges and universities.

We seek to address the common problems of this region: protecting fisheries from exploitation, reducing pollution and addressing climate change.

And we work with our Pacific neighbors toward open, mutually beneficial trade, as we have done from our first Pacific trade agreement -- the Treaty of Amity and Commerce with Thailand of 1833 -- to the ninety-four bilateral and regional trade agreements the Clinton Administration has negotiated in Asia.

THE ASPIRATION

Six years ago, in his remarks to the first APEC Leaders Meeting in Seattle, President Clinton laid out a vision that would unite these strands of policy. He spoke of a Pacific Community that would grow in the next century and fulfill the hopes of the region's people -- for prosperity; for education and scientific progress; for health, environmental quality and the dignity of work; for the quest for peace.

It is an ambitious vision -- one which we must realize in the most diverse and complex region in the world. Consider only the economies which participate in APEC each year. They reach south from Russia's Arctic Circle across the equator to the verges of Antarctica, and west from the Chinese desert to New England fishing towns. They include high-tech industrial nations, economies in transition, and least developed countries. They use ten different alphabets. They speak -- this is astonishing -- 3,107 of the world's 6,653 recognized languages. They practice all the world's great religions; they look back to traditions as varied as the Indian and Confucian classics, the European enlightenment and the modern immigrant experience.

But it is a vision we can realize -- and six years later we have begun to make it reality. We inaugurated an annual summit process that brings together a remarkable group -- -- imagine a meeting just ten years ago which included Russia, China, Taiwan, South Korea and Vietnam, not to mention ourselves. We have set a goal of "free and open trade in the Pacific," to be reached in the first two decades of the next century, and taken concrete steps toward it: a monumental agreement on information technologies; many agreements on business and trade facilitation; most recently in Kuala Lumpur we approached a second historic agreement to liberalize nine industrial sectors totalling $1.5 trillion in trade.

THE ASIAN FINANCIAL CRISIS

It is fair, though, to say that the past year posed a most severe test for us all. Five Asian economies -- Korea, Thailand, Indonesia, Malaysia and Hong Kong -- contracted by 6% or more. Many others are in recession or close to it. Asian currencies may have stabilized, but today in some of these nations hundreds of thousands of children have left school; families have survived by selling homes and possessions; and tens of millions of people have slipped into poverty.

We have been affected as well, with a loss of $30 billion in exports to the Pacific Rim last year, and consequently lost manufacturing jobs, declining farm incomes and pressure on import-sensitive industries. And while the solution ultimately lies with the people, governments and private sectors of the affected countries, we in the United States understand that we have responsibilities as well. We accept them.

First of all, we will remain committed to our open market and fair trade principles, and reject any broad protectionist response to the crisis. With exports to Asia off $30 billion and a goods trade deficit at $250 billion in 1998 and perhaps $300 billion this year, this requires some sacrifice. We have nonetheless kept our market open, while enforcing our laws on dumping and import surges, and urged Japan, Europe and others to share the burden in special cases like steel -- and for Japan to assist in the solution to the steel problem rather than contribute to it. The greatest contribution we and other industrial countries can make is to offer healthy and open markets for fairly traded exports.

Second, we will continue to support reform and stabilization packages, with the IMF at the center and augmented by the $10 billion program we and Japan announced last November. These packages are now showing their value. As Thailand and Korea in particular have implemented their reforms, we have seen currency stability restored; growing transparency and market openness which raise investor confidence; and initial signs of a return to economic health. We applaud Prime Minister Chuan and President Kim for their courageous and successful efforts and will work with them and with Indonesia as they move ahead.

We will do our best to help ease the impact of the crisis on the most vulnerable: the poor, the unemployed, students and young people. Our Administration, helped by our business community, has offered financial assistance to Thai, Korean and Indonesian students in America. We have offered food aid packages to Russia and Indonesia. And President Clinton has called on the World Bank to double its support for job assistance, basic needs, children and the elderly.

We will review the lessons this crisis has offered, and work toward improving the architecture of the global economy, aiming at a transparent, market-based system which is less prone to instability, more effective in combatting crises when they do occur, and which offers all economies and all people a chance to share in the benefits of growth.

Finally, and perhaps most important, we will remain committed to our vision. President Clinton's concept of Pacific Community is based on fundamental American interests and values; and so it will serve us as well in crisis as in the good years. Likewise, its goals -- prosperity, a rising quality of life, political stability and peace -- are those we broadly share with Asian governments and people. And let me now turn to the Asian trade agenda and its contribution to the strategic tasks necessary to achieve that vision: an open, healthy and growing Japan; an integrated China; and the creation of a broader framework of open trade under the rule of law around the Pacific.

JAPAN

The first task is an economic opening in Japan -- Asia's largest economy and our key military ally in Asia -- that will create a new and different partnership.

In the past forty years, our Security Treaty was the foundation of peace in the Pacific. In the next decades, we must create an economic partnership which forms the foundation of prosperity. And to do so, Japan must act with speed and decision.

That means serving as a market for its neighbors during this crisis. Last year, as US goods exports to Japan fell by over $7 billion, East Asian exports to Japan fell by $20 billion -- nearly a fifth of Asia's exports to Asia's largest economy. This includes a loss of over $1 billion in Thai exports, $4 billion in Chinese exports and $3.5 billion in Indonesian exports. Japan's contribution to IMF packages is welcome, but financial aid cannot replace this lost demand.

It means working with us to stop noneconomic surges of exports in areas like steel and ensure fair trade.

It means working constructively toward a meaningful agreement at the WTO on APEC's sectoral liberalization initiative, and on our preparations for a new multilateral Round of trade negotiations.

And ultimately, to lead in the region, it means reform at home. For eight years, Japanese families, businesses and consumers have suffered from economic stagnation in Japan. In the past two years, this has turned into a recession that worsens and prolongs the financial crisis in Asia. And to break this cycle and emerge as a confident and competitive economy which contributes to broader regional prosperity, Japan's government must begin with fiscal stimulus and financial reform; and at the same time make a decisive break with the regulatory webs and closed markets which slow growth.

This is where our trade agenda joins with Japan's own goals. The Japanese government has said that it hopes to replace a "bureaucrat-led culture" with an entrepreneurial society. And the bar to such a society today is over-regulation, lack of competition and tolerance of formal and informal cartels in many industrial sectors. These block imports. They also frustrate young Japanese who hope to set up their own companies and market new products and services. And they weaken the entire Japanese economy by raising the prices of things as essential to competitiveness as phone calls, power, and housing costs.

Our 35 bilateral market access agreements with Japan, in fields from agricultural commodities to insurance, high technology and manufacturing, are directed at precisely these barriers. They call for adoption of non-discriminatory, transparent laws and regulations which ease trade and encourage the formation of new businesses; elimination of anticompetitive practices; and efficient allocation of investment. Thus they offer a chance for faster growth in the future, and a greater variety of goods and services at better prices for Japanese consumers today.

The same goals are at the heart of our efforts under our bilateral Enhanced Deregulation Initiative. The agreement we reached last May sets out concrete deregulatory measures in telecommunications, housing, medical devices, pharmaceuticals and financial services sectors, and measures to strengthen competition policy enforcement and transparency. If fully implemented, these will create opportunities for exporters and workers in America, other Pacific economies and Japan. We are now working toward agreement on a new set of deregulatory measures in these sectors and energy as well.

Trade tensions in our relationship are rising. From rice and flat glass to autos and insurance, Japan faces renewed friction and mistrust. Nothing positive, and much negative, can arise from failure to resolve issues on our trade agenda. And immensely positive things -- growth in Japan, hope for an earlier end to the Asian crisis, a strengthening of this most crucial relationship in Asia for the next century -- can come from success. The time for action is now and the time for delay long past.

CHINA

Let me now turn to our second strategic task: that is, ensuring the full participation of China -- Asia's largest nation and fastest-growing economy -- in the Pacific and world economies. Just as the Pacific community cannot prosper without a growing, deregulated Japan, neither can it reach its full potential without an open and integrated China.

Consider how damaging was China's economic isolation during the Cold War. For nearly forty years, China's economy was almost entirely divorced from the outside world. The consequent loss of foreign markets and investment impoverished China at home, and meant that Asia's largest nation had little stake in prosperity and stability -- in fact, saw advantage in warfare and revolution -- beyond its borders. Every Pacific nation felt the consequences not only in economics and trade but in peace and security.

With the end of the Cold War and a continuing commitment to reform within China, this has begun to change. The next century may see a China more fully integrated into the modern world. That helps ensure peace and security by working with us on the Korean peninsula, Cambodia, and other regional conflicts. That supports and augments the world's effort to prevent the spread of weapons of mass destruction. That accepts and helps promote basic concepts of human rights. And that plays its rightful part in building prosperity for its own people and its neighbors. Together with the integration of Russia, this is an opportunity which means as much for the next century as the return of Germany and Japan to the world economy meant for the postwar era.

Our trade policy will help us grasp this opportunity -- complementing China's economic reform goals at home, strengthening Pacific prosperity, and integrating China more securely into the world economy. China's formal and informal trade barriers remain high. Its agricultural standards are based on bureaucratic fiat rather than science. Key service sectors like distribution, finance and telecommunications -- the infrastructure of a 21st-century economy -- remain closed, depriving China of the jobs, efficiency and innovation competition could bring to the domestic economy. And the rule of law -- as Anson Chan said last summer, the "infrastructure which enables enterprise to flourish" -- is undeveloped.

Thus, China remains insecurely integrated, and only opportunistically so, with the world outside; and its economy faces severe challenges which, over time, more open trade could help to solve. Likewise, China's neighbors remain blocked from an economy which -- like Japan's -- could be an engine of growth in this crisis and the future. One index of this is our phenomenal trade deficit with China, now over $1 billion per week. Another is that since we opened Normal Trade Relations (formerly MFN status) in 1980, our exports to China have grown by only $9 billion -- barely half of our $16 billion in export growth to Taiwan, and less than a quarter of our $39 billion in export growth to ASEAN.

The work we have underway to address the trade problems rests on specific U.S. commercial interests. But it also contributes to the broader goal: the integration of China into an international culture of open economies and the rule of law. Embedded in our agreements on market access and intellectual property are broader international norms to which China has committed: transparent laws and regulations; access to administrative or judicial decision making; curbs on arbitrary exercise of bureaucratic power. Likewise, our negotiations on China's accession to the WTO and in our bilateral discussions, are based upon international norms and practices and in adherence to accepted international rules.

The agreement on intellectual property rights is an example. It is a clear U.S. economic interest: eliminating theft through piracy of our most creative industries. But it does more than simply create an advantageous environment for U.S. business. It about access <u>for</u> and <u>to</u> America's creative industries -- books, films, music, and computer programs. And embedded in it are the seeds of important universal ideals: the development and publication of laws; consistency in decision making; recourse to law enforcement; the availability of administrative and judicial proceedings and greater transparency in the processes of government.

The foundation that this and our other bilateral agreements lay contributes toward the development of a broader and deeper concept -- which is also the basis of our negotiations on China's integration into the world trading system. China's membership in the WTO, on commercially meaningful grounds, is in our interest and in China's. Broadly speaking, WTO principles -- transparency, openness, public and enforceable commitments -- will help China's government strengthen the rule of law and create sustainable long-term growth. And the specific market access and other reforms WTO accession requires from China are no less than what other WTO members -- including many of the least developed countries -- have already done.

Premier Zhu's proposed visit this spring gives China and the United States a chance to achieve this goal. As this approaches, China has an opportunity -- perhaps the last opportunity for some time to come -- to resolve the issues which remain outstanding. We hope China will take it. We also recognize that China, once again, may decide that it is not prepared to make the commercially meaningful steps that WTO membership requires; and thus, WTO membership may not come for some time. But delay in trade reform is not an option. We will not hesitate to make sure that we are treated fairly, and we will continue to urge China to move toward the larger goals which are so important not only to ourselves and China's neighbors but China itself.

AN INTEGRATED REGION

And that brings me to the final strategic task: creating the framework for an open and integrated Pacific region, by strengthening our critical trade relationships, addressing problems which affect the region as a whole, and continuing our work toward open trade in APEC.

We will begin by strengthening our relations with each of our trade partners. We will work closely with the ASEAN nations, which took $48 billion in our goods exports in 1997 -- as much as China, Taiwan and Hong Kong together -- and whose initiative to accelerate the ASEAN Free Trade Area at the ASEAN summit in Hanoi last month is a very important signal to the world in this crisis. This includes continued work toward a broad commercial and trade agreement with Vietnam. We will work to help President Kim in South Korea implement his reform program, as we continue to address our market access issues. We will strengthen our already very close trade relationships with Australia and New Zealand. And we will take care to ensure that the smallest Asia-Pacific economies -- Laos, Cambodia, Mongolia, the Pacific Islands -- are full participants in our shared destiny, for example by consulting with Congress on permanent Normal Trade Relations with Laos and Mongolia this year, and seeking renewal of the GSP program for developing countries.

We will address trade problems that affect the region as a whole. We will, for example, make a special priority of improving protection of intellectual property rights. This will include ensuring full implementation of Uruguay Round IPR commitments for WTO members, and enforcing our bilateral agreements with China, Taiwan and most recently Vietnam. We will also intensify our fight against pirate production and distribution of newly developing optical media technologies, which threatens not only American but Asian entertainment and software industries: when pirated DVD versions of "Titanic" are sold on the street, so are pirate versions of "Red Lantern" and Jackie Chan. Likewise, use of unlicensed computer software by government entities is growing in Asia and elsewhere. This is especially pernicious, since it represents piracy by those entrusted with enforcing the laws.

And we will continue our broad regional effort to achieve free and open trade in the Pacific through the APEC forum. It is fair to say that we had hoped for more in the nine-sector liberalization initiative APEC adopted in Vancouver, and are deeply disappointed by Japan's recalcitrance on wood products and fisheries. However, we were also very much impressed by the commitment and bold offers in sensitive areas made by the ASEAN countries and by Korea -- nations hit very hard by the financial crisis. Even the partial result we reached offers something to every Pacific economy; and it demonstrates APEC's potential as a catalyst for world trade liberalization, as we take the tariff elements to the WTO.

THE ASIA-PACIFIC FUTURE

This set of agreements, even incomplete, is really remarkable -- because it was concluded in the darkest and most threatening economic environment we have seen in half a century. Very few would have imagined anything like it possible -- many more would have predicted a wave of protectionism.

And that shows me something very important. The crisis has tempted each of us to turn inward. Raise trade barriers. And hope we can escape the problems our neighbors face. This is the response of fear -- and it is a powerful temptation.

But together we have rejected this course. We concluded instead that the right response is to be confident. To be open. To understand our responsibilities to one another. To rely on the fortitude, work ethic and good sense of our people. To understand that, as President Estrada of the Philippines said a few months ago:

> "There is a compelling need for democratic means, for more transparent economic and banking practices, for more educational opportunities, for a chance to compete fair and square in a level playing field ... These are the demands for market and political openness and transparency that we hear from simple people, from people frightened by economic forces beyond their control."

CONCLUSION

That is the road to the Asia-Pacific future. Fair and open economies; equal opportunity; individual freedom; the rule of law.

And it is the essence of what we hope to achieve in trade policy, whether with Japan, with China, in APEC or elsewhere. It is by no means easy to achieve; but it is entirely realistic.

Because while the people of the Pacific nations may be very different -- American farm families, Thai construction workers, Japanese entrepreneurs, Chinese high school students -- they are alike in what is most important.

They share the fear and doubt this year of crisis has raised. They hope for signs of strength, confidence and better times to come. And they have confidence that, with fair treatment and the chance to use their own skills as best they can, they can succeed.

That is what our trade agenda ultimately offers; it is the heart of our vision of Pacific Community. And thus it may be an ambitious goal; but it is the right goal.

We will reach it in time.

Thank you very much.

As Prepared for Delivery

The Next Round: America's View of the Trading System

Ambassador Charlene Barshefsky
United States Trade Representative

Davos, Switzerland

January 29, 1999

Good afternoon and thank you all. I am pleased to be here with Minister Marchi, Minister Insalza, Secretary Machimura and Sir Leon.

Last week, in his State of the Union address, President Clinton proposed a new Round of global trade negotiations, to be launched at the Ministerial Conference in Seattle, Washington in December. In this, although we have a slightly different concept, we are agreed with Sir Leon and the European Union. Over the next months, we will be working with our trading partners to develop a consensus for it; and this afternoon I would like to discuss the reasoning at the base of our proposal, and the tasks we believe this Round should take up.

THE BACKGROUND

Last spring we came here to mark the fiftieth anniversary of the General Agreement on Trade and Tariffs. The year the GATT was established -- 1948 -- is a key date which marks an historic low and a new beginning; and which we might think about as we consider a new Round.

In 1948, the world was of course recovering from the physical wounds of the Second World War. But the GATT was established not only to revive economic life after that catastrophe, but to heal the older wound John Maynard Keynes described in 1919, in <u>The Economic Consequences of the Peace</u>:

> "What an extraordinary episode in the progress of man was that which came to an end in August, 1914. The inhabitant of London could order by telephone the various products of the whole earth, and reasonably expect their early delivery upon his doorstep; he could at the same moment adventure his wealth in the natural resources and new enterprises of any quarter of the world ... and most important of all, he regarded this state of affairs as normal, certain and permanent, except in the direction of improvement."

These happy assumptions of course were entirely unjustified. Tariff hikes and colonial preference schemes, capped by the Smoot-Hawley Tariff in the United States, cut trade by nearly 70% by the end of the 1930s, transforming the integrated world of 1914 into something like a series of island economies. By the end of the Second World War, Russia and then China had left the world economy in the communist experiment; Japan and Germany had not yet returned.

And so the GATT in one way marked an understanding, borne of experience, that in economic terms trade is not a luxury but a necessity; and in another way a recognition of the role trade can play in strengthening peace by giving nations a stake in the prosperity and stability of their neighbors.

THE ACCOMPLISHMENT

The years since have, in a sense, healed that older wound. Eight negotiating Rounds have rebuilt a freer trading world, cutting tariffs alone by an average of 90%. As a result, for each WTO member, exports offer market opportunities to farms and businesses, and higher wages to workers. Imports also fill important functions, raising the standard of living for consumers and letting industries find the best price for essential inputs and compete more successfully.

Second, over time these Rounds created a trading system much less vulnerable than the one Keynes described, through an entirely new set of contractual rules accepted now by about two-thirds of the world, which defend open trade in the event of economic shock.

Because of this, since 1960 global trade has grown fifteen-fold. This in turn has helped quadruple world economic production and more than double world per capita income. And life has improved everywhere in the world.

World life expectancy has grown by twenty years. Infant mortality has dropped by two-thirds. Famine receded from all but the most remote or misgoverned corners of the world, Daily life has been enriched in the perhaps small but remarkable ways Keynes described: the products of the whole earth on our doorstep, by telephone or perhaps the Internet.

And in the past two years, the trading system proved its worth in its strength and resiliency during the financial crisis. Despite a shock nearly as great as the one that brought on the Smoot-Hawley tariff, with 40% of the world in recession and six major economies suffering a contraction of 6% or more, we as yet see no broad reversion to protectionism. This has prevented enormous economic damage and personal suffering. And I imagine that were the founders of the GATT here today, they would be justly proud of their work.

THE WORK AHEAD

These are considerable accomplishments. The question, of course, is whether they are enough. As the President's call for a new Round indicates, we believe they are not enough.

First of all, the very basic work begun in 1948 is not entirely complete. In particular, few of the nations in transition away from communist planning systems -- China, Russia, Vietnam, Ukraine and other former Soviet republics -- are members of the WTO. Membership for them, on the right terms, is essential. It will support domestic economic reform and long-term growth. And it will integrate them more fully in the world economy, and thus strengthen peace by giving them a greater stake in world prosperity and stability. It is a complex task of immense importance -- the contemporary equivalent, I believe, of the reintegration of Japan and Germany after World War II.

At the same time, the growth of trade and finance; the revolution in science and technology; and the development of civil society around the world all reveal areas in which the existing system ought to be improved. And we are all aware of challenges it must face and solve, among which we may note:

-- The internal pressure the financial crisis creates to protect domestic economies or at least delay liberalization;

-- The frustration in many countries over persistent trade barriers;

-- The sense in some of the developing world that poorer countries are not benefiting as much as they should from liberalization;

-- The concern in many developed nations that policies to open trade and promote growth are advancing more rapidly than policies to address sustainable development and working conditions, develop more effective safety nets, and ensure that international institutions are open, accessible and responsive to the people they are meant to serve; and

-- The reluctance of nations to accept and talk about the importance of imports to economic efficiency and to high living standards.

A NEW ROUND

This is the context in which we developed our proposal for a new negotiating Round. We also have the advantage of a new and stronger institutional structure in the WTO; but which itself can also be improved. And so we envision a somewhat different approach than we have taken in previous Rounds: a set of negotiations which purse three dimensions of work simultaneously. First, a negotiating agenda to be completed on an accelerated timetable; second, ongoing results in priority areas; and finally, institutional reforms and capacity-building at the WTO.

The negotiating agenda should include such issues as:

-- Agriculture, where we can do far more to ensure fair rewards for farmers and ranchers, reduce the threat of hunger and offer consumers everywhere reasonable prices through liberalization, lower subsidies and trade barriers, and use of science.

-- Services, where stronger commitments to liberalization and national treatment can make economies more efficient, stable and productive.

-- Government procurement, where openness and transparency can promote efficiency, honesty and good governance.

-- Intellectual property, where we can do more to promote scientific advance, artistic creation and improved medicine.

-- Industrial tariff and non-tariff barriers, where we will seek to continue our progress toward fair and open markets.

-- A forward work-program to explore newer issues, including how competition and investment policies help assure fair and open trade; how the WTO can help create an international pro-competitive regulatory climate, particularly in services; how it might advance our efforts against bribery and corruption; and how it might address the need for safety nets.

The second dimension, on-going results, would be open-ended. But it would begin by advancing some of our present initiatives in the months leading up to the Ministerial Conference and at the event itself. They include an "Information Technology Agreement II" which further ensures access for all countries to the most modern technologies; extension of our work on electronic commerce; guarantees of transparency in procurement which reduce opportunities for bribery and corruption; and a consensus on the sectoral liberalization initiative begun in APEC.

The final dimension, institutional reform, would address less tangible but equally important questions -- broadly speaking, those which we must face to ensure public support for the WTO as an institution, and for open trade, itself in the next decades.

Here we would hope to take up such issues as:

-- Trade facilitation, perhaps beginning with customs reform to ensure a seamless trading system.

-- Capacity-building in developing countries, to make sure they can fulfill the commitments they make, and help ensure their access to the basic infrastructure of the 21st century economy: communications, information, finance, intellectual property.

-- The intersection between trade and environmental policies: trade liberalization can complement policies to ensure clean air, clean water and protection of our natural heritage, while promoting economic growth.

-- The intersection between trade and labor: growth should be accompanied by the elimination of exploitative child labor and respect for internationally recognized core labor standards.

-- Coordination between the WTO and the international financial institutions, in a world where the separation of trade flows from financial policy has become entirely artificial and sensible trade policies can help to advance and complement financial stabilization.

-- Finally, reform and openness in the WTO itself -- because the WTO, like domestic institutions, must be transparent and responsive if it is to have public support. This is a broad question, but perhaps here I can repeat our standing offer to open to the public all dispute settlement proceedings in which we are involved.

CONCLUSION

Let me now bring this to a close.

We live in a new world; one in which peace among the great nations is stronger; science and technology are advancing more rapidly; the impact of humanity on the natural world is greater; and our citizens are healthier, better educated and more prosperous than ever before. In this world we must be able to take new looks at old institutions and ways of thinking. That is the context in which we have developed our proposal for a new negotiating Round.

Thank you.

America and Europe: A Partnership for a New Century

Ambassador Charlene Barshefsky
United States Trade Representative

Confindustria
Rome, Italy

February 3, 1999

Good afternoon. Let me express my thanks to the Confindustria and President Giorgio Fossa for hosting this event, and to Ambassador Foglietta and his staff for their invaluable assistance. And I thank you all for coming today.

THE NEW CENTURY

Here in the Eternal City, we might reflect that the opening of the third millenium bears interesting resemblances to the opening of the first. At that time, the Roman world had closed an eighty-year chapter of division and conflict; and the work of Augustus, Maecenas and Agrippa opened an era of cultural progress, economic integration and peace.

That is what we find today. The western world is at peace. Democratic values are ascendant in our nations and around the world. Science, technology and medicine are surging ahead. And prosperity has grown with the integration of Europe -- capped most recently by the introduction of the first common European currency since that of the Caesars -- and the newly emergent world economy.

These blessings are not accidents. They are inherent in the vision of the postwar leaders -- Truman, Acheson and Marshall; de Gasperi, Adenauer and Monnet; Churchill, Attlee and Keynes -- who created the institutions of the modern Atlantic world: NATO, the European Union, the World Bank and the International Monetary Fund; the rules based trading system of the GATT. And they reflect the patient work of Americans and Europeans ever since who have understood the importance of our alliance and our partnership.

Today we may face a new set of challenges: keeping the peace in a fundamentally changed political world; emerging threats to health and to the global environment; the advance of human rights; the rapidly changing world of trade and finance. But I am certain of one thing. We will face them more successfully if the partnership we created fifty years ago remains strong.

THE TRADE POLICY RECORD

The trade issues we have considered over the past fifty years are a case in point. Through the rules-based system that is above all a creation of Europe and the United States, and through our own bilateral relationship, we have reduced tariffs by 90%. We have created rules for trade in goods, services and agriculture. We set standards for protection of intellectual property rights; created a mechanism for the resolution of disputes; and helped add 110 economies to the first 23 GATT contracting parties.

As a result, trade has grown 15-fold since 1960. World production has quadrupled and per capita income more than doubled. New medicines and hospital equipment have traveled around the world, helping raise world life expectancy at birth from 48 years to 65 years in a single generation and reduce infant mortality from 148 to 59 per thousand. Growing agricultural trade has improved nutrition and eliminated famine from all but the most remote or misgoverned corners of the earth. And trade in information technologies -- satellites, e-mail and the Internet -- has given humanity new worlds of artistic expression, scientific inquiry and political debate.

Without our partnership, the fragmented, impoverished world of 1948 would not have become today's more integrated, progressive world economy. And our generation must renew that partnership for the 21st century -- as Dante wrote in the De Monarchia, all of us who benefit from the common heritage must in our turn contribute to the common good.

THE TRANSATLANTIC RELATIONSHIP OF TOMORROW

This principle extends to all facets of our ties: diplomacy, security, education, science, finance. And it includes a deeper, stronger, bilateral relationship trade and investment relationship in the next century.

1. Transatlantic Trade and Investment Today

We begin with a very strong foundation. Trade between America and the EU in goods and services reached about $450 billion last year. It is the largest bilateral trade relationship in the world and among the fastest-growing: in 1997 our $13 billion growth in exports to the EU exceeded the total of our exports to China; last year, EU exports to the U.S. grew by a full $20 billion.

Bilateral investment flows are vast. The American semiconductor fabs in Ireland, and European auto plants in South Carolina, are just parts of a direct investment relationship now worth close to $1 trillion. One in every twelve U.S. factory workers now works for a European firm, and three million U.S. jobs depend on European investment in America. And the $369 billion we have invested in Europe is nearly half our total investment beyond our borders.

And with a strong American economy, and the European Union broadening through expansion and deepening through the adoption of the common currency, if we are foresighted and wise our relationship can continue to grow.

3. The Transatlantic Economic Partnership

This fact was the genesis of the New Transatlantic Agenda of 1995, which helped us conclude a Mutual Recognition Agreement (MRA) in sectors, such as medical devices, pharmaceuticals and telecommunications, worth $60 billion in trade.

And it is the basis of our next step: the Transatlantic Economic Partnership agreed upon in 1998, which Italy helped bring to fruition, and which in the next two years will address seven broad areas.

We will review technical standards to remove barriers and avoid conflicts while protecting health and safety.

We will work to guarantee that regulatory processes in agriculture like biotechnology are transparent, predictable and scientific; and improve cooperation on concerns like food safety.

We will cooperate to ensure full implementation of the WTO agreement on intellectual property and address pirate production at home and in third countries. We also hope Italy will soon pass the anti-piracy bill now in Parliament. Italy, as a center for cinema, fashion and information technology, will gain more from it than any other nation. We are grateful that your Prime Minister is supportive of these efforts.

We will find ways to improve access for small and medium-sized firms to government procurement.

We will strengthen our ties in services, perhaps through Mutual Recognition Agreements and regulatory cooperation, and find common interests at the WTO.

We will work together on electronic commerce, to ensure that the new world of computers, telecommunications and the Internet reaches its full potential.

And we will promote the values we share, by more fully involving our citizens and civil society in trade policy.

The Transatlantic Economic Partnership is thus an ambitious effort, with multilateral implications beyond the seven individual sectors we address. It can help us promote transparency in the WTO, to strengthen its base of public awareness and support. We must cooperate to reform its Dispute Settlement system, which risks losing credibility if countries do not live by its rulings. The recent cases on bananas and beef make this very clear. And we hope to work with Europe to better coordinate our position in the WTO, and the new Round wherever possible.

THE NEIGHBORING REGIONS

With the foundation of a strong bilateral relationship, we must meet another responsibility: to cooperate in the progressive integration of the regions bordering upon the European Union, whose separation from Europe has been the source of immense conflict, poverty and human suffering. Trade policy must join with diplomacy, security, and other policy areas to heal it over time.

1. Central and Eastern Europe

This begins with Central Europe, where democracy and markets are consolidated and the EU has taken the historic step of inviting Poland, the Czech Republic, Hungary, Slovenia and Estonia, along with Cyprus, to join.

We welcome this decision. Europe's integration, through NATO and the EU, has created a community of democracy, security, markets and the rule of law. That is good for us all. Thus we have endorsed each step -- from the European Coal and Steel Agreement, to the most recent accessions of Sweden, Austria and Finland.

We see in the success of economic reform and democratization in Central Europe an historic chance to go further. We therefore were proud to lead in expanding NATO, and warmly support the membership of these nations in the European Union. But we will be vigilant about the details.

EU expansion will benefit Europe and the U.S. if it is done on a basis of openness to the world. But if it raises barriers, it will damage American interests and foster new disputes. We are therefore going to watch this process closely and be in continuous contact with the European Union as it moves ahead. We have also engaged Central European governments in separate consultations, and asked our International Trade Commission to study the impacts of EU enlargement. This process of EU expansion and integration can and should serve the interests of the entire Atlantic community.

2. Russia and the Newly Independent States

The progress of Central Europe also offers us lessons further east, in Russia, Ukraine and the other newly independent states, where the success of economic reform and democratization are a vital interest for both of us.

Thus we have offered technical assistance in political and economic reform, and supported IMF recovery packages for some among them when appropriate. In trade policy, we are encouraging WTO membership and promoting bilateral trade. This has intrinsic economic benefits; but in a deeper sense the principles of the WTO and of our bilateral agreements -- transparency, open markets, the rule of law -- will contribute to domestic reform, long-term growth potential and integration into the world economy for Russia and other newly independent states. We are cooperating closely with the EU, and are encouraged by the first successes reached last year in Latvia and Kyrgyzstan with respect to WTO accession.

3. The Middle East and North Africa

And we apply the same principles to the Middle East.

Here the task is still more complex. We face a tragic modern history which fragments the region into a group of island economies with little stake in one another's stability and prosperity; and a far more ancient division of the Mediterranean. But we do not assume that these divisions are either natural or inevitable; and economic integration can play its part in easing them.

The foundation of our Middle East economic policy is our Free Trade Agreement with Israel. With this as a base, we are encouraging regional integration through an innovative program that began with my designation last March of the first Israeli-Jordanian "Qualifying Industrial Zone" in Irbid, whose products are eligible for duty-free treatment in the United States. I hope to be able to designate more of these zones -- with Israel, Egypt, Jordan and the Palestinian Authority -- in months to come.

At the same time, we are negotiating Trade and Investment Framework Agreements (TIFAs) with Egypt, Jordan, and Tunisia, which will serve as a framework for our bilateral discussions and a means of increasing intra-regional trade. And we are working toward WTO accession negotiations for Oman, Jordan and Saudi Arabia on commercially meaningful terms, which as elsewhere will support economic reform and strengthen their economies.

AND THE WORLD

And this brings me now to our final responsibility: cooperation in the creation of a more open, prosperous world economy bound by the rule of law.

1. Financial Crisis

This must begin with the financial crisis that now afflicts so many of our neighbors and trade partners: Southeast Asia, Korea, Russia, Brazil and more. As President Clinton has said, it is the most serious such crisis in fifty years.

We have made a good beginning with the IMF recovery packages in Asia. We must, however, remain vigilant and make sure the IMF has the resources and support to act in any fresh emergencies. We must work together to make sure Japan accepts its responsibilities to use fiscal stimulus to restore demand-led growth, reform its banking system, and open and deregulate its economy. And in trade we must remain true to our principles and the pledges made at the Asia-Europe Meeting and the G-8 summit last year, by preserving our open markets and sharing the burden in sectors most deeply affected by the crisis, especially steel.

2. Completing the Trading System

And we must move ahead with multilateral liberalization, to prevent a slide backward in this crisis, and to create a more open world economy, raise living standards, and ensure that the trading system fully reflects the values we share.

This should begin with the very basic task of completing the multilateral trading system. Few of the nations in transition from communist planning systems -- China, Russia, Vietnam, Ukraine and other former Soviet republics -- are members of the WTO, and membership for them on the right terms is essential. It will support domestic economic reform and long-term growth. And it will integrate them more fully in the world economy, and thus strengthen peace by giving them a greater stake in prosperity and stability beyond their immediate borders. It is a complex task of immense importance -- the contemporary equivalent, I believe, of the reintegration into the global economic community of Japan and Germany after World War II.

3. Challenges to the Multilateral System

At the same time, the growth of trade and finance; the revolution in science and technology; and the development of civil society around the world all reveal areas in which the WTO ought to be improved. And we are all aware of challenges it must face and solve.

Some are related to traditional questions of protection and resolution of disputes. The financial crisis creates pressures in many countries to protect domestic economies or delay liberalization. Many countries -- sometimes the same countries -- are likewise frustrated by trade barriers which persist in their partners' economies.

Other challenges arise from growing disparities in wealth. Some developing economies feel they do not benefit as much as they should from trade liberalization. Many in the developed world are concerned that policies to open trade and promote growth are advancing more rapidly than policies to address sustainable development and working conditions, and ensure that international institutions are open, accessible and responsive to the people they are meant to serve.

And some are simply areas where we need to do better -- I would cite in particular the reluctance of nations to accept and talk about the importance of imports to economic efficiency and high living standards.

4. The Next Round

These concerns are the basis of President Clinton's call for a new Round of global trade negotiations. I hope to save some time today for discussion with you, so I will simply note that we believe a new Round must be embodied by three different dimensions, all proceeding simultaneously:

One would call for accelerated market access negotiations on a range of sectors and issues. It would address agricultural subsidies and barriers to ensure fair rewards for farmers and ranchers, reduce hunger and offer consumers reasonable prices. It would more fully open trade in services -- telecommunications, distribution, finance, the professions and more -- which make economies efficient, stable and productive. It would advance openness and fairness in government procurement; protect intellectual property rights; create a more open market for industrial goods through tariff cuts and removal of non-tariff measures; and establish a forward work-program that allows full exploration of newer issues, including such questions as competition, investment, bribery and corruption.

The second dimension of a new Round, on-going results, would use the stronger institutional structure of the WTO to help us keep pace with the information revolution, the development of electronic commerce and other rapidly changing fields. Here we would hope to begin with a consensus in the months leading up to the WTO Ministerial Conference in Seattle on an "Information Technology Agreement II" to improve access to the most modern technology; extension of our work on electronic commerce; guarantees of transparency in government procurement which reduce opportunities for bribery and corruption; and the APEC sectoral liberalization initiative from which Europe has so much to gain.

The final dimension of a new Round, institutional reform of the WTO, would address less tangible but equally important questions, to ensure that the trading system continues to receive the support of our publics. Here we would hope to take up trade facilitation, perhaps beginning with customs reform. Capacity-building to ensure that the WTO's less developed members can implement their commitments and have access to markets. Ensuring that as trade promotes growth, we are mindful of sustainable development, and strengthen the guarantees for the safety and dignity of working people, including through broader cooperation with the ILO. Strengthening the WTO's coordination with international financial institutions like the IMF and World Bank, in a world where the separation of trade flows from financial policy has become entirely artificial. And making the WTO itself open, transparent and responsive to citizens -- because the WTO, like our own domestic institutions, must be transparent and inclusive to have public support and retain credibility.

CONCLUSION

Let me close by saying that the work before us is complex and profound. Strengthening the partnership between the United States and Europe. Integrating, over time, the regions on the rim of the Atlantic community. Creating a world economy more open and fair, and more consonant with the principles of democracy and the rule of law.

These are tasks that will demand skill and vision. But Europe and America should take them up with pride.

And when we reflect on the extraordinary developments of the past decades -- from the advance of science to the living standards of families to the strengthening of peace -- we should have every confidence of success.

Thank you very much.

AMERICAN TRADE POLICY IN AFRICA

Ambassador Charlene Barshefsky

United States Trade Representative

Foreign Press Center

Washington, DC

February 23, 1999

Good morning. I am very proud to be here today, and I thank each of you for coming.

I believe this is the first time any U.S. Trade Representative has given a comprehensive address on trade and economic policy in Africa. More important, of course, are the facts of our developing relationship. Three landmark agreements since December, with South Africa, Ghana and Mozambique. The African Growth and Opportunity Act in Congress. And the historic US-Africa Ministerial next month, bringing to Washington economic leaders from 46 nations. Today I hope to put these events in perspective: the principles of our African trade policy, our initiatives for the months ahead, and the results we hope to achieve in years to come.

PRINCIPLES OF AFRICAN TRADE POLICY

Let me begin with the basics.

Our experience shows the benefits of fair and open trade: higher living standards and job creation; the improvement of daily life through new medicines, information technology, and environmental products; and the strengthening of peace, as nations develop and strengthen shared interests beyond their borders. And it shows the high cost of isolation from trade: as the economic integration of Europe, Latin America, and Southeast Asia has raised living standards and strengthened peace, the high trade barriers and economic fragmentation of the Middle East and South Asia have intensified economic suffering and political tensions.

To African policy, then, we bring the principles we advance elsewhere in the world, and special links with Africa created by the heritage of 33 million Americans and 1 million African immigrants. President Clinton personally adds something more: his view of Africa as a partner. As he said in his address to South Africa's Parliament last March, for many years we asked:

"what can we do for Africa? Or, whatever can we do about Africa? Those were the wrong questions. The right question today is, what can we do with Africa?"

US-AFRICAN TRADE TODAY

We are already doing quite a bit, of course. Last year we exported over $10 billion in goods and services to sub-Saharan Africa, and imported more. Our goods exports alone support the jobs of more than 100,000 American men and women. But this figure is still small -- just over 1% of our exports -- and at less than 8%, our share of Africa's import market is low. And while our imports from Africa are somewhat higher at $13 billion, nearly three quarters of that is oil, and both of us would benefit from diversification.

So we need to do better; and we are finding ways to do better. Perhaps no one deserves more credit for this than the late Secretary of Commerce, Ron Brown -- whose visit to South Africa in 1993 turned the page on the Cold War and the apartheid period and began to define a new approach. But many others, here and in Africa, have done their part.

Our Congress, especially the House Ways and Means Committee and Representatives Crane, Rangel and McDermott as authors of the African Growth and Opportunity Act, has been a forceful and creative advocate for trade relations with Africa for many years. Many African governments have contributed advice and support. Businesses and citizen groups in Africa and the United States have done so as well. And their help, together with our own policy reviews, led us to some general observations about our relationship:

-- First, prospects for Africa, including its two economic giants, South Africa and Nigeria, are good. In many African nations, governments have adopted economic reforms, from liberalizing exchange rates, to privatizing state enterprises, reducing subsidies and cutting barriers to trade and investment. These have been joined by free elections in many countries. And the early results are clear: since 1994, inflation has dropped, growth rates have doubled, and our own exports to Africa are up by nearly 50%. African exports to the U.S. have risen as well.

-- Second, progress is fragile. Some nations are deeply troubled -- we are all aware of the recent events in Sierra Leone, Congo, Guinea-Bissau and the Horn -- and their conflicts threaten not only security but investment and trade in the whole continent. And while most African nations are stable and at peace, reform must go further. Africa remains among the world's most protected and economically fragmented regions. Its tariffs, averaging 28%, are the world's highest. Few African nations have joined the WTO's 21st-century agreements on telecommunications, financial services and information technology. And while regional integration is progressing, it is still in the early stages.

-- Third, African governments and trade experts appear to have a policy consensus on trade that we can support. The African Federation of Women Entrepreneurs, for example, notes six broad issues reducing Africa's ability to participate in trade: human resource development, low commodity prices, unnecessary trade regulation, high local costs for production and services, disincentives for local private investment, and institutional capacity-building. African governments have called on us for policies to help address these problems: support for regional economic integration; technical assistance in complex areas like services, agricultural standards and intellectual property; and enhanced market access in areas of comparative advantage for Africa like textiles and agriculture. Their views mesh well with our agenda.

-- And the public in Africa and the U.S. is enthusiastic about closer trade relations. We saw this clearly in the President's visit to Africa one year ago, when 500,000 people came out to see the First Family in Accra, and we see it today, as President Rawlings arrives for his return visit.

U.S. POLICY

Our policy reviews have considered each of these points, and aim for an integrated policy that will achieve the President's vision: a partnership in the next century with a democratic, growing African continent.

In this vision, economic policy complements our work in other areas -- resolving conflict; fighting crime and terrorism, ensuring environmental sustainability; advancing human rights, core labor standards and the rule of law. And within economic policy, through the President's Partnership Initiative trade policy joins debt relief, investment promotion through the Overseas Private Investment Corporation, new Ex-Im Bank financing programs, support for microenterprise and women entrepreneurs, and foreign assistance in areas from democratization to Internet access for African schools and businesses, to help us reach the goal.

With these larger concepts in mind, then, let me turn to our trade initiatives.

I. SUPPORT FOR REFORM AND REGIONAL INTEGRATION

Our experience, in Africa and elsewhere, tells us that countries which are open to trade and investment -- with the world as a whole, and with their regional neighbors in particular -- have generally been able to create growth, competition, and broadly based prosperity at home.

1. Market Access Enhancement

Thus our trade policy begins with the creation of incentives for economic and political reform. For example, I have expanded the Generalized System of Preferences by 1,783 tariff lines for the world's 33 least developed countries, of which 29 are African nations. The African Growth and Opportunity Act we and Members of Congress have developed will go further -- for example by offering market access guarantees in textiles for all African countries and eliminating quotas for Kenya and Mauritius, the only two nations now under quota.

2. Bilateral Agreements

Equally important, we will develop model bilateral relationships with key trade partners and reforming governments. We have strengthened our ability to negotiate formal agreements which create stronger legal and institutional foundations for our relationships, through the Office of African Affairs I set up a year ago, and this investment has paid off with three major agreements in the last two months.

One is the Trade and Investment Framework Agreement (TIFA) with South Africa, signed last week during Vice President Gore's visit. South Africa is our largest African trade partner: our $3.5 billion in goods exports are more than half our total exports to the continent, and we imported over $3 billion from South Africa last year. And our trade can grow rapidly, as South Africa may be among the leading buyers of civil aircraft and other capital equipment in the years ahead. The TIFA will give our trade a stronger institutional and legal foundation, through continuous discussions of issues from intellectual property, to technical standards, customs, investment, and market access for goods and services.

I will sign a second TIFA this Friday with Ghana, during the State Visit of President Rawlings. Ghana is a nation with which we have long-established ties -- Martin Luther King drew inspiration for the civil rights movement Ghana's independence ceremony in 1957 -- and is now our fourth largest African market and a leader in economic reform. The TIFA will strengthen these ties and set an example for West Africa as a whole.

And last December we reached a Bilateral Investment Treaty with Mozambique, which will help Mozambique attract investors and create jobs, as it creates markets for Americans.

3. Regional Integration

At the same time, we are creating new incentives for regional trade integration. As we have seen in the European Union, ASEAN, Mercosur, the Caribbean Basin Initiative and other regional associations, trade integration helps regions by promoting prosperity and political stability, and helps Americans by creating simpler and larger markets.

Thus, when I expanded GSP, I added special provisions for eligible members of three regional trade associations: the Southern African Development Community, the West African Economic and Monetary Union and the Tripartite Commission for East African Cooperation. They can now combine their value-added contributions to exports to qualify for GSP benefits.

And we are now going beyond this to formal agreements with regional associations, such as the TIFA we are negotiating with the West African Economic and Monetary Union.

II. PARTICIPATION IN THE TRADING SYSTEM

The second strategic point is assisting in Africa's participation in the multilateral trading system. This also comes from experience: economies which join the WTO and make substantial commitments there have more access to markets and modern technologies, and thus grow faster.

1. Membership and WTO Commitments

This begins with the basics: membership in the WTO. Thirty-eight African nations are now members, and two more are seeking accession. This is critical to expand exports, attract investment and raise economic growth; but it is only a beginning.

Until very recently, no region had participated less in the WTO than Africa. African nations made fewer commitments in the Uruguay Round than any other region. Even today few have published tariff schedules in Geneva. Only five African countries have joined the Agreement on Basic Telecommunications, six have joined the Financial Services Agreement, and none are members of the Information Technology Agreement.

This slows the growth of trade with Africa; and more important, slows Africa's economic development. High tariffs reduce the ability of African firms and farmers to buy essential inputs at lower costs. Countries outside the telecom, information technology and financial services agreements are likely to enter the 21st century with fewer computers; less efficient phone and Internet links; less developed banking systems; and consequently less ability to compete.

Many African governments see this risk as well, and are deepening their commitments. South Africa of course is a leader in the WTO system already. Last year, Uganda decided to privatize its telecommunications system and join the Basic Telecommunications Agreement. Ghana has also decided to join the telecommunications agreement, and Cote d'Ivoire will join the Financial Services Agreement. These and other African nations are also among the strongest supporters of our proposal to open satellite phone systems with global coverage. We applaud this and hope their leadership brings others along.

2. Technical Assistance

And we will help and support those who want to deepen their commitments at the WTO. We have listened to the African governments who have spoken at the WTO of the importance of technical assistance for capacity-building and implementing obligations. Together with the Agency for International Development, we are following up with regional workshops to offer advice and assistance on the WTO and WTO commitments, as well as our own market access programs, GSP regulations and phytosanitary rules and other topics.

One especially interesting example is AID's work on Internet access and electronic commerce. Three years ago, few African countries had Internet service. Most African computer networks were limited to e-mail in the capital cities. Since then AID has helped Madagascar, Mali, Mozambique, Cote d'Ivoire, Benin, Rwanda and Guinea set up national gateways, and begun discussions with four more countries. Today Africa has nearly forty indigenous Internet Service Providers, and African small businesses, artisans and cultural industries are engaged in electronic commerce. We are supporting this by providing wireless modems and small, solar-powered computers so small businesses outside national capitals can link to the Internet.

3. The Next Round

And we will work with Africa in the new multilateral negotiating Round we hope will begin this year, when we host the WTO's Third Ministerial Conference in Seattle; and which, if African countries are full participants, holds immense promise for Africa's people.

-- Open trade in agriculture can relieve African farmers of the burden imposed by protectionism and export subsidies -- especially those of the European Union, which both block potential markets and depress world commodity prices -- while reducing hunger by offering African consumers reliable supplies of food at good prices. Nelson Mandela cited this sector in particular as an area in which less developed countries have a "clear comparative advantage" and in which market access must go much further. We agree.

-- More open markets in services will help African countries to acquire the expertise and legal, financial, transport, information and telecommunications infrastructure that will spur more rapid and stable development in the next century.

-- Strong protection of intellectual property rights will support Africa's cultural exports -- which are already highly successful, as you can see when you take a look at our Washington book and record stores, and find Achebe, Soyinka, and Gordimer on the shelves and African musicians on the CD racks.

-- The unfettered development of global electronic commerce is especially important to poorer African nations and microenterprises, since Internet access requires little capital, helps entrepreneurs find customers and suppliers quickly, and eases technical and paperwork burdens that can slow participation in trade.

- And our plans for capacity-building at the WTO will provide further assistance to African countries, in meeting obligations, taking advantage of their rights under WTO dispute settlement, and using the WTO's oversight Bodies and Councils to best advantage.

III. SUSTAINABLE DEVELOPMENT

Third and finally, our trade policies -- bilateral agreements, American market access and work at the WTO -- are part of a broader policy aimed at support for sustainable development.

Economic reform and opening to trade is essential for Africa's development, and for the broader relationship of mutual benefit we can create with the continent. But it is not enough by itself. It must go together with resolution of civil and international conflicts. And with the stable democracy; improved governance; development of civil society; good infrastructure; basic health services; opportunity for women; and universal education all countries need to succeed.

These are primarily African responsibilities. But we can and are willing to help. Thus the President supports restoring development assistance to Africa to its historical high level of $800 million dollars. This supports training in Parliamentary procedure and elections through the National Endowment for Democracy; the AID programs which have helped increase girls' enrollment in schools in Mali by 15% and rebuild Uganda's education system by helping to train 75,000 teachers; and our own trade seminars which help African governments implement WTO commitments.

And part of it involves economic and financial policies beyond trade that will support growth in Africa, notably debt relief. Since 1990, the U.S. has forgiven more than $1.2 billion in official bilateral debt to support economic development in twenty of Africa's poorest countries. The President's Partnership Initiative has gone further, with appropriations to extinguish remaining concessional debt for eligible reforming countries so that total debt reduction will reach $3 billion by the year 2000, and $30 million for additional technical assistance to support economic reform. At the same time, we are working toward a consensus for broader international relief for the poorest countries through the Highly Indebted Poor Countries (HIPC) initiative.

1999: MINISTERIAL AND AFRICA LEGISLATION

In summary, then, our policy brings together trade agreements, incentives for reform and regional integration, participation in the trading system and support for sustainable development. In the larger sense it is true to President Clinton's vision: a relationship with Africa rather than a policy "for" or "about" Africa. And this year two events will bring it to a new level.

1. US-Africa Ministerial

The first of these is the US-Africa Ministerial set for next month

This will be a truly historic event. Trade, Finance and Foreign Ministers will come to Washington from forty-six nations to discuss bilateral relations, trade promotion, regional integration and cooperative work at the WTO. We will seek Africa's views on our policies and how they might be improved, and in turn offer our own suggestions. And we will set out mutual interests in subjects from agricultural export subsidies to tariffs and technical standards, helping us find common positions in advance of the new international trade negotiating Round. It is an event with no parallel in the history of our ties with Africa, and its consequences for a better, more cooperative, more mutually beneficial relationship will echo long into the next century.

2. African Growth and Opportunity Act

The second is Congressional action on the African Opportunity and Growth Act.

This Act will strengthen, develop and codify each pillar of our African policy. It extends Africa's GSP benefits for ten years, and allows us to grant new GSP preferences for reforming nations with a record of respect for human rights and core labor standards. It will eliminate textile quotas, make our Ministerial dialogue permanent through a US-Africa Policy Forum, direct us to develop a plan for new trade agreements, and extend our efforts on debt relief and trade promotion.

We strongly support the bill -- it was the only specific bill President Clinton mentioned in his State of the Union Address this year -- and are joined in our support by the governments of virtually all African nations, together with business and citizen groups here and across the Atlantic. We will do all we can to pass it this year.

CONCLUSION

Let me conclude with a final thought.

We have hard work ahead. Our trade relationship is still fairly small. Our dialogue with African government, business and civil society is in its early stages. And success depends as much on the work of African governments - in domestic economic and political reform; at the WTO; in health, education and governance -- as on American initiatives.

But this makes these years an extraordinarily interesting and exciting time. Today, African trade policy has a sense of urgency and possibility it has never had before. From the work we do today -- our new trade agreements, the Ministerial, the legislation -- we can look ahead to see an entirely new relationship: the partnership President Clinton has envisioned with a growing, integrated and democratic Africa.

This is a noble prospect. It may be that nobody has described it better than the late Ron Brown, during his visit to South Africa in 1993. He spoke of his own emotions at witnessing:

"the triumph of a people whose dignity and humanity have long been systematically denied; a victory for the ideals that form the bedrock of modern free societies; and, if we are fortunate, the rooting of a democracy and free economy whose branches will soon spread throughout Africa."

Ron had a vision of America taking full part in this extraordinary advance. He did not live to see it fulfilled. But I am sure he would be very proud of the work which he began; and which in a few short years has carried us so far.

Thank you.

Update on Trade-Related Elements of

The President's Comprehensive Plan for Steel

Testimony of Ambassador Charlene Barshefsky

United States Trade Representative

Trade Subcommittee of the House Committee on Ways and Means

February 25, 1999

Chairman Crane, Congressman Levin, Members of the Subcommittee, I appreciate the opportunity to discuss with you today the steel import surge, its impact on the U.S. market and industry, and the Administration's response.

INTRODUCTION

Last year, as we all know, steel imports rose sharply and rapidly, threatening, within a matter of months, the stability of our domestic industry and the jobs of many of its employees. In the April through November period, imports ran some 50 percent over historic levels across the industry, and at much higher levels in several key product sectors.

This import surge occurred in the context of the larger Asian and Russian financial crises, as a result of weakened demand for steel in Asian and other markets. Fairness demands that the U.S. steel industry, its workers, and their families not be asked to carry the burden of the financial crisis alone. Neither can the crisis become an excuse for our trading partners to adopt predatory export policies in steel or any other sector. Thus President Clinton is personally committed, as he has said both here and abroad, and as he repeated in his State of the Union Address, to ensure that our trading partners act fairly, and will enforce our domestic trade laws to ensure this.

The Steel Report which the President sent to the Congress on January 7 provided a comprehensive and forceful set of actions to deal with the steel import surge and the associated unfair trade issues. This action plan is working and we are seeing the first signs of recovery. The Administration is determined to follow through until stability has been restored to the U.S. steel market. Our efforts to solve the steel crisis have been, and must remain, within the framework of our laws and our international commitments. First, we can and will lick this problem within this framework. Second, by sticking to the established rules, we can help ensure that the Asian crisis does not lead to a cycle of retaliation and protectionism which would badly damage our economy as a whole, and be especially dangerous to farmers, ranchers and manufacturing exporters who are already suffering due to weaker demand for our products abroad.

THE PRESIDENT'S ACTION PLAN

The President's steel action plan was developed with the benefit of advice and suggestions from industry and labor. It can be found on the USTR web page at www.ustr.gov/pdf/steel99.pdf. The report outlines in detail steel import trends, their economic impact, and our response. This action plan includes four trade-related elements:

- Vigorous and expeditious enforcement of laws to counter trade practices;
- Bilateral efforts to address unfair trade practices at their sources;
- Support for a strong safeguards law and for expeditious Section 201 investigations;
- Creation of an early warning system for steel import monitoring.

The initiatives are the foundation for a comprehensive resolution of the steel import crisis in a balanced manner which will not damage other U.S. industries and workers by exposing them to retaliation or supply shortages. These principles have been translated into specific actions which are beginning to provide meaningful relief. We are confident that continued vigorous implementation of the President's steel action plan will bring about the result we all desire: a stable and competitive U.S. steel market where U.S. and foreign producers can compete fairly. In the days, weeks and months ahead, we will follow through on progress being made and take additional targeted actions where market conditions and imports warrant, in a manner consistent with our nation's overall economic interest.

Let me now turn to a more detailed review of the import surge, the current market situation, the status of our efforts, and next steps.

STEEL IMPORT TRENDS AND MARKET CONDITIONS

- **<u>The 1998 Import Surge</u>**

I will begin by reviewing the trends in our steel trade and market over the past year.

Last year, 1998, witnessed the largest level of steel imports, the largest and fastest import growth, and the largest import penetration in history. Based on recently released final import statistics for December, our 1998 steel imports were 37.7 million metric tons (MMT) -- an increase of 33.3 percent, or 9.4 MMT over 1997. Steel import penetration rose from 23.8 percent in 1997 to 30.1 percent in 1998. This level exceeded U.S. domestic needs, causing a glut in the market and severe price suppression. Between 1997 and 1998 U.S. steel shipments fell 3.5 percent, from 96 to 92.7 MMT. Labor statistics show a 10,000 worker drop in steel employment, from 236,000 workers in January 1997 and 1998, to 226,000 in January 1999; employment levels had been steady from 1993 to 1997.

Three countries -- Japan, Korea, and Russia -- accounted for the great bulk - 76.4 percent -- of this import surge. To update the information from the President's January Steel Report, in 1998:

-- <u>Japan</u> was the single largest source of steel imports at 6.1 MMT, up 163.4 percent or 3.8 MMT from 1997, accounting for 40.3 percent of the import growth;

-- <u>Russia</u> was the second largest supplier at 4.8 MMT, up 58.9 percent or 1.8 MMT, accounting for 18.9 percent of the import growth; and

-- <u>Korea</u> was the third largest source of the growth, with imports at 3.1 MMT, up 109.3 percent or 1.6 MMT, accounting for 17.3 percent of the import growth.

While these three countries accounted for the bulk of the steel import growth, imports from a number of other countries also rose substantially. In 1998, the United States imported steel from 68 countries (albeit in very small quantities from some). Steel imports from a dozen or so "second-tier" suppliers reached between 100,000 and 900,000 metric tons, and have potential to increase further. Notable import growth occurred from: the United Kingdom, Australia, Ukraine, South Africa, China, Indonesia, Taiwan, India, Luxembourg, Moldova, Romania, Latvia, and Kazakstan. In addition, the European Union as a whole remains the single largest source of U.S. steel imports, supplying 6.6 MMT to our market in 1998, although overall steel imports from the EU were 4 percent below 1997 levels.

By product, carbon flat rolled steel was the single largest source of the import surge, accounting for 46.5 percent of the overall import increase. However, sharp import increases occurred in a range of other products, including heavy structurals, steel piling, light shapes, reinforcing bars, line pipe, pressure tubing, etc.

In sum, we saw import and market disruption levels of unprecedented proportions in the U.S. steel market beginning in April of 1998. The first tentative signs of recovery are only now beginning to emerge.

- **First Signs of Recovery**

The December 1998 steel import data provided the first indication that market conditions may have bottomed out, and that recovery can be anticipated.

At 2.6 MMT, December imports reflected a substantial decline from the average monthly import levels of 3.5 MMT from April through November 1998 import surge period. Although the December import figure remained 13 percent above the 2.3 MMT 1997 monthly import average, it reflected a sharp turn-around.

The December decrease was concentrated in carbon flat rolled products from Japan and Russia, which are subject to the ongoing antidumping investigation, indicating that actions taken by the industry, labor, and the Administration are bearing fruit. When compared to November levels, December imports of these products declined 67 percent. Declines were sharpest from the three countries under investigation, with imports from Japan down 77 percent, from Russia down 90 percent, and from Brazil down 84 percent. Imports of this product from Japan and Russia have basically ceased. The 1998 U.S. import increase of this product was 4.4 MMT (from 5.7 MMT in 1997 to 10.1 MMT in 1998). In 1998 U.S. imports of this product from Russia and Japan totaled 5.9 MMT. Therefore, a substantial reduction of imports from these two countries will more than offset the growth which has occurred. Nevertheless, imports of carbon flat rolled steel from a range of countries are increasing, and are being closely watched by the interagency import monitoring team with a view to ensuring fair trade.

This type of short-term decline does not by any means resolve the entire steel problem. A glut of steel products is still evident in the U.S. market, and high import levels of other products persist. However, the December decline is a significant first step, and a clear indication that the steps outlined in the President's steel action plan are beginning to work.

Several other market indicators are also positive. Steel demand in the United States remains strong and new orders are reportedly improving. In late January, a number of companies announced price increases of 5 percent to 8 percent per net ton ($20 to $30) on hot-rolled, cold-rolled, and coated sheets for second quarter shipments. Analysts believe these increases will likely succeed, as prices for these products are already quite depressed (down an average of 21 percent since May 1998), and as the import supply is being reduced due to ongoing unfair trade cases.

In January, U.S. raw steel production rose 5.1 percent from December while the capacity utilization rate rose to 77.2 percent from 74.8 percent over the same months. The most recent data for capacity utilization for the week of February 20, 1999 show another improvement to 80.0 percent. Nevertheless, these rates are still low when compared to the operating rates of 90 percent in January 1998 and 86.3 percent in December 1997.

Reflecting the drop in imports, import penetration (imports as a percent of apparent consumption) fell to 29.0 percent in December from 36.6 percent in November. Still, this level is far higher than the 20.6 percent level recorded in December 1997.

TRADE ACTION PLAN

These are some initial encouraging signs that the President's steel action plan is working. Continued forceful pursuit of the policies and actions announced, and active monitoring of import and market conditions with a view to additional, targeted action, where needed, will be key in reestablishing the health and stability of the U.S. steel market. Following is an update on the trade related aspects of the President's action plan.

A. Unfair Trade Laws

The first and essential element of the steel action plan is vigorous and expeditious enforcement of the antidumping law and countervailing duty laws by the Commerce Department.

As you know, fully one third of some 300 antidumping and countervailing duty orders now being administered by the Department of Commerce address steel products. This remedy is well suited for the steel sector, in which the industry's cyclical nature and the high level of government intervention and support overseas have led to a high incidence of unfair trade. The industry is a strong proponent of this trade remedy, and has used it effectively to gain relief from unfairly traded and injurious imports.

That has been the case in this crisis. The Commerce Department's expedited investigations and the critical circumstances findings have resulted in relief for U.S. carbon flat rolled producers in record time, with retroactive effect to 90 days prior to the Commerce Department announcement of the preliminary dumping margins. Thus, in the case of Japan, the antidumping cash deposit and bonding requirements became effective only some six weeks from the joint industry and union filing of the dumping case. The trade laws have worked expeditiously to provide U.S. industry and workers with relief against unfair trade. Secretary Daley will elaborate on this element of the President's action plan.

The U.S. steel industry and workers filed additional dumping and countervailing duty petition on February 16th with respect to carbon cut-to-length steel plate imports from eight more countries which may have taken advantage of antidumping relief applied to products from Russia, Ukraine, China and

South Africa.

In sum, the combined industry, labor, and Administration effort to pursue and implement actions to counter unfair trade are providing relief, in a manner fully consistent with U.S. international obligations.

- **Bilateral Action**

Another key element of the President's steel action plan provides for bilateral initiatives with countries which are the key sources of the steel import growth: Japan, Russia, and Korea. Substantial progress has been made on this front as well.

1. Japan - The largest source of steel import growth last year was Japan. As reflected in the President's Steel Report to the Congress, in January the Administration informed the Japanese Government that we expect steel imports from Japan to revert to pre-crisis levels. We also informed Japan that, if such a roll-back does not occur in short order, the Administration would self-initiate trade action to ensure a reduction of imports and to prevent further injury to U.S. steel producers and workers. Thus, the roll-back will be enforced, if necessary, through Administration trade action. Our intent is to act forcefully if normal trade patterns are not promptly restored.

Our interagency steel import team closely monitors and analyzes both Japanese monthly export data and U.S. monthly import data for all major steel categories. We are reviewing trends, levels, and U.S. market conditions, and in consultation with U.S. producers, we are assessing where trade action may be appropriate. Some of the trends are encouraging, but important concerns remain. Japan's exports of steel to the United States in December were 363,000 metric tons, and the preliminary export figure for January is 229,000 metric tons. This compares to the average monthly export rate of 680,000 tons from April through October 1998, and the peak of 908,000 tons in Japan's September exports to the United States. Japan's December steel exports of hot rolled sheet declined to a negligible level. Nevertheless, exports have not fully returned to pre-crisis levels. In particular, based on Japan's December export data, they remain substantially above traditional levels in several important product categories, such as structural shapes, and pipe and tube, as well as cut plate where a dumping case was filed on February 16.

At the same time, in our broader trade and economic relationship with Japan, we are pressing for the creation of domestic demand-led growth in Japan through fiscal stimulus, broad deregulation, financial reform, and meaningful market-opening measures. If fully implemented, these policies would create substantial opportunities for exporters and workers in America, other Pacific economies, and for Japanese workers and companies. Decisive action by the Government of Japan to implement such reforms are key to relieving global pressures which are at the root of the steel import crisis in the United States.

2. Russia -- On February 22 Secretary Daley announced the initialing of a comprehensive set of steel agreements with Russia -- a suspension agreement on the carbon flat rolled dumping case, and a broader agreement under the market disruption article of the 1992 U.S. bilateral trade agreement with Russia. These agreements would roll back and cap steel imports from Russia, the second largest source of our 1998 steel import surge.

The suspension agreement would ensure that: a) there will be a zero quota -- no imports from Russia of flat rolled products covered by the investigation for a period of six months, and b) the annual quota which goes into effect at that time, 750,000 metric tons, is 78.4 percent below our 1998 imports of this products from Russia and 58.4 percent below our 1997 imports of this product from Russia. The quota basically rolls back imports from Russia to their 1996 level. In addition, there would be minimum price and strict monitoring provisions.

The second, broad, steel agreement with Russia would cover imports of all other steel products as well as pig iron. It contains quotas on sixteen products which account for all of our imports from Russia, and rolls imports back to 1997 levels or below, reducing them by 68 percent from the 1998 import level.

Both agreements will be subject to public comment, and all views will be heard and considered. The key objective here is to offset any unfair trade margins, and to help restore predictability and stability in the U.S. market. This comprehensive approach to the Russian issue is particularly appropriate because the Europan Union had already negotiated a similar agreement with the Russian government which may have caused diversion of Russian steel to the U.S. market, something U.S. industry was particularly concerned about. This comprehensive approach also envisages opportunities for regular dialogue between U.S. and Russian government and steel industry representatives which can be used to provide technical assistance in the transformation of the Russian steel sector to market-based principles, and to sound environmental and managerial practices. We welcome U.S. industry and labor involvement in this dialogue.

3. Korea -- The third largest source of our steel import growth was South Korea. The President's Steel Report announced that our dialogue with Korea on steel trade and policy issues would be expanded and expedited. A Korean government and industry steel delegation visited Washington in late January and provided an update on government and industry efforts to restructure and privatize Korea's steel sector. The Administration, as well as U.S. steel industry and members of Congress, have had a longstanding concern with the Korean government's involvement in the steel sector through industrial policies which have favored steel and steel-using industries, and encouraged their growth and export-oriented capacity expansion, through incentives and directed lending. Hanbo Steel is the best-known example, but there are other examples as well.

In August of 1998 USTR exchanged letters with the Korean Ministry of Foreign Affairs and Trade which are aimed at ensuring that the sale of Hanbo Steel, which is in bankruptcy, is taking place through a market-driven, open, and transparent process in accordance with international practices. Hanbo's production of hot-rolled sheet has ceased pending its sale, Bankers Trust has been engaged to manage the sale.

In addition, the Korean government has offered general assurances that steel-related practices which have resulted in excess capacity in Korea and have been the cause of longstanding trade friction between our countries, have been abandoned. Accordingly, we have included in our steel discussion with Korea a set of objectives to ensure that real and substantive progress is made toward permanently getting the Korean government out of the steel business. Our broad objectives in these discussions include:

a) Having the Government of Korea address anticompetitive activity in the Korean steel sector and ensure open competition inside Korea and in international trade;

b) Expeditious, complete, and market-based privatization of Korea's largest steel producer, POSCO ;

c) Implementation of the Hanbo sale and operation of the company on arms-length terms outlined in our August exchange of letters with Korea, in a manner which will not engender government involvement (we sent a formal Report on this issues associated with Hanbo to Congress last December);and

d) Fair trade in steel products.

In our view, these are reasonable expectations. They are consistent with stated policies of the Korean government, and they must be implemented fully if we are to avoid continued trade friction in steel.

- **Section 201 Safeguards**

A third key element in the President's steel action plan is strong support for an effective safeguards provision in U.S. trade law, including his willingness to urge the ITC to expedite any section 201 safeguards investigations concerning steel.

U.S. industry and workers filed a petition for relief on steel wire rod under Section 201 in December of last year. The International Trade Commission (ITC) is now conducting an inquiry to establish whether injury has occurred or is being threatened in this segment of the industry. If the ITC reaches an affirmative conclusion under its legal procedures, the President will have the option to decide whether relief is appropriate. If a remedy is appropriate, he will have wide discretion to fashion it in a manner which is appropriate for this industry.

Because of its scope and flexibility, Section 201 is an extremely important and valuable trade remedy tool. As with the unfair trade remedies, the decision on when and whether to invoke it lies foremost with U.S. industry and workers. The Administration has met with steel industry and labor representatives to review market and import trends and to review assess relief options. Additional meetings will be held in light of the publication today of the preliminary import statistics for January.

- **Import Monitoring and Early Warning**

The fourth trade-related point in the President's steel action plan is the decision to release preliminary steel import data in order to create an early warning import monitoring system. Under this unprecedented new data release program, steel import statistics are made public almost a month sooner than the regular release schedule, some three weeks after the end of each month. Import trends are reviewed at senior levels of government and discussed with industry and labor representatives to assess their impact and options for import relief.

These import data releases have been invaluable in providing both the government and the industry with a real-time sense of import trends. Each month's data are carefully analyzed by USTR and Commerce Department experts and the interagency import monitoring team to review trends by country and by product category in terms of volume and per unit import value. These trends are reviewed in light of most current information on U.S. market and industry developments.

Our particular focus at this time is threefold: 1) to carefully monitor imports from Japan in light of the President's announcement that he expects imports from that country to revert to pre-crisis levels: 2) monitoring import trends for product categories that had been the subject of sharp import increases, to ascertain whether meaningful declines are underway; and 3) monitoring of imports from second-tier suppliers and the EU.

LEGISLATIVE INITIATIVES

In summary, our action plan, and our trade laws are in place, and beginning to provide the relief needed and deserved by U.S. steel producers and workers. While some have proposed that the steel import issue be resolved through the legislated imposition of import quotas or even temporary import bans, we believe this may not be in our national interest, nor in the interest of our steel industry. While well intentioned, this type of action could create additional havoc in the U.S. market and undermine substantial progress we have made to date.

Unilateral imposition of quotas or import bans would ignore the fact that we already have effective trade remedy tools which are producing results. As I have discussed above, we have seen a substantial decline in imports in December; we have announced preliminary dumping and countervailing duties against unfair trade in record time; we have seen a substantial drop of imports from Japan; and, we have initialed a comprehensive set of agreements with Russia. Additional trade cases, both under the unfair trade laws and under the safeguards mechanism (section 201) are pending, and the Administrations has affirmed its support for their fair and expeditious review. Our action plan, and our trade laws are working and they are providing the relief needed and deserved by U.S. steel producers and workers. The crisis is by no means over, but we are seeing signs of recovery. Continued implementation of the President's action plan will ensure further progress. In particular, we are determined to carry on with our active import monitoring program with a view to ensuring that these positive trends continue, and that other countries do not increase their exports to undermine progress we have made.

Legislated imposition of trade remedies for steel outside of the established U.S. trade laws backfire by inviting trade retaliation by affected trading partners and causing damage to export-oriented U.S. industries and workers, some of which may already be adversely affected by reduced demand abroad. While trying to assist U.S. steel workers, quotas which are legislated outside of our trade laws could harm U.S. steel interests by prompting retaliation against export oriented US steel-using industries, such as autos and machinery.

Finally, legislated solutions which do not arise from the type of careful ITC analysis and interagency and industry consultation process can create severe distortions in the market which can add to, rather than resolve, economic problems. When not carefully considered, quotas can create shortages for user industries or result in excessive price-hikes. As our economy continues to grow, demand for steel products remains strong. Imposing quotas at this stage, when it looks like the market is beginning to stabilize could have the unintended effect of causing a panic in the market which could reverberate throughout the U.S. economy and undermine our nation's economic growth.

Other legislative proposals to improve U.S. trade laws are being reviewed by the Administration. For example, we are currently in the process of reviewing the proposals concerning Section 201. Section 201 is one of our most important trade laws and is critical for ensuring that our industries can make a positive adjustment to import surges when they occur. We fully support a strong, effective safeguards law which is consistent with our international obligations.

CONCLUSION

In conclusion, let me reiterate that prompt restoration of a stable U.S. steel market remains a top U.S. trade priority. We believe the President's steel action plan has begun to produce meaningful progress toward that end. Vigorous and expedited enforcement of U.S. trade laws has resulted in substantial relief from unfair trade. Imports from Japan have been rolled back almost to the pre-crisis levels. A comprehensive agreement has been initialed with Russia which will substantially roll back imports and prevent new surges. Progress has been made in our dialogue with Korea, and additional results are anticipated shortly. Active import monitoring is underway based on the unprecedented early import data releases. And, the Administration has committed to do more as market and import trends warrant. Prices and capacity utilization are creeping up.

We are not ready to declare that the problem has been solved. We are fully aware of recessionary conditions and excess capacity abroad, and of the fact that the strong U.S. market will continue to act as a magnet, while the temptation to trade unfairly will persist. Nevertheless, we are pleased that actions taken to date have resulted in improvements, and we are committed to continue to vigorously enforce the President's comprehensive steel action plan. Working hand-in-hand with U.S. industry, labor, and Congress, we believe positive results will be achieved without jeopardizing broader U.S. economic interests.

Thank you for providing me with this opportunity to testify.

Signature Ceremony for US-Ghana Trade and Investment Framework Agreement

Ambassador Charlene Barshefsky

U.S. Trade Representative

The Indian Treaty Room

Old Executive Office Building

Washington, D.C.

February 26, 1999

Good afternoon, friends and honored guests.

It is my great honor to be here with you today as we mark an historic event, both in the relationship between the United States of America and the Republic of Ghana and in America's trade relationship with Africa.

Let me begin by recognizing our honored guests today.

The Honorable Dr. John Frank Abu, Minister of Trade and Industry. Let me say a few words about Dr. Abu. He is a scholar, a scientist and a very effective negotiator. He combines a doctorate in biology with experience in administration, academia and practical politics. It has been a pleasure to work with him and he deserves a great deal of credit for this agreement.

The Honorable James Victor Gbeho, Minister of Foreign Affairs.

Members of Congress.

Ambassadors Katherine Dee Robinson and Kobby Koomson.

Let me also recognize and thank the staff of Ghana's Ministry of International Trade and Industry, USTR's Office of African Affairs, and the two Embassies for all the work they have done to complete this agreement.

It is now nearly a year since President and Mrs. Clinton touched down in Accra to begin their historic visit to Africa. With the signature of our Trade and Investment Framework Agreement, we show the hundreds of thousands of Ghanaians who lined the streets of Accra that day, and the millions of Americans who watched their extraordinary outpouring of generosity and good will toward our country on live television, that this was not a one-time event but a beginning of a lasting partnership.

Today, Ghana is one of Africa's strongest economic reformers. Ghana is a leader in deregulation at home, participates actively in the World Trade Organization, and has recently committed to join the Agreement on Basic Telecommunications. A recent WTO study found Ghana's policies among the most likely in the developing world to foster financial stability.

This is a remarkable record. And it is a fitting one. Ghana pioneered Africa's independence movement forty-two years ago -- Dr. Martin Luther King himself was there to see the independence ceremony, and spoke of it at his church as an inspiration for his own work in our civil rights movement: "Ghana shows that the forces of the universe are on the side of justice. And today Ghana is pioneering a new economic era for Africa.

This is already clear in our trade relationship. Ghana is our fourth largest African market, and a principal site for American investment in Africa. And this relationship will grow rapidly, as Ghana's government has expressed interest in collaborating on issues of common interest in the WTO and recently ratified the WTO's agreement on Basic Telecommunications Services.

The Trade and Investment Framework Agreement establishes a legal and institutional foundation that will make these ties stronger and deeper. It will open a permanent dialogue on the basic issues of trade in the modern world: agricultural and industrial standards; intellectual property rights; customs procedures; regulation of service industries; investment; market access; trade-related aspects of labor and environmental policy; private sector dialogue and much more. And as it does all this for our bilateral relationship, the TIFA has the potential to create a model for the broader American relationship with Africa in the next century.

And as it strengthens the relationships between governments, it will improve the lives of people. Recall what the Ghanaian Independent wrote during President Clinton's visit last year:

"March 23, 1998 is an unforgettable day in Ghana's history. Many years from today, the schoolchildren who lined the streets will tell their children and grandchildren that they saw this great American President on that day."

The agreement we sign today will help ensure that each of these children live better, more prosperous lives. And it will advance values -- freedom, initiative, openness, the rule of law -- at the heart of our new partnership with Ghana and with the African continent.

Each of you who participated in its negotiation should be very proud of your work.

I thank you, and I look forward to a relationship that grows and deepens every year.

Signature Ceremony for Israel-Jordan Qualifying Industrial Zone Designation

Ambassador Charlene Barshefsky

U.S. Trade Representative

Prepared for Delivery

Washington, DC

March 15, 1999

Good afternoon. I am very pleased and proud to be here with each of you; and let me begin by recognizing our honored guests.

The Honorable Natan Sharansky, Minister of Trade for the State of Israel.

His Excellency Ambassador Marwan Jamil Muasher, of the Hashemite Kingdom of Jordan.

The Honorable Leni ben-David, Deputy Chief of Mission for the Israeli Embassy.

Members of the Arab-American Chamber of Commerce, and others with us today.

ONE YEAR LATER

One year and nine days ago, we met here to inaugurate the first Israeli-Jordanian Qualifying Industrial Zone - a complex of businesses and factories employing about 1100 people at Irbid in Jordan, whose products would be eligible for duty-free shipment to the United States.

Today, we are here to declare that experiment a resounding success. The Irbid Qualifying Industrial Zone has already outgrown its initial boundaries. It now includes more than fifty factories -- including a textile factory with a direct American stake. Last year I had predicted employment might grow rapidly to 1700 workers; but today Irbid employs more than 4,000 people. As Minister Sharansky said last year, with the Irbid project "the fruits of peace are evident to anybody with eyes to see and ears to hear."

This is a truly remarkable development. At Irbid we see Israelis and Arabs working together; prospering together; building a future together. And in this project we have an example of what the Middle East can become: as economic cooperation develops, common interests grow; international understanding deepens with them; and peace strengthens. In a sense, this project is helping to realize in our time the words of Isaiah:

"Violence shall no more be heard in your land; neither devastation nor destruction within your borders."

And what leadership and vision are creating for Israel and Jordan; sooner or later we can create for the Middle East as a whole.

CREATION OF QUALIFYING INDUSTRIAL ZONES

So I am very proud and happy to be here with you again, a year later, to celebrate the success of the Irbid project. And I have the special pleasure of, at the same time, keeping a promise I made last year - that in time we would see more qualifying industrial zones, more economic cooperation, more jobs and more prosperity in the Middle East.

Today, we will begin by expanding the Irbid Qualifying Industrial Zone. We will designate 40 new hectares of land as eligible for inclusion in Irbid's duty-free treatment program. This will enable up to 30 new factories, employing as many as 10,000 people according to our Jordanian friends, to take advantage of the duty-free privileges - beginning as early as this June.

At the same time, we will create a new Qualifying Industrial Zone.

The Gateway Project is six miles south of the Sheikh Hussein Bridge, along the Israel-Jordan border. At its inception, this will include eight companies, and is likely to employ between three and four thousand people. The companies will break ground for the project in the months ahead, and will construct a bridge between the Israeli and Jordanian sides of the zone.

CONCLUSION

Many of you here helped to lay the groundwork for the projects we designate today. Each of you should be very proud of your work.

Let me give special thanks and recognition to Dov Lautman and Omar Salah, the business leaders who organized the Irbid Park, for their vision and commitment to the project; and to Gilli Dekel and Yousef Dajani, organizers of the Gateway Project.

I also want to thank the staff of Jordan's Ministry of International Trade and Industry, the Israeli Trade Ministry, the Embassies of Jordan and Israel; our Embassy staffs in Amman and Tel Aviv; and USTR's Office of Europe and the Mediterranean. Minister Sharansky, of course, deserves special credit for his work to complete these projects.

The one individual most responsible for the success of the Irbid project and for today's new announcements, however, is no longer with us. That is of course His Majesty King Hussein bin Talal, who passed away in February. It is his vision -- as he said at the conclusion of the Wye Memorandum, "our commitment to the welfare and happiness and security and future of our peoples" -- that we are helping in our small way to realize today. And it is with a profound sense of gratitude to him and his lifetime of work for peace that we will conclude these designations.

Again, I will repeat the promise I made last year - this is simply the beginning. We will continue the work, with King Abdullah and the Jordanian government, and with the next Israeli government, to help Israel, Jordan and other nations of the Middle East find common interests and shared prosperity.

I thank you all for coming, and I look forward to many more events like this one in the months and years to come.

USTR AGENDA AND BUDGET REQUEST

Testimony of Ambassador Charlene Barshefsky

United States Trade Representative

Before the House Appropriations Committee

Subcommittee on Commerce, Justice, State

The Judiciary and Related Agencies

March 17, 1999

Mr. Chairman:

I welcome this opportunity to appear before the Subcommittee to present the Fiscal Year 2000 budget request for the Office of the United States Trade Representative. This afternoon, I will present USTR's program priorities, describe our budget request for FY 2000 and respond to questions the Subcommittee may have.

Let me begin by offering my thanks to the Subcommittee for your consistent support of our mission to open markets, expand trade, and enforce trade laws and trade agreements. We appreciate our close working relationship, and hope to continue it into the future.

INTRODUCTION

Mr. Chairman, I regard it as a great privilege to work with the career employees of the U.S. Trade Representative. We are among the smallest agencies in government: our budget request is $26.5 million, and our staff request for next year is just 185 full-time employees.

With this staff we address $2 trillion in trade volume (an increase of over $700 billion since 1992); monitor and enforce our agreements, including over 270 trade agreements negotiated since 1992; and develop and execute our trade agenda for the future. The budget request reflects our need to upgrade security and add seven additional career full-time employees to help us address this much larger volume of trade and network of agreements and the level of work required in agriculture and several regional offices. At the same time, the request protects USTR's tradition as a lean agency in which each full-time employee has great responsibility, and which can act quickly to deliver tangible results for Americans through new job opportunities, higher farm incomes and rising standards of living.

These capabilities are evident in the results we have achieved. Together with the continuous reduction of the federal budget deficit beginning in 1993, and the Administration's increased support for education, the expansion of trade in the past six years has helped create the best economic environment our country has ever enjoyed. Since 1992:

-- Our economy has prospered. Our economy has expanded from $7.1 trillion to $8.5 trillion in real terms (1998 dollars), and we have the benefit of the longest peacetime expansion in America's history.

- -Our country has created jobs. Employment in America has risen from 109.5 to 127.2 million jobs, a net gain of nearly 18 million, as unemployment rates fell from 7.4% to 4.3%.

- And our families have enjoyed higher living standards. Since 1992, average wages have reversed a twenty-year decline and have grown by 6.0% in real terms, to $449 a week on average. This family prosperity is reflected, for example, in record rates of home ownership.

This makes me very proud to present our budget to the Subcommittee today.

THE TRADE AGENDA

Let me now turn to the agenda we have set, in close consultation with Congress, for the future. Generally speaking, our trade policy seeks the following goals:

-- Address the trade effects of the financial crisis which now directly affects nearly 40% of the world.

-- Continue our progress toward open and fair world markets through a new negotiating Round, as well as our role as host and Chair of the WTO's Third Ministerial Conference, regional negotiations and bilateral talks.

-- Advance the rule of law and defend US rights by ensuring full compliance with trade agreements and strongly enforcing our trade laws.

-- Encourage the full participation of all economies, including economies in transition and developing nations, in the world trading system on a commercially meaningful basis;

-- Ensure that the trading system helps lay the foundation for the 21st-century economy by offering maximum incentives for scientific and technological progress.

-- Ensure that trade policy complements our efforts to protect the world environment and promote core labor standards overseas; and

-- Advance basic American values including transparency and accessibility to citizens and involvement of civil society in the institutions of international trade.

TRADE AGREEMENT AUTHORITY

As we pursue this agenda, the Administration will consult with the Subcommittee and Congress on the renewal of traditional trade negotiating authority. The President, in his State of the Union address, called for a new consensus on trade. He said we must find the common ground on which business, workers, farmers, environmentalists and government can stand together.

Consistent with that approach, we believe negotiating authority should bolster the traditional bipartisan support for trade policy and allow us to pursue an agenda that reflects consensus goals. It is a tool which can help us negotiate with greater credibility and effectiveness on behalf of American economic interests, and thus contribute to our goal of opening markets, increasing growth and raising living standards.

TRADE EFFECTS OF FINANCIAL CRISIS

Let me now address our agenda in detail. I will begin with the trade effects of the financial crisis affecting Asia, Russia and parts of Latin America. This crisis has now lasted a year and a half, and its effects on our trade interests have been severe. Countries which have implemented IMF reform programs have seen a number of good results, including currency stability and returning investor confidence. However, real economies continue to suffer. Six major economies -- Hong Kong, Indonesia, Malaysia, South Korea, Russia and Thailand -- are likely to have contracted by 6% or more last year.

As a result of this crisis, the American trade imbalance has widened. This reflects largely a sharp drop of about $30 billion in American exports to the Pacific Rim, and a consequent break with the pattern of rapid U.S. export growth of the past few years. Our overall import growth last year (with the principal exception of the steel sector, in which imports rose very rapidly in the second half of 1998, affecting thousands of jobs) remained consistent with growth rates in previous years. Thus the larger deficit largely reflects predictable macroeconomic factors.

Our trade policy response begins by ensuring that our trading partners continue to live by commitments at the WTO and in our regional and bilateral agreements. The strength of the trading system is an enormous advantage here -- despite the worst financial crisis in fifty years, the world has resisted the temptation to relapse into protectionism. This has greatly reduced the potential damage to our economy, and particularly to American manufacturing exporters and agricultural producers. In addition, other markets -- particularly our NAFTA partners Canada and Mexico, to whom U.S. goods exports grew by $13 billion last year -- have in part compensated, thanks to the more open North American market NAFTA has created, for some but not all of these lost exports.

We continue with a policy response covering several areas:

- •*IMF Recovery Packages* -- We have supported reform packages with the IMF at the center in affected countries. Several of these contain trade conditionalities which we vigorously monitor. These packages are showing results: especially in Korea and Thailand, there are early signs of recovery, including a fairly strong recovery in American exports to both countries in the last quarter of 1998.
- •*Restored Growth in Japan* -- A return to growth in Japan, Asia's largest economy, is essential for the economic health of the region. The Administration's view is that this will require fiscal

stimulus that continues until solid growth is restored, financial reform, and deregulation and market-opening. USTR's responsibilities lie in this last area. In addition to an aggressive bilateral agenda, the agreement we reached in Japan last May sets out concrete deregulatory measures in telecommunications, housing, medical devices, pharmaceuticals and financial services sectors, and measures to strengthen competition policy enforcement and transparency. When fully implemented, these will create opportunities for exporters and workers in America, other Pacific economies and Japan. We are now discussing new measures in these sectors and energy as well.

- •*Steel* -- The President's January 7 Steel Report to the Congress laid out a copmrehensive action plan on the steel import surge. The plan provides for a roll-back of imports from Japan - the key source of the import surge - to pre-crisis levels, by stating that the Administration is prepared, if necessary, to self-initiate trade cases to ensure that this roll-back takes place. The plan also outlines actions taken by the Commerce Department to expedite ongoing dumping investigations and apply dumping margins retroactively. In addition, the Administration expresses strong support for an effective safeguards mechanism, and commits us to continue to assess the effectiveness of steps taken to date, and working closely with the industry, labor, and members of Congress, to assess additional steps. To assist in this ongoing review, we also announced that preliminary steel import data will be released, thus enabling the industry's business planners to react to imports on a more timely basis.

Since then, the Commerce Department has announced preliminary dumping margines with respect to Japan, Russia and Brazil. We have initialed two agreements with Russia, including a suspension agreement on the carbon flat rolled dumping case, and a broader agreement under the market disruption article of the 1992 U.S. bilateral trade agreement with Russia. These agreements would roll back and cap steel imports from Russia, the second largest source of our 1998 steel import surge. In Korea, we have expanded and expedited discussions on steel with the objectives of real and substantive progress toward permanently getting the Korean government out of the steel business.

Import statistics over the past two months demonstrate that this policy is working. Between November and January, steel imports of carbon flat rolled products from Japan, Russia and Brazil which the Commerce Department found to be "dumped" declined 96, 98 and 76 percent respectively. At the same time, we have remained faithful to our own international commitments, thus doing our share to forestall a protectionist response to the global crisis by our trading partners and retaliation which would endanger American agricultural and steel-intensive manufacturing exporters.

I. GROWTH AND HIGHER LIVING STANDARDS

Let me now turn to our negotiating agenda. In this agenda, we seek enduring goals -- growth, higher living standards, the rule of law, a rising quality of life, better protection of health, safety and the environment, and the advance of basic values. As President Clinton said in the State of the Union address, we need to find new methods of negotiating and address a broader array of issues to secure these goals in the next century.

1. New Round and WTO Ministerial Conference

This is the basis of President Clinton's call for a new, accelerated negotiating Round for the 21st century. The Round would begin at the WTO's Third Ministerial Conference, which I will chair and which will be held in Seattle from November 30th to December 3rd. This will be the largest trade event ever held in America, bringing government leaders, Trade Ministers, business leaders, non-governmental organizations and others interested in trade policy from around the world. It is an extraordinary opportunity for us to shape at least the next decade of multilateral trade negotiations and to highlight our economic dynamism to the world.

At the outset, I would like to say a few things about funding for the WTO Ministerial. The Ministerial will be the largest international trade event ever held in the United States. Most of the funding for logistical preparations and on site Ministerial operations will be met by the Seattle community, including substantial in-kind contributions from major corporations from Washington State. Even with this local funding, the U.S. Government will bear some of the cost for managing the conference, and the President's FY 2000 Budget contains $2.0 million in the State Department budget for that purpose. Over the next month, we will be discussing physical site requirements with the WTO, and financial contributions with the Seattle Host Committee.

The Round President Clinton has called for would begin at this event. It would be somewhat different from previous Rounds, in that we should be able to pursue three dimensions simultaneously: first, a negotiating agenda to be completed on an accelerated timetable; second, institutional reforms and capacity-building at the WTO; and third, ongoing results in priority areas.

To begin with, we would hope to advance a number of important initiatives in the months leading up to the Ministerial Conference and at the event itself. They may include:

-- <u>An "Information Technology Agreement II"</u> adding new products to the sectors already covered by the first ITA.

-- <u>Electronic Commerce</u> -- Extension of last May's multilateral declaration not to assess customs duties on electronic commerce, to make sure that the Internet remains an electronic duty-free zone.

-- <u>An agreement on transparency in procurement</u> to create more predictable and competitive bidding, reducing the opportunity for bribery and corruption and helping ensure more effective allocation of resources.

-- Building consensus on the sectoral liberalization initiative begun in the Asia-Pacific Economic Cooperation (APEC) forum. This would eliminate tariffs and in some cases liberalize services in chemicals; energy equipment and services; environmental goods and services; fish and fishery products; gems and jewelry; medical and scientific instruments; toys; and forest products. Meaningful participation by Japan in the fishery and forest products sectors would be essential to success.

The second dimension of institutional reform would promote transparency, allow the WTO to facilitate trade and participation for less developed nations, help it coordinate more effectively with international bodies in other fields, and continue to strengthen public confidence in the WTO as an institution. Here we would hope to take up such issues as:

-- Trade facilitation. Most of the world's regional trading arrangements -- ASEAN, APEC, the European Union, Mercosur, NAFTA, the proposed FTAA -- contain a critical element of trade facilitation, often beginning with customs reform to reduce transaction costs and make trade more efficient. The WTO can help accomplish this on a much broader scale.

-- Capacity-building. We need to narrow the growing disparity between the rich countries and the poor countries. We have to ensure that the WTO can work effectively with member economies and other international institutions, particularly with respect to the least developed nations, to ensure that they have both access to markets and technical assistance to meet the kinds of obligations that will help them grow. This and other issues will be addressed at a High-Level Meeting on Trade and Development this March.

-- Addressing the intersection between trade and environmental policies. As trade promotes growth overseas, we must at the same time ensure clean air, clean water and protection of our natural heritage, as well as effective approaches to broader questions like biodiversity and climate change. We have already scheduled a High-Level Meeting of trade and environment experts in March, which we anticipate will provide fresh and valuable input to our work in this area and help frame a vision for future work.

-- Addressing the intersection between trade and labor. Again, as in our domestic economy, growth can and should be accompanied by safer workplaces, elimination of exploitive child labor and respect for core labor standards. The WTO in particular can work in more coordination with the International Labor Organization on some of these issues. As the President has announced, the US will provide funds for a new multilateral program in the ILO to provide technical assistance for international labor rights initiatives, and through our own Department of Labor will help our trading partners strengthen labor law enforcement. These and other such efforts should be a focus of renewed cooperation with the ILO.

-- Coordination with the international financial institutions, in a world where the separation of trade from financial policy has become entirely artificial. The WTO must work more effectively with the IMF and World Bank to achieve their common goals of a more stable, predictable and prosperous world.

-- Transparency. We will also seek reform, openness and accountability in the WTO itself. Dispute settlement must be transparent and open to the public. Citizens must have access to panel reports and documents. Civil society must be able to contribute to the work of the WTO, to ensure both that the WTO can hear from many points of view including labor, environmental, consumer and other groups, and that its work will rest on the broadest possible consensus.

With respect to the expedited negotiating agenda of this Round, we are now consulting with Congress, industry, and other interested parties on a detailed negotiating agenda for talks which would begin after the Ministerial. While the final scope of the agenda is yet to be determined, we believe that at a minimum they should include such issues as:

-- Agriculture, where we envision broad reductions in tariffs, the elimination of export subsidies, and further reductions in trade-distorting domestic supports linked to production. We must seek transparency and improved disciplines on state trading enterprises, seek reform of the EU's Common Agricultural Policy, and ensure that the world's agricultural producers can use safe, scientifically proven biotechnology techniques without fear of trade discrimination.

-- Services, in which we hope to see specific commitments for broad liberalization and market access in a range of sectors, including but not limited to audiovisual services, construction, express delivery, financial services, professional services, telecommunications, travel and tourism, and others.

-- Government procurement, in which purchases are over $3.1 trillion per year, much of it in sectors where America sets the world standard: high technology, telecommunications, construction, engineering, aerospace and so forth. At present, only 26 of the 133 WTO Members belong to the plurilateral WTO Government Procurement Agreement. We thus look to bring more countries under existing disciplines.

-- Intellectual property, where our efforts to ensure full compliance with the existing provisions of the Uruguay Round will be combined with campaigns against piracy in newly developed optical media technologies such as CDs, CD-ROMs, digital video discs and others; and end-user piracy of software.

-- Industrial tariff and non-tariff barriers, where we will seek to continue our progress in reducing bound and applied tariff levels, and continue to address non-tariff measures in industrials sectors.

-- A forward work-program on newer issues for the multilateral system to consider, including how competition and investment policies help to assure fair and open trade how the WTO can help create an international pro-competitive regulatory climate, particularly in services, and how it might further advance our efforts against bribery and corruption.

We are also exploring ways to more fully integrate the least developed countries, particularly in sub-Saharan Africa, into the system. This includes both seeking deeper commitments, and technical assistance in fulfilling those commitments, and the African Opportunity and Growth Act now under consideration in the House.

Finally, I am pleased to state that new market-opening provisions in financial services trade have entered into force, effective March 1, as a result of the 1997 WTO Financial Services Agreement. In the negotiations that concluded in December 1997, we obtained market access commitments in banking, insurance, and securities, from a wide range of countries including the key emerging markets of primary interest to U.S. industry. The agreement covers an overwhelming share of global trade in this sector, including the most important international financial services markets and encompassing $38 trillion in global domestic bank lending, $19.5 trillion in global securities trading, and $2.1 trillion in world wide insurance premiums, accounting for approximately 95% of bank lending, stock turnover, capitalization of stock markets and insurance premiums.

Participating countries had until January 29, 1999, to complete any necessary domestic procedures and formally notify the WTO of their acceptance of the protocol for bringing their commitments into force. Fifty-two countries, including the United States, met the deadline. We are concerned that 18 countries did not meet the deadline. But, in consultation with this Committee's staff, staff of other relevant Committees, and our private sector, we concluded that a two-part strategy best served U.S. interests. First, we want our companies to be able to benefit from legally enforceable commitments in these 52 countries, which account for the overwhelming share of international trade in banking, securities, and insurance. Second, we will work to ensure that the remaining countries recognize that we and other WTO Members expect them to ratify the agreement and bring their commitments into force as soon as possible. We have no information to date that would lead us to believe that they will do otherwise. With this strategy in mind, we have agreed to bring the agreement into force on March 1 with respect to the 52 countries that have ratified to date. We continue to press the remaining countries, in capitals and in Geneva, to follow through on their undertakings and ratify the agreement.

2. Regional Trade Agenda

At the same time, we are pursuing an active agenda in each region of the world. A brief review is as follows:

Canada -- With Canada, our largest trade partner, we have serious concerns on a range of agriculture matters. We took an important step last December by concluding a market access package opening opportunities for American grain farmers, cattle ranchers and other agricultural producers. We will continue our work in these areas this year. We will also address major market access impediments to our magazine publishers and other media and entertainment industries. We will also continue to enforce our bilateral sectoral agreements. At the same time, we intend to work with Canada on bilateral issues of mutual interest, and on negotiations toward the Free Trade Area of the Americas and at the WTO where we share many goals.

Mexico -- Trade with Mexico has expanded rapidly since passage of the North American Free Trade Agreement -- Mexico is now our second largest goods export market after Canada. We will continue to monitor implementation of Mexico's NAFTA commitments, scheduled to be complete by 2008, and address bilateral issues including land transportation, corn syrup and sugar, and telecommunications barriers as well as piracy in intellectual property rights. We have also stepped up our efforts in the trilateral work program now underway in more than 25 Committees and Working Groups, with the intention of maximizing our gains under the NAFTA.

Western Hemisphere -- The Miami and Santiago Summits of the Americas have called on us to complete work on a Free Trade Area of the Americas no later than the year 2005. This year, in accordance with Summit directions, we intend to achieve "concrete progress" toward the FTAA in our nine Negotiating Groups and through business facilitation and other measures. At the same time, we will seek approval from Congress of an expanded and improved Caribbean Basin Initiative with benefits similar to those now accorded Mexico and Canada.

Europe -- We are working to remove barriers and strengthen trade relations with the EU through the Transatlantic Economic Partnership begun last year. This includes negotiations on seven separate agenda items: technical trade barriers, agriculture (including biotechnology and food safety), intellectual property, government procurement, services, electronic commerce and advancing shared values such as transparency and participation for civil society. We are also working to ensure the protection of American interests as the EU expands to include Central and Eastern European nations. At the same time, we are enforcing European compliance with dispute settlement decisions and will address problems in our trade relations both bilaterally and through the new negotiating Round President Clinton has proposed.

Asia -- Under the Asia-Pacific Economic Cooperation (APEC) forum we are looking long-term toward free and open trade in the region. This year, as I noted earlier, we will seek WTO consensus on the nine-sector liberalization package begun in APEC, and begin work on six additional sectors. We will also address bilateral issues with Korea, the ASEAN nations and other Asian trade partners. This will include seeking Normal Trade Relations with Kyrgyzstan, Mongolia and Laos, and negotiating a broad trade and commercial agreement with Vietnam.

Japan -- In trade relations with Japan, our largest overseas trade partner, we will continue our intense and sustained effort to open and deregulate the Japanese market. We have concluded 35 bilateral trade agreements with Japan since 1993; we will monitor their implementation closely and enforce them vigorously. We will also address sectoral issues including rice, steel, insurance, glass, film and other topics. For example, we will be addressing a wide range of primary and third sector issues in consultations with Japan on insurance scheduled for next month. And as I noted earlier, we are pursuing an ambitious set of goals under the Enhanced Initiative on Deregulation and Competition Policy, both in individual sectors and in broader structural issues. Building on discussions at recent Vice Ministerial-level talks in Tokyo, we are looking to compile a substantive package of measures to deregulate Japan's economy that our leaders can endorse when Prime Minister Obuchi visits the United States in May.

China -- We will monitor and strictly enforce our agreements on intellectual property and market access with China, and address bilateral trade problems in agriculture, direct marketing and other areas. At the same time, we will continue to seek broad market-opening through our negotiations toward China's accession to the World Trade Organization, which I address more fully below.

Africa -- USTR is implementing the President's Partnership for Economic Growth and Opportunity in Africa by supporting economic reform, promoting expanded trade and investment ties, and encouraging Africa's full integration into the world trading system by negotiating bilateral agreements, technical assistance and other measures, in particular Congressional approval of the African Growth and Opportunity Act. These are all focuses of this week's historic US-Africa Ministerial.

A sound policy framework in African countries that opens economies to private sector trade and investment offers the greatest potential for growth and poverty alleviation as well as trade opportunities for the U.S.. Last month, for example, we signed a Bilateral Investment Treaty with Mozambique, and Trade and Investment Framework Agreements, or TIFAs, with South Africa and Ghana. We hope to complete a similar TIFA with the West African Economic and Monetary Union. Broader efforts to encourage full integration of developing countries into the trading system will also bolster our Africa policy. In this regard, we will seek renewal of the Generalized System of Preferences.

Middle East -- Building upon our Free Trade Agreement with Israel, we have inaugurated a program that aims to bolster the peace process, while advancing American interests. Starting with a framework of bilateral trade and investment consultations in the region and a newly inaugurated industrial zones program, we will help the Middle Eastern countries work toward a shared goal of increased intra-regional trade. Most recently, I expanded the first Jordan-Israel Qualifying Industrial Zone, designated another, and completed a Trade and Investment Framework Agreement with Jordan.

OECD -- We strongly support passage of the OECD Convention on Shipbuilding Subsidies and will work with you to ensure its success.

II. ENFORCING THE RULE OF LAW

Second, US trade policy will support and advance the rule of law internationally by ensuring the enforcement of trade agreements and U.S. rights in the trading system.

Much of our enforcement work takes place at the World Trade Organization. We have filed more complaints in the WTO - 44 cases to date -- than any other WTO member, and our record of success is strong. We have prevailed on 19 of the 21 American complaints acted upon so far, either by successful settlement or panel victory. In almost all cases, the losing parties have acted rapidly to address the problems. We will insist that this remain the case in all our disputes, including those with the European Union on beef hormones and bananas, and with

Canada on magazines.

At the same time, the U.S. has complied fully with all panel rulings it has lost, although these are few in number. And we will, of course, use our rights under the NAFTA to ensure open markets to our goods and services in Canada and Mexico.

We are also monitoring implementation of WTO commitments. All WTO developing country members are scheduled to fully implement their intellectual property commitments, and all members are required to implement customs valuation commitments by January 1, 2000. We will insist on strict compliance with these deadlines.

Likewise, we are vigilant to ensure enforcement of textile quotas and implementation of textile market access requirements overseas. A number of our trading partners clearly have further work to do in market access, including some of our largest and fastest growing textile suppliers. We have and will continue to aggressively pursue our rights, whether through the consultation process or ultimately through the WTO dispute settlement regime.

U.S. trade laws are also a vitally important means of ensuring respect for U.S. rights and interests in trade. We will continue to challenge aggressively market access barriers abroad using laws such as Section 301, "Special 301" and Section 1377, to open foreign markets and ensure fair treatment for our goods and services, ensure nondiscrimination in foreign government procurement and ensure compliance with telecommunications agreements.

To ensure that we have the maximum advantage of domestic trade laws, the Administration has extended by Executive Order the substance of two laws for which authority has lapsed: "Super 301" and Title VII.

The Administration is also, of course, committed to full and vigorous enforcement of our laws addressing dumping and subsidies, and on injurious import surges.

III. INTEGRATING TRANSITION ECONOMIES

Third, our trade policy will continue our progress toward integrating China, Russia and other economies in transition into the trading system. This will both advance specific American trade interests, and contribute to our larger goal of a more secure peace in the next century.

This task is the last great step in the process which began with formation of the GATT and continued with the admission of Germany and Japan: the creation of a world-wide trading system which ensures respect for fairness, transparency and the rule of law. Specifically, we are pursuing the accession of 30 economies to the World Trade Organization: Latvia, whose accession is complete and awaiting ratification; and Albania, Algeria, Andorra, Armenia, Azerbaijan, Belarus, Cambodia, China, Croatia, Estonia, Former Yugoslav Republic of Macedonia, Georgia, Jordan, Kazakstan, Laos, Lithuania, Moldova, Nepal, Oman, Russia, Samoa, Saudi Arabia, Seychelles, Sudan, Taiwan, Tonga, Ukraine, Uzbekistan, Vanuatu and Vietnam. In all cases we seek a commercially meaningful accession with the greatest possible commitments to all WTO agreements.

As you can see, two groups of economies make up the bulk of these accessions: a set of Middle Eastern nations on one hand, and China, Russia and sixteen other nations in transition from communist planning systems to the market. Their entry will make membership in the trading system nearly universal; and the accession of the transition economies will be a fundamentally important step in their domestic reforms as well. This would remove large distortions in world markets, dramatically enhance market access for American producers, and bolster international stability by giving these nations a greater stake in world prosperity beyond their borders.

Let me say a few words in particular about the transition economies, because these are the largest nations and largest traders outside the system today. To support rather than undermine both domestic reform in these economies and the rules of the trading system, these countries must be brought into the WTO on commercially meaningful terms. The result must be enforceable commitments to open markets in goods, services and agricultural products; transparent, non-discriminatory regulatory systems; and effective national treatment at the border and in the domestic economy.

Central European countries like Poland, Hungary and the Czech Republic have succeeded, and their experience shows that WTO membership has assisted their domestic economic reform policies. The most recent successful WTO applicants, Latvia and Kyrgyzstan, have had the same experience.

In the months to come, we will negotiate intensely with all acceding economies, including China -- the largest prospective WTO member. We have made progress with China in the past two years, and the visit of Premier Zhu Rongji in April offers China a chance to make a decisive advance. I visited China two weeks ago to push this effort forward. During this visit we made further progress in the negotiations as a whole, and within each of the specific areas of goods, services and agricultural products. The negotiations are far from complete, however, and we will not accept anything less than a commercially meaningful accession. We will consult with Congress as negotiations proceed.

Likewise, at the most recent summit with Russia (September 1998), President Yeltsin agreed to work to intensify Russia's WTO accession efforts. Russia's current economic difficulties clearly present challenges and Russian Cabinet reshuffling has slowed the process, but we will continue to consult with the Russians toward a commercially viable accession package.

IV. THE 21ST-CENTURY ECONOMY

Fourth, trade policy will help lay the foundation for the 21st-century economy by ensuring that the trading system is compatible with rapid advances in civilian science and technology.

In medicine, environmental protection, agriculture, entertainment, transportation, materials science, information and more, science is advancing at extraordinary speed. This offers the world tremendous potential to increase wealth, raise productivity, improve health care, reduce hunger, protect the environment and promote education. These are also areas in which the United States has a significant comparative advantage.

Under President Clinton, our trade policy has made high technology a strategic priority. Consistent with national security, we have aimed to ease the development and commercialization of new technologies, and ensure strong incentives for scientific and technological progress. We have negotiated far-reaching new agreements in sectors like computers, semiconductors, information technologies and many other areas. This work continues in multilateral, sectoral and regional negotiations.

In the multilateral system, the rapid advance of technology requires us to improve the trading system's institutions and negotiating methods. In a world where successive generations of new products arise in a matter of months, and both information and money move instantaneously, we can no longer take seven years to finish a negotiating Round, or let decades pass between identifying and acting on trade barriers. We will have to move faster and more efficiently, which is a significant reason for the President's call for an accelerated Round.

We must also ensure that trade policy, both in the WTO and in our regional and bilateral negotiations, helps ensure that we can take advantage of our comparative advantage in knowledge industries and other new technologies. Three broad issues cut across many sectors:

Intellectual Property Rights -- Our success in this field over the past decade owes a great deal to the work of Congress, both in the Trade Act of 1988 with its creation of "Special 301," and on the Uruguay Round. Today, the vast majority of our trading partners have passed modern intellectual property laws and are improving levels of enforcement. In this area, we will spend a great deal of time ensuring that all WTO members comply with their obligation to introduce full intellectual property protection by January 1, 2000. (For countries, like China, which are not WTO members, we will vigorously monitor compliance with bilateral agreements.)

We have also launched campaigns against worldwide piracy of new optical media technologies, and against end-user piracy of software. These issues are integral parts of our regional negotiating agenda in Asia, Latin America, Europe, Africa and the Middle East. Looking ahead, we must extend protection of intellectual property rights beyond basic laws and enforcement to protect new technologies like genetically engineered plant varieties.

Global Electronic Commerce -- In accordance with the President's Global Electronic Commerce initiative, USTR seeks to preserve electronic trade over the Internet as duty-free. At the last WTO Ministerial Conference, in May of 1998, we won agreement to a "standstill" for tariffs on electronic transmissions. As I noted earlier, we will seek to extend that agreement this year. Likewise, in our negotiations toward the Free Trade Area of the Americas, at APEC and in the Transatlantic Economic Partnership, we have created special committees to advise us on ways to ensure all participants can take maximum advantage of electronic commerce.

Biotechnology -- A third top priority for us in this area is biotechnology. Among the chief sources of innovation in this field are American agriculture and medicine. USTR will seek to ensure that pharmaceutical companies, farmers and ranchers can use safe, scientifically proven techniques like biotechnology to make agriculture both more productive and friendly to the environment, without fear of encountering trade discrimination. This is a priority for us in the Transatlantic Economic Partnership negotiations and in developing our agenda for future WTO negotiations.

Sectoral -- We also have an active sectoral high-tech agenda. This includes, for example, the ITA II agreement I discussed earlier. We are also working closely with our civil aircraft industry to ensure its future and combat foreign, particularly European, subsidies and other unfair practices; and with the semiconductor industry on the appropriate next steps for the international semiconductor agreement. This work extends into many other fields.

V. RISING QUALITY OF LIFE

Fifth, US trade policy seeks to ensure that worldwide as in the United States, trade and growth go together with a rising quality of life, including setting high standards of environmental protection, the observance of core labor standards, and high levels of consumer protection.

As in our domestic economy, we regard environmental quality and protections for workers as essential parts of economic policy. Trade policy has an important role to play, in coordination with our efforts in other fora, to ensure growing respect for internationally recognized core labor standards and sustainable development worldwide.

1. Trade and the Environment

Our Administration believes that prosperity through open trade and the protection of health, safety and the environment need not conflict, and should be mutually supportive. This is the case in our domestic economy, where in the past three decades our GDP has risen in real terms from $3.7 to $8.5 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, are recovering.

The Preamble of the WTO recognizes this in the international setting, stating that sustainable development is a central objective of its work. Where there are potential conflicts, we should strengthen our ability to resolve them in a manner that protects the environment, health and safety and does not undermine the trading system. This includes working to ensure that the proper expertise is brought to bear on complex technical and scientific issues, particularly those with environmental, health and safety dimensions.

In many cases elimination of trade barriers will also contribute to a cleaner environment and the conservation of natural resources. For example, this can help countries gain access to cost-effective equipment and technology. APEC's work toward an agreement to liberalize trade in environmental goods and services, part of which has now moved to the WTO, can help countries monitor, clean up and prevent pollution, and ensure clean air and water. Likewise, the APEC initiative on energy equipment and services can promote rapid dissemination of efficient power technologies, thus allowing production of power with reduced carbon emissions and contributing to international efforts to address climate change.

At the same time, as the trading system ensures that members avoid using environmental standards as disguised trade barriers, in eliminating barriers to trade we must not compromise on the achievement and maintenance of high levels of environmental, health and safety protection. And the system must work together with multilateral environmental institutions.

With our strong support, the WTO is convening a High-Level Meeting on trade and the environment this week to more fully address these questions. This marks a new level of awareness and interest in the world trading community on trade and environmental issues. We anticipate that it will provide fresh and valuable input to our work in this area and help frame a vision for future work.

We will also continue to support the effective implementation of the North American Agreement on Environmental Cooperation in conjunction with the NAFTA. Cooperative activities that have occurred as a result of this agreement have improved environmental protection in a number of different areas -- for example, an agreement on the conservation of North American birds; the creation of a North American Pollutant Release Inventory; an agreement on regional action plans for the phase-out or sound management of toxic substances, including DDT, chlordane, PCBs and mercury; and the creation of a trilateral working group that has improved the enforcement of environmental protection laws. Benefits have also resulted from the implementation of the Border Environment Cooperative Commission (BECC) which was also entered into in conjunction with the NAFTA. The BECC has fifteen environmental infrastructure projects under construction today, funded in part by the North American Development Bank, including the first wastewater treatment plants in Juarez.

2. Trade and Core Labor Standards

Likewise, the trade system must help to assure the dignity and safety of workers. Here again, we can draw lessons from our experience at home, where since 1970, as manufacturing production doubled, the number of workplace deaths fell 60%. Our efforts here include seeking closer cooperation between the WTO and the International Labor Organization, bolstering ILO capabilities to address exploitative child labor and other violations of internationally recognized labor rights as well as ensuring safe and healthy workplaces, and working with individual trade partners to advance our goals.

At the Singapore WTO Ministerial Conference in 1996, the WTO for the first time recognized the importance of labor standards and cooperative work with the International Labor Organization, while clearly separating advocacy of labor rights from protectionist trade policies. We wish to build on this to ensure that the trading system works more effectively with the International Labor Organization, with businesses and with citizen activists to ensure observance of internationally agreed core labor standards -- banning forced labor and exploitive child labor, guaranteeing the freedom to associate and bargain collectively and eliminating discrimination in the workplace.

We have thus proposed in Geneva that the WTO establish a forward work-program to address trade issues (e.g., abusive child labor, the operation of export processing zones) related to labor. We also have raised labor standards in country policy reviews under the Trade Policy Review Mechanism. In these reviews each WTO member's trade regime is examined, and other members are provided an opportunity to raise questions. We have used this opportunity, for example in the recent Swaziland review, to seek clarifications about labor practices that we believe are inadequate.

To bolster these efforts, the President recently announced a $25 million program to help the ILO work with developing countries to put in place basic labor protections, safe workplaces and guarantee worker rights and enforce their own laws so that workers everywhere can enjoy the benefits of a strong social safety net. (The US has already funded ILO child labor programs in Bangladesh, Thailand, the Philippines, Africa, and Brazil.) These are fundamental human rights and common concerns, and trade policy has a place in addressing them.

We are also taking steps in a number of other areas directly related to trade policy. The Administration has directed the Customs Service to step up its efforts to ensure that items made by forced or indentured child labor are not imported into the United States. USTR is enforcing provisions of existing law that impose penalties for clear violations of worker rights. For example, we partially removed GSP trade preferences from Pakistan over child labor concerns. At the same time, however, the Administration has worked through the Labor Department to develop long-term solutions to the problem, by addressing specific Pakistani industries. As a result, 7,000 children have been removed from jobs stitching soccer balls and 30,000 children from jobs knotting carpets.

Likewise, we are finding ways to address core labor standards as we advance our trade policy goals. The North American Agreement on Labor Cooperation under NAFTA is one example. Another is our recent textile agreement with Cambodia, which includes provisions requiring Cambodia to improve the enforcement of its labor laws in the garments sector.

VI. ADVANCING AMERICAN VALUES

Sixth, we will seek to advance basic American values and concepts of good governance, by making the institutions of trade more transparent, accessible and responsive to citizens.

As the President has said, as trade grows, the rules of trade do more to ensure that markets are open to our goods and services, and the trading system coordinates more fully with environmental, labor and financial institutions, the need for transparency, accessibility and responsiveness grow. This is natural and a development which we both support and are working to realize.

One principal forum here is the WTO, where we are seeking agreements on more rapid release of documents, ensuring that citizens and citizen organizations can file amicus briefs in dispute settlement proceedings, and that dispute settlement proceedings be open to public observers. In the interim, President Clinton has made a standing offer to open any dispute panel involving the United States to the public, if our dispute partner agrees.

A second forum is the FTAA negotiations, in which -- for the first time in any trade negotiation -- we have created a Civil Society Committee to give business associations, labor unions, environmental groups, student associations, consumer representatives and others a formal means of conveying concerns and ideas to all of the governments involved in the talks.

A third is our encouragement of new Transatlantic Dialogues with the European Union for consumers, labor and environment as part of the Transatlantic Economic Partnership. Through this effort we are promoting our shared values with Europe in the activities and negotiations we are undertaking as part of the TEP and multilaterally.

FY 2000 BUDGET LEVEL

Over the past six years, as I noted earlier, we have negotiated over 270 trade agreements since 1992, and in important part because of this our volume of bilateral trade has expanded by nearly three quarters of a trillion dollars. This has inevitably meant a heavier workload for the USTR. Our budget request will allow us to meet this workload while protecting our tradition as a small and efficient agency.

For FY 2000, the budget request proposes 185 FTEs and $26,501,000 in new budget authority to support this trade agenda. This represents an increase of $1.8 million and career 7 FTEs. We would use the $1.8 million increase in five targeted areas:

- •$1.2 million to fund the expected cost of legislated employee pay raises, as well as non-pay inflation in areas like rents, utilities and travel;
- •$400,000 for 7 new career positions in areas with growing workloads. Six of the seven new positions would be Trade Specialists and one would be a support position. Of these positions: 2 each are in USTR's Agriculture and Africa units; and one each are in Japan, China, and Western Hemisphere offices;
- •$400,000 for negotiator travel to meet rising number of trips to China, Japan, Africa and other distant and costly negotiating sites;
- •$225,000 for security-related projects in USTR's Geneva and Washington offices to guard against the threat of terrorism, and to protect sensitive and classified information from unauthorized access; and $100,000 is to meet a growing demand for interpretation and translation services for use in negotiations, enforcement proceedings and reviewing country proposals.

This represents a total budget increase of $2.225 million, which is partially offset in FY 2000 by a reduction of $498,000 in funding for Y2K improvements made available in FY 1999 on a one-time basis under the Omnibus Consolidated and Emergency Supplemental Appropriations Act (P.L. 105-277). Thus the net increase is $1.8 million.

Mr. Chairman, USTR needs every penny of the $26.5 million we are proposing in the

FY 2000 budget request. We are keenly aware of our responsibilities for first attempting to absorb the requested cost increases by reordering work priorities, cutting administrative overhead, improving management or otherwise economizing.

Yet, USTR has virtually no capacity to absorb higher costs in FY 2000. Two-thirds of the USTR appropriation supports the salaries and benefits of employees, and the remaining one-third pays for building rent, utilities, security, travel to negotiating sites and other direct day-to-day operating expenses. Unlike larger Federal agencies, we do not have the option of cutting back in categories like grants and contracts, nor do we have the option of trimming layers of management or administration. We have already accomplished an enormous amount of "belt-tightening" in the last six years, and any further budget savings will come at the expense of our core negotiation, policy coordination and enforcement programs.

In fact, between FY 1991 and FY 1997, USTR's appropriations for basic operations rose by less than $1 million, roughly 4.4 percent over the six year period, or about

seven-tenths of one percent annually. Over the six years, we had to absorb about $400,000 a year, just to meet the cost of legislated employee pay raises and rising costs in no

STATEMENT TO THE HIGH-LEVEL SYMPOSIUM

ON TRADE AND DEVELOPMENT

Ambassador Charlene Barshefsky

United States Trade Representative

At the World Trade Organization

Geneva, Switzerland

March 17, 1999

The United States, as a founding member of the GATT and the World Trade Organization, welcomes this High-Level Symposium on Trade and Development.

We are committed, as expressed in the WTO's Preamble, to ensure that developing countries, and especially the least developed among them, share in the benefits of trade and international economic growth. Our national market access policies, our work within the trading system, and the agenda on which we are working with our trading partners all contribute to realization of that goal.

This meeting is a practical expression of that commitment on a worldwide scale, and the U.S. delegation is very pleased take part in it. As we prepare for our role as host and Chair of the WTO's Third Ministerial Conference in Seattle, and develop ideas for an agenda that will be both manageable and beneficial to all members, the advice we receive here will be of immense value. Thus I applaud the WTO and Director-General Ruggiero for holding this meeting.

Furthermore, this High-Level Symposium is an ideal complement to the discussions closed yesterday in the High-Level Symposium on Trade and Environment. Though these two meetings were held separately, the two subjects -- environment and development -- are inextricably linked. Our experience demonstrates that these things can go together, as higher environmental standards and cleaner production are compatible with and supportive of economic growth. Healthy people and healthy ecosystems are more productive. This link between economic growth and environmental improvement is enshrined, together with the commitment to development, in the WTO's Preamble, which includes sustainable development as a fundamental objective of the trading system. In endorsing this concept, WTO members recognized that trade and the economic growth it helps to create must be fostered in the context of sustainable development which integrates economic, social and environmental policies.

RECORD OF THE TRADING SYSTEM

Let me open our statement with some thoughts on the goals and record of the system.

Economic growth, sustainable development, and opportunity for citizens are fundamental goals of every society. And the record of the past five decades clearly shows how the trading system has helped us reach them.

Since 1960, tariffs have dropped 90% and non-tariff barriers to trade have been dramatically reduced. More recently, market access for agriculture and services has expanded with the conclusion of the Uruguay Round. Thus, since 1960 trade has grown fifteen-fold; world economic production has quadrupled; and world per capita income has more than doubled.

The implications of this for the lives of our people have been immense. To choose three basic indicators, during this period world life expectancy has grown by twenty years, infant mortality has dropped by two-thirds, and has famine receded from all but a few corners of the world. The work we have done to create and develop the trading system, then, has helped nations grow and allowed families throughout the world to live better lives.

All WTO members can be proud of this record -- but we must not rest content with it. Rather, as we applaud the success of so many of our trading partners in the Americas, Asia, Africa and elsewhere; and as we consider the vast new opportunities created by new technologies -- medicines and hospital equipment, computers and the Internet, pollution monitoring and control - we must develop an agenda that will build upon it for the generations to come.

LESSONS LEARNED

To frame the discussion, we might begin by reflecting on the lessons of the past decades.

First, trade and engagement in the international economy are essential for growth. Those of us who have benefitted from the system and prospered more quickly must offer meaningful market access to our developing country partners, especially the least developed.

Second, membership in the system and implementation of commitments are equally important. As tariffs and other trade barriers fall, firms and farmers buy essential inputs at lower cost. As economies adopt policies consistent with WTO principles - open markets, transparency and the rule of law - they benefit from greater competition and become more efficient. Sound regulatory systems and protection of intellectual property rights are essential to promote technological advance and attract investment. Without these measures -- each a fundamental principle of the WTO -- the system's ability to promote growth and development is reduced.

Third, all members must be able to implement commitments and assert their rights within the system. We have listened to the concerns of many of our developing country partners about the difficulties they encounter in these areas. All of us, the WTO, and other related institutions, must do more to solve these concerns through institutional reform and technical assistance.

Fourth, we still have untapped potential and opportunities. The WTO's work in the future can take advantage of these to open markets more fully and find new areas of common interest and mutual benefit.

Turning from these broad lessons to our specific policies, let me address four issues: our own market access policies; institutional reforms and technical assistance to help developing countries take full advantage of their rights in the system; the importance to developing countries of making, deepening and implementing commitments; and the development of an agenda for the future which will benefit all members.

U.S. TRADE PHILOSOPHY AND MARKET ACCESS POLICIES

I will begin with our own responsibilities. As an industrial country and a founding member of the trading system, we are committed to providing our developing country trade partners an open, healthy market. This is especially important during the present financial crisis.

Today, well over half our imports from developing countries enter the United States duty-free. During the 1990s the United States has taken nearly half of the growth in developing country exports to the industrial world: $210 billion in new exports between 1991 and 1997, compared to $135 billion for the EU and $64 billion for Japan. This continued during 1998, when as the most recent figures show, developing country exports to the United States rose by 7% - more rapidly than to any other major market - in the first two quarters.

Looking to the future, our policies will create an even more open market in the future. As a matter of law, we ensured that we would implement our WTO commitments on schedule, including those of particular interest to developing countries. And we have requested renewal from Congress of the Generalized System of Preferences, which offers special duty-free access to numerous developing countries. I have used my own discretionary authority, in fact, to expand the GSP by a further 1,783 tariff lines in the last two years.

At the same time, our initiatives in each region of the world offer substantial additional market access and deeper relationships with developing country trade partners. These include, among others, the President's Economic Partnership with Africa, which brings Trade, Economic and Foreign Ministers from Africa to Washington today to develop common interests and further improve a growing economic relationship; the associated African Growth and Opportunity Act; the Asia-Pacific Economic Cooperation forum; the negotiations toward the Free Trade Area of the Americas; and the Caribbean Basin Initiative expansion recently introduced in Congress. As the US-Africa Ministerial indicates, each of these includes, in addition to market access opportunities, substantial economic and technical cooperation initiatives, and regular high-level meetings at which we exchange ideas and develop areas of mutual interest.

In the trading system as well, our work takes into account the ideas of developing country trade partners, seeking to accommodate them and find new areas of common interest. Here, we can take advantage of the WTO's stronger structure to work in three dimensions simultaneously, including institutional reforms and capacity-building at the WTO; ongoing results in priority areas; and a manageable negotiating agenda to be completed on an accelerated timetable.

Let me address each of these in turn, beginning with the institutional issues.

CAPACITY-BUILDING AND TECHNICAL ASSISTANCE

The U.S. submissions to the General Council in Special Session addressed in some detail our concerns about institutional issues and strengthening the functions of the trading system. Our fundamental view is that all members must be able to assert their rights, implement their commitments and build public confidence in the system. These are principles we share with virtually all members. While not negotiating issues per se, the institutional reforms necessary to realize them are critical to the health of the system in the next century, and particularly to the participation of less developed trading partners.

1. Multilateral Initiatives

This begins with efforts at the WTO to ensure that less developed countries can implement their commitments and take full advantage of their rights.

We are thus committed to help the WTO improve its technical assistance and capacity-building functions. We have worked closely with the Committee on Trade and Development to promote technical assistance, and believe the materials prepared for the High-Level Meeting on the Least Developed were helpful to governments as they designed their own national technical assistance programs. And we hope to take advantage of the Ministerial Conference and the new Round to pursue ideas for institutional reform and improvement in greater depth.

For example, a number of developing countries have requested assistance in building their capacity to participate in dispute settlement procedures. A group led by Colombia has made a constructive proposal to create an Advisory Center, which could provide meaningful assistance, including institution-building and legal assistance, and will be self-supporting through fees and its endowment. The Center should be a completely separate entity from the WTO and all its staff. This separation is essential in order to assure the continued impartiality and credibility of the WTO and its dispute settlement mechanism.

At the same time, the WTO can benefit from close cooperation with its partners in the constellation of other international organizations - UNCTAD, IMF, IBRD, ILO and UNDP - and the regional organizations to take advantage of all the training and expertise available. We need to expand our work without duplicating efforts. For example, the Integrated Program of Technical Assistance has been highly effective in coordinating programs for the least-developed, and we may want to explore this model more broadly.

2. U.S. Technical Assistance and Cooperation Programs

Our own bilateral and regional initiatives, to which we have committed well over $50 million in the past year, complement and support the technical assistance efforts underway through the WTO.

The full benefits of participation in the WTO require implementation of the Uruguay Round Agreements and membership in the more agreements on Basic Telecommunications, Information Technology and Financial Services. These involve in some cases complex regulatory policies and legislation, which many of our national technical assistance programs are designed to support..

One special focus is agriculture. Together with the U.S. Agency for International Development, the Department of Agriculture and the Commerce Department's Commercial Law and Development Program, we have provided national and regional WTO workshops, as well as assistance with respect to our own market access programs, GSP regulations and phytosanitary rules and other topics. This summer, for example, the Department of Agriculture will fund a seminar which brings representatives from 40 African nations to Washington for a seminar on the Agreement on Agriculture and the Agreement on Sanitary and Phytosanitary Standards.

A second is telecommunications. USAID, together with the Federal Communications Commission and other agencies, undertakes technical assistance efforts in telecommunications worldwide. One prominent example is USAID's Southern Africa Regional Telecommunications Restructuring Program (RTRP), which helps promote modern telecommunications laws and regulation in six southern African nations through technical advice, seminars for regulatory officials and suggestions on legislation.

And a third is electronic commerce and the Internet. Here let me applaud the initiative undertaken by Egypt to have a seminar on this issue under the auspices of the Committee on Trade and Development. Delegations came away much richer from the discussion with developing country entrepreneurs about how E/Commerce facilitates economic development. We are enthusiastic about this potential, and are prepared to do our part in promoting Internet access and capability for our developing country trade partners.

To cite one example, through the Leland Project, AID has helped Madagascar, Mali, Mozambique, Cote d'Ivoire, Benin, Rwanda, Senegal and Guinea set up national gateways, and begun discussions with four more countries. Today Africa has nearly forty indigenous Internet Service Providers, and African small businesses, artisans and cultural industries are engaged in electronic commerce. We are supporting this by providing wireless modems and small, solar-powered computers so small businesses outside national capitals can link to the Internet.

Likewise, our recently introduced Internet and Development Project seeks to assist in policy reform that is aimed at liberalization, open competition and universal access. The key for successful initiatives will be a focus on the ability of small and medium sized enterprises to use the Internet in a way that allows them to take full advantage of the information age. The potential for electronic commerce to promote development is something the WTO should welcome and promote.

FUTURE AGENDA FOR WTO MEMBERS AND ACCEDING ECONOMIES

These examples bring home the importance of making and implementing commitments. It is ultimately these commitments that maximize access to modern telecommunications, agricultural markets, and investment; and which create the competitive home markets which generate more rapid development.

Many of our partners have indicated in the course of preparing for the Third Ministerial Conference that we still have much to do to ensure that the Agreements we have achieved are fully implemented. As the discussions so far have shown, this is a widely shared concern and not an issue which breaks down along north south lines.

Where implementation is a problem for any members, we are ready to work with them on a case-by-case, issue-by-issue basis. But on a broader scale, implementation of commitments on schedule is important to the system and to developing countries in particular. Tariff reductions, intellectual property rights enforcement and other commitments may be complex, but are essential to create efficiency within the domestic economy, ease access to 21st-century technologies, attract investment, and thus promote development. Furthermore, requests for broad extensions of transitions in any one area are likely to lead to similar requests for extensions in other areas, posing a risk to the delicate balance achieved in the Uruguay Round. Thus, broad extensions of transitions have the potential to weaken the Agreements achieved in the Uruguay Round, slowing economic development and damaging developing countries most of all.

We applaud the efforts of economies seeking accession to the WTO, and their commitment to reform their trade regimes to comply with WTO rules. Many seek to finish negotiations before the 3rd Ministerial Conference at the end of the year. While we believe that it is important to do so where possible, or make important progress toward that end this year, there are no short cuts. In large measure, the pace of progress depends on the acceding country and its desire to bring its regime into conformity with the rules. For the least-developed who are not yet members of the WTO, the decision taken in their favor during the Uruguay Round already provides the benefits of membership. Thus, their accession and adherence to WTO rules should result in the creation of a more predictable environment for trade and investment. Finally, for those accession negotiations that do not conclude this year, we will have to create appropriate modalities for countries to participate in the new Round launched in Seattle, similar to our approach in the Uruguay Round, during which nine countries acceded to the GATT.

THE WORK AHEAD

Finally, as we develop the agenda for the future, we can find areas in which all of us will benefit from more fully open markets, and in which developing countries can improve their access to modern technologies through new commitments. These opportunities can come in both ongoing results, and in the new Round many of us support. And let me offer a few examples.

1. Ongoing Results

By the Seattle Ministerial, we have the potential to advance goals of importance to us all, but especially to developing countries.

One is the unfettered development of electronic commerce. Our work since May has shown that this method of conducting business is valuable to all members, but especially developing countries. Internet access requires little capital, helps artisans and micro-enterprises find customers with less financial investment and greater ease, and reduces the technical and paperwork burdens that can slow participation in trade. It is thus very important that the WTO agree to continue the moratorium on duties applied to economic transmissions adopted at the last Ministerial conference.

A second is the sectoral liberalization initiative of the Asia-Pacific Economic Cooperation (APEC). Here, our developing country partners in the region have helped to promote trade liberalization even during financial crisis. This initiative recommends opening of sectors of immediate and pressing interest for developing country exporters, notably wood and wood products, toys, fish and fishery products, gems and jewelry, environmental goods and services, and energy. And it recommends opening sectors which offer developing countries greater access to essential technologies, for example medical equipment and environmental goods and services. Thus, by approving this package before the Ministerial Conference, the WTO can both tap new export markets for developing countries, and help them improve hospitals and pollution control -- which in turn will help attract investment as it contributes to public health and a higher quality of life.

A third is the effort to complete an agreement on transparency in government procurement, which would help us create more predictable and competitive bidding, reduce opportunities for bribery and corruption and allow more effective allocation of resources. As Vice President Gore has noted, by increasing attention to openness and transparency in procurement, countries as diverse as Kenya, the Dominican Republic, Argentina and Colombia have improved efficiency and reduced corruption. To note one specific example, through increasing transparency, Guatemala's Ministry of Health has been able to cut expenditures and reduce the price of medicines by an average of 20 percent.

2. Further Liberalization

The new Round also offers substantial longer-term opportunities to developing countries. For example, a critically important element of this Round -- already scheduled for further discussion under the WTO's built-in agenda -- is agriculture.

President Mandela of South Africa cited this at the last WTO Ministerial Conference as an area of comparative advantage for developing countries, in which market access can go further. Here, as we approach a new Round, we hope for consensus on, among other priorities, total elimination of all export subsidies; reduction and elimination of tariffs; and transparency in State Trading Enterprises. The result will be greater rewards for developing country farmers, improved land and water quality as unsustainable overproduction is reduced, and greater well-being for developing country consumers, as restrictions on trade in food reduce the threat of hunger caused by natural disasters and prices reflect market conditions.

Likewise, liberalization of services can complement these new export opportunities as an indispensable factor in helping countries reach their growth potential. This is especially important for emerging economies, as the delivery of economic services is a critical component of economic infrastructure, which is in turn a source of growth and efficiency throughout the economy. Such services would range from education to telecommunication, express delivery, banking and insurance.

CONCLUSION

Thus, through our own market access policies, and the agenda we are working with our partners to develop for the months and years ahead, the United States hopes to achieve the promise of the WTO.

Together we can create an inclusive, practical system which promotes economic opportunity for working families, farmers and nations; promotes the rule of law around the world; diffuses the blessings of modern technologies for health, education, environmental protection and development everywhere; and raises the standard of living for all our citizens and most of all for the poorest among us.

And this in turn will join with the other policies essential to growth and sustainable development -- from conflict resolution to debt relief efforts like that proposed by President Clinton at the US-Africa Ministerial yesterday, as well as education, health, and development of the rule of law -- to lay the foundation of a more open, more just, and more prosperous world in the next century.

That, of course, is ultimately the goal each of us has set in the creating, joining and developing the trading system. For the past fifty years, it has lived up to the hopes of its founders, freeing vast regions of the world and billions of people from poverty, hunger and want.

Our challenge is to do just as much in the years to come. It will require hard work, open minds, and a willingness to listen; and there is nowhere better than this meeting for the work to begin.