

SERVICES IN THE TRADING SYSTEM

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World Services Conference

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Good morning, everyone. Thank you for that introduction, and for inviting me to speak at such a timely event. We are now laying the foundation for a very ambitious and challenging agenda on trade in services over the next few years, and this is an ideal time to meet.

SERVICES TRADE AGENDA

As we prepare for the WTO Ministerial Conference in Geneva, and the launch of a new Round of global trade negotiations at the event, the months ahead are crucial to the development of an agenda that will mean a more stable, productive and prosperous world economy in the next century. We are also working on the accession of 30 economies to the WTO, many of which will set precedents for the future. And the regional and bilateral initiatives underway in Europe, the Western Hemisphere, Asia, Africa and the Middle East offer us similar opportunities to set precedents and develop models for 21st-century services agreements.

Our services agenda thus proceeds in a complex set of negotiations; and it covers a vast range of industries, from finance and telecommunications to distribution, health, education, environmental protection, travel and tourism, construction, law, engineering, architecture and more. And as we begin to set specific objectives for the years ahead, I would like to offer some thoughts on our broader goals, and the contribution each of our negotiations will make to them.

BENEFITS OF OPEN SERVICE MARKETS

We might do well to begin by thinking about the place of services in our own economies.

Here in the United States, we have created perhaps the world's most efficient, competitive services sector. American services industries provide over 100 million jobs and \$6 trillion worth of production -- 70% of American GDP, and more than one dollar in seven of world production. They are also the infrastructure which allows our industrial and agricultural economies to function.

- Efficient transport and distribution allows farmers to get their products to market without spoilage, and ensures that auto parts reach the plant in time for efficient production.

- Law, insurance, accounting and finance give businesses the capital to operate, allow contracts to function, and protect consumers.

- Telecommunications, software and news dissemination are essential to the functioning of all modern industries.

- And new technologies now developing, in particular but not only the Internet and electronic commerce, promise a vast increase in the efficiency and productivity of American service industries in the years ahead.

Our success rests on a philosophy of openness to both domestic and foreign competition, combined with guarantees of high standards of consumer protection through transparent, pro-competitive and impartial regulation. The competition this creates speeds innovation and helps develop a productive, efficient economy.

There is nothing mysterious about this; in fact, the role of services in economic efficiency and technological progress has been clear for quite some time. Recorded in the Book of Kings, for example, is a case of what the WTO would call "architectural and construction services, Mode Four," when Solomon writes to the King of Tyre offering cash salaries for the architects and construction workers to oversee the building of the Temple:

"I will pay for your servants such wages as you set, for you know that there is no one among us who knows how to cut timber like the Sidonians."

TRADE IN SERVICES TODAY

This is what open and competitive service markets have helped us create at home; and it is what open trade in services can bring to the world economy.

But the world economy in services today is far from the ideal. In industrial goods, we certainly have many serious concerns, but after fifty years of trade negotiations much trade has become substantially more free: for WTO members, tariffs have fallen by an average of 90% since 1948, and quotas are on the road to elimination.

In services, by contrast, rules and market access commitments are new. As recently as 1993, when President Clinton took office, there were essentially none at all.

We have made substantial progress since then -- the General Agreement on Trade in Services (GATS) took the fundamentally important step of creating a set of rules and set some precedents for market access commitments as well. And the agreements in 1997 on Financial Services and Basic Telecommunications brought us further, with commitments to market access and national treatment in two of the highest-value service fields.

But these are only the first steps. Even for WTO members trade is highly restricted. In most service sectors we see few specific commitments. Seventy WTO members have signed the Financial Services Agreement (joining 32 more with specific financial services commitments), and a comparable number the Agreement on Basic Telecommunications; that means over sixty have signed neither. Only fourteen WTO members have made commitments in audiovisual services. No developing countries have made commitments on gathering and dissemination of news; fewer than fifty WTO members have made commitments in distribution. And economies outside the WTO have done even less.

COSTS OF CLOSED MARKETS

These are barriers to American exports and job creation. Our performance in a relatively closed world -- \$265 billion in services exports last year, supporting four million jobs -- is simply an indicator of how much we can achieve in an open market.

But the damage these barriers create goes much further. The costs to the world of closed markets in services, and of the imbalance between the relatively closed services market and the more open world for goods and capital, have never been more clear than they are today.

Inefficient, pollution-prone power and transport reduce efficiency, worsen the quality of life and waste investment. Telecommunications markets reserved for government monopolies make service worse for consumers and business more difficult for firms. Monopolies in distribution reduce the efficiency of farms, fisheries and manufacturers throughout economies.

Most of all, the financial crisis -- sparked at least in part by closed markets and opaque regulation in financial services and construction -- has shown how rapidly industrial growth can come to a halt in the absence of competitive, well-regulated services markets. And its effects -- millions of jobs lost in Southeast Asia, with families sinking into poverty and hundreds of thousands of children leaving school; Russia's prospects for reform and growth threatened; a crisis in farm incomes and steel factories in America -- show how important and urgent is reform.

The world's response to the financial has been, I think, remarkably effective. Affected countries have shown great courage and determination in reform. The IMF predicts that Korea and Thailand, which acted most quickly and thoroughly, are likely to resume positive growth this year. And as we look ahead, and our colleagues in finance ministries review the world's financial architecture, those of us in trade policy have an opportunity to contribute to an effective long-term response through the services negotiations of the years ahead.

PREPARING FOR THE ROUND

And thus we are developing an agenda that will help us create a safer and more stable international economy as it offers new opportunities to Americans.

This will begin with limited and specific achievements in the months leading up to the Ministerial Conference in Seattle this November, to lay the foundation for the launch of a new Round of global trade negotiations, including in services. These include progress toward an agreement on transparency in government procurement, which is a major purchaser of services worldwide; and in electronic commerce, work toward consensus on extension of the moratorium on tariffs applied to electronic transmissions.

2. Developing the Agenda for the Round

At the same time, we are developing specific goals for the Round itself. While we are still consulting with our domestic industries and Congress, our broader goals will include:

- Liberalizing a broad range of service sectors: deeper commitments in finance and telecommunications, together with fundamental improvements in the commitments of existing WTO members on distribution, audiovisual, construction, travel and tourism, the professions, education and health. Liberalization of distribution services is also a critical aspect of liberalizing trade in goods.

- Ensuring that GATS rules anticipate the development of new technologies. Examples are obvious in almost every field, from colleges which can teach, hold examinations and grant degrees via the Internet; home entertainment products delivered by satellite; and advanced health care delivered directly to the home or to rural clinics via telemedicine.

- Preventing discrimination against particular modes of delivering services, such as electronic commerce or rights of establishment.

- Examining "horizontal" methods of improving regulatory policies across the different industries through general commitments, for example, to transparency and good-government practices.

- And otherwise developing a more efficient negotiating structure than the "request-offer" process of the Uruguay Round.

3. WTO Reform: Trade Facilitation and Capacity-Building

At the same time, we are developing ideas for reforming and improving the WTO in some of the areas directly related to services.

One example is trade facilitation, in which, for example, ensuring timely and reliable customs procedures is especially important in the context of distribution services - an efficient distribution network can lose much of its value if long delays let food spoil in transit or delay shipment of auto parts and semiconductors for factories.

A second is upgrading capacity-building at the WTO, to ensure that members are able to make and comply with commitments in the services field. These are new and highly complicated issue for many countries -- the National Statements circulated by many of the developing countries at the last WTO Ministerial Conference, for example, showed a widely shared concern that domestic regulatory agencies are having trouble meeting even existing WTO commitments. A number of African Ministers stressed their concern over these issues to me at the recent US-Africa Ministerial; and satisfying such concerns is essential if commitments are to be meaningful in the real world.

And a third is transparency. Just as domestic governance improves when it is open and accessible to the public, the WTO's work will improve and the institution will gain greater public support when dispute settlement panels are open to public observers, documents published in a timely fashion, and interested citizens or citizen groups have institutional mechanisms which allow them to meet with WTO members and staff.

4. Consultations at Home

Finally, we are consulting intensely at home on specific objectives for each sector with industry, Congress, as well as Governors, state regulatory officials, and state legislators.

These latter consultations with state officials are especially important if the Round is to succeed. In America as in some other countries, service standards and regulations are often established by state governments or private professional associations rather than national governments; and there are often good reasons for this. Trade policy must respect and work with the relevant bodies, while ensuring that the standards fulfill a legitimate purpose rather than simply restrict trade.

ROLE OF ACCESSIONS AND REGIONAL INITIATIVES

At the same time, our work in two other areas -- 30 separate accessions to the WTO, and regional initiatives in Europe, Africa, Asia, the Middle East and the Western Hemisphere -- is proceeding together with preparations for the Round. The accessions and regional initiatives offer significant immediate benefits for American service providers; but they also help us set precedents and develop

models for a more open world services market.

1. WTO Accessions

With respect to the WTO accessions, in the past year we have completed the accessions of Latvia and Kyrgyzstan; completed bilateral negotiations with Taiwan and Estonia, and made significant progress on ten other accessions -- seven in Central and Eastern Europe, Jordan and Oman in the Middle East, and China and Taiwan. In each of these accessions we have sought commitments in broader ranges of service sectors, and agreement to participate in the Financial Services and Basic Telecommunications agreements.

Many of the acceding countries have recognized the value of open services markets. Taiwan is one. Kyrgyzstan, the Baltic states, Georgia and Armenia are others. Thus, their accession agreements include commitments in areas many other countries have avoided -- professional services, distribution, construction and more. These set baselines for future accessions, an example for improving the commitments of today's WTO members, and a foundation from which we can work in the WTO Round.

The largest single accession is that of China. Here, some limited service issues remain to be resolved, but we have made very significant progress. Starting from the base of one of the world's most closed services markets, China has made a broad set of commitments covering all major service categories, reasonable transitions to eliminate most foreign equity restrictions, full grandfathering of current market access for U.S. service providers, and participation in the Basic Telecom and Financial Services Agreements.

2. Regional Initiatives

Regional initiatives also play an important role, again for their direct and intrinsic benefits but also as models for what we might hope to achieve worldwide.

An especially important case is the work toward establishment of a Free Trade Area of the Americas. These talks involve 34 Western Hemisphere democracies, from small island states to continental nations like Brazil and Canada as well as ourselves. The detailed work began, at the direction of the Santiago Summit last fall. It includes a Negotiating Group entirely devoted to trade in services, which like the other FTAA Groups is scheduled to complete an "annotated outline" of an FTAA services chapter by September. If successful, this will both help us create an early model for worldwide liberalization of services trade, and build a Western Hemisphere consensus on shared goals as the Round approaches.

Likewise, the FTAA has established a special Committee to advise us on ways to develop electronic commerce in the hemisphere.

The Transatlantic Economic Partnership (TEP) with the European Union offers another forum. Here, we aim to make it easier for U.S. professionals and firms to operate in Europe, safeguard U.S. interests as the EU expands, and set an example of bilateral liberalization which the world can follow in the Round. Under the "TEP Action Plan," we are working toward conclusion by the US-EU Summit next month of an agreement setting a framework for negotiating Mutual Recognition Agreements -- that is, agreeing to recognize accreditation or licensing granted by one another's regulatory standards -- in services fields. The next step will be to use the framework to achieve concrete results in specific services sectors immediately after the June summit, by opening the negotiation of MRAs in engineering and possibly insurance or other sectors. Thus we will create mutually beneficial new opportunities, in a relationship that already exceeds \$130 billion in bilateral services trade, and help build consensus for the Round.

Our work in Japan has similar implications. Here, our agenda will assist the Japanese government's efforts in the financial services "Big Bang" and elsewhere to create a more flexible and efficient economy, open new opportunities for international business, and create areas of consensus as the Round approaches. This includes liberalization of key sectors such as distribution, professional service, finance, energy and others; compliance with existing agreements such as the Insurance Agreement; and broader horizontal issues, notably transparency. Most recently, during Prime Minister Obuchi's visit to Washington last month, through the Enhanced Initiative on Deregulation and Competition Policy we agreed that Japan will take concrete measures in sectors including telecommunications, financial services, energy and distribution services.

The President's Africa initiative offers another dimension of experience. This encourages deeper services commitments -- Ghana and Uganda have this year agreed to join the Financial Services Agreement -- and includes a major capacity-building component helps African nations develop regulatory, legislative and technical capabilities in high-tech sectors. One prominent example is USAID's Southern Africa Regional Telecommunications Restructuring Program which helps promote modern telecommunications laws and regulation in six southern African nations through technical advice, seminars for regulatory officials and suggestions on legislation. Another is the Leland Project, which has helped eight African countries develop Internet gateways and enter electronic commerce. This experience will help the WTO strengthen its own capacity-building work, and is crucial to ensuring strong developing country support for a Round.

CONCLUSION

The work ahead is vast. Trade in services will clearly be one of the world's major trade policy focuses for the next five years; and probably the next fifty. And thus, the work we do in the next months -- in preparation for the Round, in the WTO accessions, in our regional initiatives -- will lay the foundation

for a period of extraordinary accomplishment.

If we succeed, open trade in services can create a more stable and productive world economy, as competition brings both innovation and transparency to world financial systems, and efficient power and transport reduce costs and allow faster growth with a cleaner environment.

Altogether, it will be a world made wealthier, more peaceful and better through respect for freedom, rewards for hard work and creativity, fair competition and the rule of law.

It is a large task; but we should feel very lucky to be here as it begins.

REMARKS AT NATURALIZATION CEREMONY

Ambassador Charlene Barshefsky

U.S. Trade Representative

Washington, DC

June 8, 1999

Your Honor, thank you very much for that introduction. Let me also thank the Color Guard, the Daughters of the American Revolution, and Amber Todd for their hard work and contribution to this very solemn ceremony.

And to all of you here at the center of this event - new American citizens, family members and friends - thank you for letting me share this moment with you.

Each of you who will take the oath of citizenship today- 100 men and women, from 41 countries in every part of the world but soon to be united as Americans -- has my warmest congratulations.

You also have my admiration, because this step asks a great deal of you:

- The courage to start a new life in a new country.

- The patience and dedication to learn the language, study our history and understand our means of self-government.

- And most of all, the confidence and optimism that you can succeed.

This ceremony offers you a great deal as well.

You have great economic opportunities in America. We are a wealthy country with an open market and an entrepreneurial tradition. Here, more than anyplace else in the world, you can find jobs, open businesses, provide for your families and send your children to college.

But you have, if you choose, equally important opportunities in other areas.

You bring with you to this country the experience, traditions and values developed in forty-one nations and every part of the world.

You have come here from the mountains of South America; from the crowded cities of Asia; from Ethiopia, Italy, the Caribbean, West Africa, Eastern Europe, Canada, the Middle East.

Nowhere else in the world could one find a group as diverse as this: from Abbah, Barbi and Clarke; to Debessay, Enriquez, Ferreira and Gomez; to Haruguchi, Johnson, Kim and Li; to Mohammad, Navera, Okoro and Pena; and on through Romanov, Samawi and Tran to Zuluaga.

But perhaps also nowhere else in the world could one find a group as united as this. You have come here united in the courage to start fresh; in hope for the future; in commitment to our democratic ideals.

Thus, with the diversity of experience you bring to our country, each of you can offer your fellow citizens ideas and perspectives they may not have encountered before. And this understanding can help America strengthen our links in trade, human understanding and family ties with the countries in which you were born.

And the unity you bring to this courtroom can, perhaps, help us solve our imperfections at home.

Our Constitution, our democratic system, our commitment to equality of opportunity express our aspirations, but not always the reality of our lives. And it will be your responsibility to help us bring the two a bit closer together.

As citizens you will have the opportunity to participate in our political life -- in local government, where you can help make sure our neighborhoods are safe and our schools ready for the next century; and in our debate on national issues.

You will have the opportunity to help us strengthen ethnic, racial and religious harmony at home.

In short, you will have the chance to leave our country a little bit better than you find it today.

Generations of American immigrants have done all this for themselves, their families and their country.

This was the experience of my own parents, who emigrated from Russia and Poland as adolescents to escape repression at home.

Here in America my father became an engineer and chemist; my mother became a teacher.

They instilled in my brother, my sister and me an understanding of and reverence for our heritage.

A belief in the promise America offers to all its citizens, to build a career for themselves and to offer their children a better life -- and for each of us that promise has come true.

A commitment to American ideals of liberty, equality and democracy.

And an appreciation that each of us bears responsibility for improving, even in small ways, the lives of others.

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And today, just as they did, immigrant Americans are achieving their dreams and helping their communities grow and prosper.

The evidence is all around us in the economic, social and spiritual life of our Washington community: from Ethiopian restaurants, to Salvadoran church associations, Korean small businesses, suburban Buddhist temples and much more.

This is, in real life, the meaning of what President Harry Truman said to a group of immigrants many years ago:

"We Americans are a diverse people, and part of our respect for the dignity of the human being is respect for his and her right to be different. That means different in background, different in beliefs, different in customs, different in name and different in religion. That is true Americanism; that is true democracy. It is the source of our strength. It is the basis of our faith in the future. And it is the hope of the world."

Those words are true then and they are true now.

With this ceremony, and your acceptance of your rights and duties as American citizens, that hope shines a little more brightly to all the world.

Congratulations once again.

ELECTRONIC COMMERCE IN AMERICAN TRADE POLICY

Ambassador Charlene Barshefsky

U.S. Trade Representative

Federal Trade Commission

Washington, DC

June 9, 1999

Good morning. I want to thank Chairman Pitofsky for inviting me to speak with you today.

Our topic today is by no means a simple one. Electronic commerce, and the broader phenomenon of the Internet, are in their infancy. They are developing with great speed and unpredictable consequences, and are already forcing governments to think differently about many issues.

Trade is no exception. And today I would like to offer some thoughts about the principles and specific objectives we believe can be a guide to trade policy as this new world develops.

THE INFORMATION REVOLUTION

The Information Revolution, to begin with, is changing life and work in almost every field.

In health, telemedicine is transforming rural health care as family doctors consult on-line with the NIH and the Centers for Disease Control.

In science, virtual reality guides microscopic cameras through blood vessels or a robot across the landscape of Mars.

In travel, the Global Positioning Service helps safeguard shipping and make family vacations easier and safer through immediate warnings of bad weather or traffic jams ahead.

And in public life, democracy is strengthened as Web sites and e-mail give students and citizens access to news, information and debate; which of course has its darker side, in giving hate groups and criminal organizations instant access as well. As we have in the past, however, we will find the blessings of freedom far outweigh the cost.

ELECTRONIC COMMERCE

And the same is true in business and trade.

Global electronic commerce - the use of the Internet and other forms of electronic transmissions to buy and sell - will make companies more efficient, as computers allow them to cut inventories, provide better and more timely customer service, and meet consumer demand more efficiently. To give a concrete example, estimates are that when you go to a bank, your transaction with the teller costs about a dollar; when you use an ATM, it's about fifty cents; when you use the Internet, it drops to thirteen cents.

Likewise, the Internet will make trade and make international business far easier than ever before. It will allow businesses and customers to find one another more rapidly, reduce the complexity of finding and filling out paperwork, and erase borders completely for products available in digital form. Especially interesting and exciting is the potential of electronic commerce to spur entrepreneurialism in disadvantaged areas: the Internet allows small businesses, and individuals in poor countries or remote areas to enter markets at low cost, find customers easily, and cope with paperwork and regulations far more efficiently.

And for consumers, electronic commerce will raise living standards and create tremendous new sources of leverage over companies. It will give consumers new power to compare price and quality among vendors all over the world. And it will make daily life more convenient, as consumers bypass department stores and use computers to order products from music and film to home appliances delivered directly to the home from any international source.

THE POLICY CHALLENGE

Electronic commerce also, of course, raises some more troubling questions.

Governments must reflect on the ways to adapt national trade and crime-fighting policies to a borderless world. Consumers -- and businesses too -- know that together with rising living standards and better prices come questions about Internet scam artists, abuse of credit cards, and collection of personal data about purchases, visits to Web sites and other privacy issues.

And so our challenge is clear. Consumers should get the maximum benefits of these new technologies. Our companies, our national economy, and our trade partners should be able to use them to the best effect. And at the same time we should maintain high standards of public safety, privacy and consumer protection that help define the quality of life.

This is a complex challenge, made more so by the rapid growth of the Internet and electronic commerce. The Internet, with three million users in 1995, now has 140 million, with 52,000 new Americans logging on each day; by 2005 it may reach a billion people around the world. Electronic commerce, totalling about \$200 billion last year, may reach \$1.3 trillion in the United States alone by 2003. And new products and services develop every moment: from remote monitoring of forest health to long-distance education and more.

U.S. PRINCIPLES

At the same time, however, we are not faced with an utterly new and alien set of concepts. Electronic commerce and the Internet are new developments which depend on state-of-the-art technology. But they also represent logical developments of earlier innovations in communications and information technology, dating to telegraphs and telephones 100 years ago and more.

So while we must adapt our thinking and policies in certain important ways, our traditional principles remain valid. We have generally believed that government-policies should be in the form of self-regulation where possible, rather than attempts to control the development of industries and technologies. Where this does not succeed, of course, the government has an obligation to protect

citizens, especially those most vulnerable, through impartial means. And in either case, we have maintained an open and non-discriminatory market, believing that trade generally creates competition and raises living standards.

These principles, we believe, will be valid in electronic commerce as well:

- It will be very difficult to predict precisely how an electronic marketplace will develop, and which goods, services and technologies will be most successful. So we do not propose to try; rather, we will wherever possible leave this to the private sector and the market.

- Further, while government action to fight crime, protect children and protect privacy in electronic commerce and the Internet will be necessary, evaluating the need for new regulations will be a very complex task. Unless the decisions we ultimately make rest on a strong consensus among the private sector and consumers as well as government, the most likely result will be a set of regulations that are both burdensome for businesses and consumers, and ineffective in their primary object.

- And finally, there are no natural borders to cyberspace, and the development of policies and solutions must, as much as possible, be a worldwide effort.

This action takes place in many different arenas. Over the past several years, we have been developing an institutional infrastructure for electronic commerce to give businesses and consumers the confidence and predictability we enjoy in traditional form of commerce. The issues involved range from managing domain names, establishing standards and a legal framework for digital signatures, ensuring adequate privacy protection, and addressing the tax implications of electronic commerce. All these issues are extremely important to the future of electronic commerce, and our colleagues in other agencies are addressing them through international talks and in our domestic agenda.

In trade policy, we are developing our broader principles through specific objectives at the WTO, and through advisory committees in the regional and bilateral trade initiatives we have underway in each part of the world. These goals fall into three major categories: guaranteeing unimpeded development of electronic commerce; ensuring enforcement of existing regulations to protect consumers, fight crime and so forth; and extending access to the electronic marketplace. And let me now review our objectives in each area.

UNIMPEDED DEVELOPMENT OF ELECTRONIC COMMERCE

First, we want to ensure unimpeded development of electronic commerce. Here we have several specific objectives: duty-free cyberspace; technological neutrality; and ensuring the most liberal treatment of products carried on electronic transmissions.

1. Duty-Free Cyberspace

Most immediate is our initiative to keep cyber-space duty-free -- that is, to prevent the imposition of tariffs on electronic transmissions. To impose customs duties for electronic transmissions would be a burden on the development of this technology, which would be lightened only by the extraordinary difficulty of collecting the charges. It would both slow the growth of electronic commerce, and encourage that growth to take place outside the law.

Today, fortunately, no member of the WTO considers electronic transmissions imports subject to duties for customs purposes. There are no customs duties on cross-border telephone calls, fax messages or computer data links, and this duty-free treatment should include the Internet. We have thus spent a great deal of energy in preventing their emergence, and so far with success. We secured a temporary "standstill" on application of tariffs in this area at the WTO last year, and will seek consensus on an indefinite extension of it this year as the WTO Ministerial Conference in Seattle this November approaches.

2. Technological Neutrality

At the same time, through the longer-term WTO work program we are seeking consensus on a broader principle of "technological neutrality," to ensure that products delivered electronically are protected by the trade principles of the WTO.

New technologies and telecommunications services make possible a vast range of new activities. Whether it is call centers located in Nebraska, Internet radio out of Texas, software production in India, or inventory monitoring in Ireland, a cheap, powerful global network now brings activities to the area in which they are carried out most efficiently. We can predict neither the new activities that will become possible in the next decade, nor the methods which will deliver them most cheaply and easily. Neither, in fact, can the technical experts - if you recall that Alan Turing, one of the inventors of the computer, thought in the 1940s that one of its major uses would be "calculating range tables for artillery fire."

What we can predict is that, with freedom to develop new ideas and technologies, we will find better and easier ways to conduct business all the time. The principle of technology neutrality, in the trade perspective, means that countries should not deny firms and consumers the benefits of newer or cheaper goods and services simply because they are delivered electronically. To do so would be to choke off innovation before it begins.

3. Digital Products

And we believe the world should keep an open mind as to classification of the types of products delivered over the Internet. It may be that our traditional distinction between "goods" and "services," which are treated differently under the WTO agreements, is becoming somewhat outdated. We have and should keep an open mind as to the appropriate classification; and as a starting point we endorse Japan's proposal that digital products receive the most liberal treatment possible under the existing WTO agreements.

4. Intellectual Property Rights

Finally, protection of intellectual property rights is essential if electronic commerce is to reach its full potential. This raises a special challenge, as music, film, and other copyright products will very soon be available over the Internet as easily through stores, cinemas or video rental shops. And this in turn, as it offers people greater access to arts and entertainment and gives artists and businesses wider markets, also raises at least the possibility of an explosion in on-line piracy. Our principal vehicle for preventing this from occurring is our support for wide ratification of recent World Intellectual Property Organization (WIPO) Treaties addressing Internet piracy. And of course, we support establishing in parallel with ratification rules that outline the liability of networks and manufacturers.

CONSUMER PROTECTION

Together with, and fundamental to, unimpeded development of electronic commerce is ensuring high standards of consumer protection.

This is a fundamental American principle and a consensus policy goal. Consumers of course do not want to be cheated or exploited. Likewise, businesses who see part of their future in electronic commerce do not want the medium to gain a reputation as rife with frauds and scams. Likewise, businesses do not want to gain a reputation for themselves as abusers of privacy.

Thus, in the majority of cases we believe businesses can police themselves and one another. Many businesses have voluntary privacy programs, backed up by good enforcement, allowing consumers who visit Web-sites to choose whether to offer information about themselves to the site operator. Those who refuse to adopt these programs will likely see business drop off.

At times, however -- especially with respect to children -- voluntary programs will likely need to be accompanied by government regulation and enforcement. As government and industry groups proceed to develop consumer protection regimes, governments should apply basic WTO principles like transparency and non-discrimination, and ensure that their regulatory processes are fair and open to advice from businesses and civil society groups. If not, the resulting policies will most likely impose burdens on consumers and businesses while failing in their primary tasks.

The specific issues we will face are highly complex - to take just one example, the jurisdictional question of whether laws where the provider is established or the consumer resides will apply to contracts and business transactions. No consensus yet exists on these issues. And our approach is to accept that fact, and encourage discussions toward the solution acceptable to the broadest group of people.

We are carrying on these discussions in, or in association with, our bilateral trade policy and each of our major regional trade initiatives:

- We have endorsed joint statements of principles, including such issues as principles as duty-free cyberspace and consumer protection, with Japan, the EU, Ireland, France, the Netherlands, Korea and Australia.
- -The Free Trade Area of the Americas negotiations, which began last September, have an Electronic Commerce Expert Committee which is exploring these issues with the intent of advising the other FTAA groups; the Committee includes representatives of business, academia and NGOs.
- Our Transatlantic Economic Partnership talks with the European Union make electronic commerce the focus of one of the seven areas of concentration. We also encourage and participate in discussions of electronic commerce issues in the Trans-Atlantic Consumer and Business dialogues.
- The Asia-Pacific Economic Cooperation Forum likewise has an e-commerce Steering Committee, which concentrates on a set of important technical issues.

In all these arenas, we act on the principle that the best way to reach our goals is transparency and close collaboration between government and the private sector. These are the kinds of good practices which embody key principles of the WTO, designed to foster trade and, ultimately, enhance consumer welfare. This conference, of course, is itself an example, taking 58 sets of comments from a broad range of interest groups, including six from foreign affiliated groups. Open discussions such as this will develop approaches to consumer protection ensure that approaches are transparent, that all voices are heard, and that the solutions we ultimately chose have the best chance of succeeding.

The nature of digital technology makes enforcement an enormous challenge. To succeed, governments will have to work with those developing and using the technology to develop effective solutions. While we have championed industry self-regulation for policy reasons, there are good practical reasons why this is preferable, especially in electronic commerce. We hope we can draw lessons from the experience here, integrate them into efforts underway by our trading partners, and develop an approach to electronic commerce that can provide a common basis for addressing worldwide issues consistently, so electronic commerce can live up to its promise.

If we can get it right, both in process and substance, we can provide a model for other countries to emulate. Failure to find solutions, by contrast, means that governments around the world, under pressure to respond to perceived problems, could institute regulations which are both burdensome and ineffective, potentially undermining global benefits electronic commerce could offer to consumers, entrepreneurs and national economies everywhere in the world.

UNIVERSAL ACCESS

And this leads me to the third policy goal. Electronic commerce should develop unimpeded; consumers must be protected as it develops; and everyone, here and overseas, to should have access to the electronic marketplace.

One of the most profound and exciting implications of electronic commerce is its potential to speed development in poorer nations and disadvantaged regions at home. Rural areas, Indian Nations, small towns, and entrepreneurial associations in developing nations are all finding that Internet access requires little capital, helps entrepreneurs find customers and suppliers quickly, and eases technical and paperwork burdens that can slow participation in trade.

Thus, electronic commerce is ideally suited for developing countries and people with a good idea but

little capital. We are stressing these opportunities, for example, in our African trade initiative, together with concrete technical assistance programs to help create competitive, private-sector driven electronic commerce markets. AID has already helped eight African nations set up national gateways, and begun discussions with four more. And it has reallocated existing funds to promote e-commerce development in Jamaica, Guatemala, Uganda, Bulgaria, Morocco, Egypt, Ghana and Haiti.

The result, if we succeed, will be a seamless, worldwide network which allows people in these countries to enter trade very quickly and spur development worldwide.

CONCLUSION

For these countries, and for us as well, electronic commerce is in its infancy. We have the luxury of being present at the creation of a very new phenomenon; and that gives us a great responsibility.

If we act cautiously and sensibly today, electronic commerce can develop into an extraordinary force for consumer benefits, national economic growth, and creativity in the years ahead. That is the prospect our policy aims to realize; and we will take the time to get it right.

TESTIMONY ON AMERICA'S AGRICULTURAL TRADE AGENDA

Ambassador Charlene Barshefsky

United States Trade Representative

House Committee on Agriculture

Washington, D.C.

June 23, 1999

Chairman Combest, Congressman Stenholm, Members of the Committee, thank you very much for inviting me to testify on our agricultural trade agenda.

This is a timely hearing. A new Round of global trade negotiations is set to begin this winter, when the United States hosts and Chairs the World Trade Organization's Third Ministerial Conference in Seattle, and agriculture will be at the heart of this Round's agenda. A successful conclusion promises American farm and ranch families significant new opportunities and stronger guarantees of fair treatment in world markets, together with better prices for consumers.

We are now developing negotiating objectives, in consultation with Congress, farm and ranch organizations, consumers, the food industry and others interested in agricultural policy and trade. Thus, I am pleased to appear before the Committee today. My testimony will review our broad agricultural trade goals, place the Round in the context of the progress we have made in the past six years, and outline the process by which we are developing detailed objectives.

AGRICULTURAL TRADE GOALS

Mr. Chairman, American farmers are the most competitive and technically advanced in the world, producing far more than we can ever eat. Thus we have the opportunity to export to the 96% of humanity that lives beyond our borders; and with one in three farm acres now producing for foreign markets, we must export to remain profitable at home.

These realities are the foundation of our agricultural trade policy. Under President Clinton and Vice President Gore, our work has covered five broad areas. We have sought to:

- reduce tariffs and other barriers to trade;
- ensure that sanitary and phytosanitary standards are based on science;
- promote fair trade by reducing foreign export subsidies and trade-distorting domestic supports;
- ensure greater transparency and fairness in state trading; and
- help guarantee that farmers and ranchers can use safe modern technologies, in particular biotechnology, without fear of trade discrimination.

The foundation of this work is its direct benefit to our agricultural producers. But each item on our agenda is also rooted in a broader humanitarian vision.

As American producers benefit from open markets, consumers abroad have more diverse supplies of food, helping guarantee food security and prevent famine during natural disasters.

As we reduce export subsidies, we ensure fairness for American farmers -- and for farmers in developing countries whose governments lack the resources to fight back.

And as we ensure respect for science in food safety and biotechnology, we protect public health and reduce pressure on land, water and wildlife habitat.

ADMINISTRATION AGRICULTURAL TRADE RECORD

These goals have been based upon a bipartisan consensus for open and fair markets in agriculture dating back to the initiation of the Uruguay Round negotiations in the 1980s. Under the Clinton Administration, the results of our work have been substantial.

Opening World Markets

With the passage of the North American Free Trade Agreement in 1994, we won preferential access to our immediate neighbors. As a result, our agricultural exports to Mexico have grown from \$3.6 billion in 1993 to \$6.1 billion in 1998, a 70 percent increase, and exports to Canada from \$5.3 billion in 1993 to over \$7 billion in 1998. Together, these two countries -- with a total population of 120 million -- now buy over a quarter of our agricultural exports and provide American farmers with at least a partial shield against overseas economic crisis.

We have also negotiated bilateral agreements worldwide, in a very large range of commodities. Some examples include beef in Korea; apples and cherries in China; tomatoes and apples in Japan; almonds in Israel; a veterinary equivalence agreement with the European Union addressing sanitary issues blocking US live animal and animal products; citrus and other fruits in Brazil, Chile, Mexico and other countries; and the broad agricultural agreement with Canada concluded last December.

And with the completion of Uruguay Round in 1995, after forty-seven years of developing the trade system, we began to bring agricultural trade under fair and internationally accepted rules, in each area crucial to American agriculture:

- We lowered tariffs and are on track to eliminate most quantitative restrictions.

- We reduced trade-distorting subsidies.

- We ensured that all WTO members -- 110 at the time, 134 today -- would use sanitary and phytosanitary standards to protect human, animal and plant health rather than to bar imports.

- And we won consensus on a "built-in agenda" that would mandate further negotiations in agriculture, as well as services, beginning in 1999.

At the same time, our colleagues at the FDA and the Department of Agriculture are intensifying food inspection at the border, to not only maintain but improve our food safety standards. This is especially important as imports have risen in recent years, to ensure that the American public will have the world's safest food supply as we get the benefits of open trade.

Enforcement

With these agreements complete, we have spent considerable time monitoring and enforcing compliance.

In most cases, our trading partners have met their obligations. However, for those cases in which they have not, the U.S. has used the strong dispute settlement mechanism to ensure that WTO members meet their commitments or suffer a penalty for failure. To be specific, we have used the dispute settlement mechanism in the past four years to enforce the Agriculture and SPS Agreements in thirteen separate cases from fruit sales to Japan, to pork in the Philippines, dairy in Canada, and of course the still unresolved banana and beef cases with the European Union.

The banana and beef cases are especially important, since they concern fundamentally important principles and precedents. They are the only two cases -- in agriculture or any other field -- in which defendants have refused to implement panel results. The banana case is the first test of dispute settlement in the General Agreement on Trade in Services; in beef, we are addressing respect for internationally recognized agricultural science. And both involve the confidence we and our public have that our trade partners will live by the results of WTO panel decisions. We expect full implementation of each decision and are taking measures to ensure it, beginning with our authorized retaliation of \$191.4 million in the banana case and on the completion of arbitration with a similar retaliation for beef. When members refuse to live by the rules, they will pay a price.

Agricultural Trade Policy and the Rural Economy in 1999

Before I turn to our agenda for the Round, let me say a few words about the importance of our trade initiatives in the context of the situation many farm families face today.

In the past year, a series of unpredictable events - financial crisis overseas, natural disasters at home, and a boom in world production -- have placed many rural communities in great financial stress. The combined effect on American agricultural exports has been severe, with total exports dropping from over

\$60 billion in 1996 to \$52 billion last year.

No farmer could foresee these events -- as Vice President Gore said to the Farm Journal conference earlier this spring:

"Anyone who has spent any time on a farm knows that both the beauty and the tragedy of the land is that it follows a rhythm far beyond our ability to predict or control."

Trade policy forms part of a comprehensive response to this crisis. First, together with the domestic assistance measures undertaken by our colleagues at the Department of Agriculture, and the work of the Treasury Department to support IMF packages aimed at hastening economic recovery overseas, our bilateral trade agreements have created new markets which relieve some of the pressure on farm and ranch families.

To cite one especially important example, since our agreement with Canada gave Montana, North Dakota and Minnesota farmers access to the Canadian rail system, over 303,000 tons of wheat and barley have moved through Canada. That compares to virtually nothing last year. And the total has the potential to grow rapidly -- since Canada has also now, as the agreement required, recognized fourteen U.S. states as free of karnal bunt, eliminating testing and certification regulations in grain. And with 26 states now able to ship feeder cattle to Canada under new animal health regulations, over 51,000 head of cattle have moved north in the 1998-99 marketing year.

At the same time, we have opposed protectionist responses to the financial crisis overseas, notably legislation imposing quotas on steel imports. Such a response would violate our WTO commitments, and likely result in a cycle of protection and retaliation that would claim victims in American farm communities.

THE NEW ROUND

Altogether, then, through the Uruguay Round, our bilateral and regional agreements and enforcement, we have created a foundation of commitments to open markets and respect science. American farm and ranch families face a far more open and fair international market than they did six years ago.

But we are very far from done. In the next decade, we can and should go well beyond the achievements of the 1990s, to make trade more open for our farmers and ranchers; encourage the most advanced and environmentally friendly agricultural technologies; and ultimately to increase the world's food security. And this brings me to the agenda for the new Round, set to begin when we host the WTO's Third Ministerial Conference in Seattle this November.

GOALS AND DEVELOPMENT OF NEGOTIATING OBJECTIVES

Broadly speaking, in this Round our goals will include:

- reducing tariffs;
- improving administration of tariff-rate-quotas;
- eliminating export subsidies;
- reducing trade-distorting domestic supports;
- stronger disciplines on the activities of state trading enterprises; and
- guarantees that decisions on new technologies (such as biotechnology) will be made on scientific grounds through transparent regulatory processes.

In each of these areas, we are developing specific goals through consultations with Congress, agricultural producer and commodity groups and others interested in the Round. We have published, for example, notices in the Federal Register seeking public comment on agricultural and other policy goals in the Round, and are holding hearings on the WTO agenda through the Trade Policy Staff Committee nationwide.

We are also holding a series of Listening Sessions with the Department of Agriculture focusing specifically on agriculture. These began early this month and will continue through July. In these sessions, senior USTR officials and agricultural negotiators have traveled to Winter Haven, Florida; St. Paul, Minnesota; and Memphis, Tennessee to hear directly from farmers, ranchers, agribusiness on the agenda that will help them most. Another session will take place tomorrow in Indianapolis, Indiana. In the weeks ahead, we will hold Listening Sessions in Austin, Texas; Sacramento, California; Richland, Washington; Nebraska; Newark, Delaware; Burlington, Vermont; Des Moines, Iowa; and Bozeman, Montana.

Our specific negotiating objectives will flow from these consultations, as well as from discussions with Members of Congress, industry leaders and others. Thus, at this point, it is premature to discuss the precise goals we will set. However, I would like to discuss two key areas the Round will address in some more detail.

COMMON AGRICULTURAL POLICY REFORM

First, inevitably, a central focus of the next Round will be reform of the European Union's Common Agricultural Policy.

The Common Agricultural Policy (CAP), including \$60 billion in trade-distorting subsidies and 85% of the world's agricultural export subsidies, is certainly the largest single distortion of agricultural trade in the world, and may well qualify as the largest distortion of any sort of trade.

Reform is in everyone's interest. The combination of high tariffs and subsidies make European consumers pay prices far above the world market rate for food. Export subsidies in particular place an immense and unfair burden on farmers in other countries, especially developing countries in Africa, Asia, Latin America and elsewhere.

While many European governments recognize that reform is essential, internal reforms have brought only minor change in the past two decades. The "Agenda 2000" package adopted by the EU in March is no exception, and in fact represented a retreat from a set of reforms advocated by EU Agriculture Ministers. Clearly, international efforts to bring significant change, including reduction of border trade barriers, domestic supports linked to production, and elimination of export subsidies through the new Round are essential.

BIOTECHNOLOGY

A second key focus will be new technologies such as biotechnology.

Biotechnology has immense potential to develop strains of plants resistant to drought and other natural stresses, to improve yields, and thus to reduce hunger worldwide while easing pressure on land, water and wildlife. American farmers, as leaders in the biotechnology industry, must not suffer trade discrimination as a result of adopting scientifically proven techniques with these benefits.

However, we also recognize that biotechnology also raises some public and consumer concerns about potential unintended effects. This is especially true in Europe, where politicized and non-transparent regulation -- not only in biotechnology but elsewhere -- have led to serious policy mistakes and fears about food safety.

These are fears we must address squarely, through transparent, scientifically based, and accessible regulatory procedures. Such procedures should reveal any potential threats, while allowing farmers, consumers and the environment to win the maximum potential benefit of these techniques. Through the Transatlantic Economic Partnership discussions with the EU, we have agreed to establish a pilot project to enhance transparency and access to regulatory procedures, under which we will strive to agree on common data requirements for the acceptance of biotechnology products.

WTO ACCESSIONS

As we develop our negotiating objectives, we are also setting precedents and developing consensus through WTO accession processes and the regional trade initiatives we have begun in each part of the world. Let me begin with the accessions.

The WTO now has 134 members. But outside the system, unaccountable to its rules on market access and standards, remain about 1.5 billion people - about a quarter of world population. Thirty economies are now applying to enter the WTO, including some of the world's largest nations and traders.

Our goal, ultimately, is to bring all these into the system, on commercially meaningful grounds. In each case, we are requiring high standards in agriculture, including immediate acceptance of the Sanitary and Phytosanitary Agreement, renunciation of export subsidies, improved transparency in any existing state trading arrangements and significant market-opening measures. This has intrinsic benefits for American producers in each individual market, and also helps establish precedents and foundations for broader application in the Round.

Since December, we have completed three accessions (Kyrgyzstan, Latvia and Estonia), finished our bilateral negotiations with Taiwan, and made significant progress with nine other economies: Albania, Armenia, China, Croatia, Georgia, Jordan, Lithuania, Moldova and Oman. In the case of China, which is of course the largest prospective new economy in the WTO, while some services and rules issues remain for discussion, agricultural negotiations are complete and include a very strong set of commitments in

market access, renunciation of export subsidies, tariff-rate quotas and other issues.

ROLE OF REGIONAL TRADE INITIATIVES

At the same time, we are working with other trade partners to build consensus and eliminate such disputes as may exist early. The regional trade initiatives we have opened in each part of the world, in addition to their significant potential trade benefits to farmers and ranchers, play an essential role in this process. Several especially significant examples are as follows:

- Western Hemisphere - Talks aimed at creation of the Free Trade Area of the Americas began in Miami last fall. By the end of 1999, they are scheduled to complete an "Annotated Outline" of a prospective agricultural chapter of the final agreement. This process will help us build consensus among Western Hemisphere democracies for our goals in the Round, and has already won consensus for elimination of export subsidies in this hemisphere.

- Asia-Pacific - Asia-Pacific Economic Cooperation (APEC) meetings have allowed us to work toward consensus on issues with our Pacific trading partners. Next week, for example, I will travel to Auckland, New Zealand, for a Ministerial Conference at which I will address issues such as tariff reduction, export subsidy elimination and others.

- Europe - In the Transatlantic Economic Partnership, one of the seven areas of concentration is agriculture, with a special focus on biotechnology. Our goal here is to increase European transparency and work toward development of a sound, transparent regulatory system that will allow timely approval of scientifically proven biotechnology products for the European market. As noted above, during the US-EU Summit this week we reached agreement on a pilot project to help develop such a system.

- Africa - The President's Economic Partnership with Africa has allowed us to engage African countries - which make up 38 of the WTO's 134 members - in a fundamentally improved way. We view agriculture, and in particular elimination of export subsidies, as an area of common interest with Africa, as developing country farmers are more disadvantaged by export subsidies than any other farmers.

CONCLUSION

In summary, Mr. Chairman, our agricultural trade policy throughout the Clinton Administration has created markets for American farmers and ranchers; reduced distorting subsidies; and helped promote

the use of science to ensure food safety, consumer protection and fair trade.

The next Round offers us a chance to go further in all these areas. In the months ahead, we will consult closely with you, along with agricultural, consumer and other groups, on the detailed objectives that will serve our nation's agricultural interests best. At the same time, through bilateral negotiations, WTO accessions and our regional initiatives, we will set the precedents and develop the international consensus necessary to ensure successful negotiations.

Although American agricultural producers are living through a very difficult period, when we look ahead, I believe our farm and ranch families can see a very good future. We can realize very significant opportunities through trade in the next three years. These will combine with policies our colleagues at USDA and in the Administration as a whole are advancing at home - an improved safety net; lower interest rates; a better infrastructure; investments in scientific research and rural education. Thus, we can help make sure that America's farmers and ranchers will be able to make the most of their talent and get the full benefit of their hard work; and that their families continue to enjoy a good life on the land.

Thank you.

TESTIMONY ON U.S. TRADE POLICY IN CHINA

Ambassador Charlene Barshefsky

U.S. Trade Representative

Senate Committee on Finance

Washington, DC

April 13, 1999

Mr. Chairman, Senator Moynihan, Members of the Finance Committee, thank you for inviting us to review with you the status of our trade policy with China today.

The past weeks have been eventful ones for this relationship. Our negotiations since the beginning of this year have been highly productive in all the major areas of American trade concern: agriculture, industrial goods, services and rules. China has made very significant commitments across the range of sectors and issues of concern to us, but a number of important issues remain to be resolved.

President Clinton and Premier Zhu have stated their goal of continuing negotiations to try to resolve the outstanding issues. We have, for six years, pursued these negotiations in a methodical manner, insisting at every juncture that accession must be on commercially meaningful terms. We have come far but are not there yet. This is the right approach for America's business, agriculture and workers. Now is not the time to depart from this careful, substantive approach and allow arbitrary deadlines to influence our negotiating position.

Our work has involved negotiations on a very large number of issues. Today I will review our progress so far. But let me begin with some more general comments about the place of China's accession to the WTO in our Pacific strategy and our national trade interest. I will then move on to review the specific commitments China has made, and to your questions and concerns about the work we have done and that which lies ahead.

TRADE IN AMERICAN CHINA POLICY

Fundamentally, we have worked toward China's integration into the global rules-based trading system, because as a Pacific nation we have a vital interest in a peaceful, stable and prosperous Asia-Pacific region.

To secure this interest we maintain 100,000 troops in Asia, and we maintain strong alliances with Japan and other Asian democracies. We vigorously promote human rights, democratic principles and the rule of law throughout the region. And we engage China -- Asia's largest nation and fastest-growing economy -- to address our differences and find common ground wherever possible.

This includes a wide range of issues, from cooperation in regional security issues like the Korean peninsula to control over weapons proliferation, advocacy of human rights improvements at the UN Human Rights Commission and in our bilateral relationship, promoting labor rights, addressing climate change and other environmental questions, narcotics and crime control, and other issues as well. And a fundamental part of this policy, as a matter of commercial interest and as a complement to our strategic and security policies, is support for the economic integration of China into the Asia-Pacific region and the world economy.

China's economic isolation during the Cold War was vastly damaging to both China and to the Pacific region. 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.

Our effort to undo this isolation -- a bipartisan, patient effort continuing over the nearly thirty years since President Nixon's visit to China in 1972 -- has included the lifting of the U.S. economic embargo in the mid-1970s; our initial Commercial Agreement and mutual grant of normal trade relations in 1979 and 1980; the consistent renewal of normal trade relations for the past 20 years; and the market access, textile and intellectual property agreements we have negotiated in the 1990s. All of these trade policies have had multiple goals: the creation of opportunity for American businesses, working people and agricultural producers; the guarantee of fair trade principles; the advance of the rule of law, and the strengthening of China's own stake in the stability and prosperity of its neighbors.

And this policy has succeeded over the years. It has increased China's contacts with the outside world,

bringing new ideas and opportunities to its people and giving China greater common interests with its Asian neighbors and with us. China's constructive approach to the Asian financial crisis may well be at least a partial consequence of this policy.

U.S.-CHINA TRADE RELATIONS TODAY

But at the same time, the progress has been slow. China remains a country characterized by high trade barriers and numerous unfair trade practices -- which create inefficiencies within the Chinese economy; slow the process of integration; and cause frustration and sometimes injury to American farmers, worker, and businesses.

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 remain closed, depriving China of the jobs, efficiency and innovation competition could bring to the domestic economy. And the rule of law -- as Hong Kong Chief Secretary Anson Chan said last summer, the "infrastructure which enables enterprise to flourish" in any economy -- 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 the present financial crisis and in the future. One index of this is our trade deficit with China, now over \$1 billion per week. Another is that between the opening of Normal Trade Relations (formerly MFN status) in 1980 and 1997, our exports to China grew 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 the ASEAN nations.

WTO accession allows us to address the policy issues at the root of these problems in a comprehensive way. As it does so, it also is an opportunity to advance our broader interests and values beyond trade:

- As a matter of trade policy, a sound agreement will open Chinese markets to our exports, and give American domestic industries stronger protection against unfair trade practices.

- As a matter of strategy, WTO membership will complement our efforts to maintain peace and stability in the Pacific by linking China's economy more closely with the world's, creating constituencies within China for stability beyond its borders.

- And as a matter of values, WTO principles - transparency, fair and impartial judicial practices, peaceful settlement of disputes, the rule of law - are those we hope to advance in China and worldwide.

To win these benefits, an agreement on WTO accession must be commercially meaningful, addressing our major concerns in a detailed, enforceable and rapid way. This is also true for China -- a weak, "political" agreement would not yield the full potential for economic efficiency and growth in China. Thus, we are committed to a commercially meaningful accession; but while we have not yet reached agreement on such a package, in the past months we have made significant progress toward the goal.

PROGRESS THUS FAR

We have reached consensus with China on a broad range of market access commitments covering each major sector: agricultural products, manufactured goods, and services. And we have reached consensus with China on some of the most important and difficult Protocol issues, including safeguards against import surges, guarantees for our right to use appropriate non-market economy methodology in dumping cases, and protection against abusive investment policies like forced technology transfer and offset requirements. Talks will continue on a range of important market access and Protocol issues, however -- including many that must be addressed multilaterally -- and until they are each concluded on an acceptable basis, we will not be in a position to conclude the WTO accession. These include banking, securities, consumer auto finance, and the duration of rules regarding dumping and safeguards.

Let me now review the progress we have made thus far in agriculture, industrial goods, services and rules.

OUTLINES OF COMMITMENTS THUS FAR

On market access, we have a broad set of Chinese commitments covering most of our concerns. This set of commitments has four features:

- First, it is broad. It covers agriculture, industrial goods and services; and unfair trade practices including quotas, other non-tariff measures, application of non-scientific agricultural standards, discriminatory regulatory processes, lack of transparency, export subsidies and other barriers to trade. It will address tariffs and other barriers at the border; limits on trading rights and distribution within the Chinese market; unjustified sanitary and phytosanitary standards; and restrictions on services.

- Second, it grants no special favors. It requires China to reduce its trade barriers to levels comparable to those of major trade partners, including some industrial countries.

- Third, it is fully enforceable. The commitments China has made in all areas are specific, and enforceable through our trade laws and WTO dispute settlement and other special mechanisms, including some of the protocol issues.

- -Fourth, its results will be rapid. The agreements on sanitary and phytosanitary standards concerning TCK wheat, citrus and meat took effect immediately on their signature last Saturday, lifting import bans of long duration. On accession to the WTO, China will begin opening its market from day one, in virtually every area. The phase-in of further broad concessions in all these areas will be limited to five years in almost all cases; in many instances the transition time ranges from one to three years.

Some examples of the progress thus far include:

1. Agriculture

In agriculture, China will make substantial reductions in tariffs both on accession to the WTO and over time, adopt liberal tariff-rate quotas in bulk commodities of special importance to American farmers, apply science-based sanitary and phytosanitary standards including in grains, meats and fruits, and eliminate export subsidies. Notable achievements here include:

Sanitary & Phytosanitary Standards - China will apply sanitary and phytosanitary standards based on science, eliminating its bans on American meats, citrus fruit and Pacific northwest wheat. In citrus, the industry estimates that this can mean up to \$700 million in new exports, when coupled with China's market access commitments on accession and later.

Tariffs - China's agricultural tariffs will decline to 14.5% for our priority items. All cuts will occur within a maximum four-year time-frame; by contrast, WTO developing countries received ten years. Results in some top priorities include tariff cuts from 45% to 12% in beef; 40% to 12% in citrus; 30% to 10% in apples; 50% to 12% in cheese; and 65% to 20% in wine. And all tariff cuts will be bound at applied levels - that is, unlike many of our trading partners, China will not have a right to raise tariffs beyond these levels once it enters the WTO.

TRQs - China will liberalize its purchase of bulk agricultural commodities like wheat, corn, soybeans,

rice, cotton and so on. It will adopt tariff-rate quotas - that is, very low tariffs on a set volume of commodities - in these bulk commodities. The wheat TRQ, for example, begins at 7.3 million tons and rises to 9.3 million tons by 2004. (Present import levels are below 2 million metric tons.) In all these TRQs, private traders will be guaranteed a share of the TRQ and a right to use unused portions of the share given to state trading companies. This will help establish legitimate private-sector trade in China.

Export Subsidies - China will not provide agricultural export subsidies. This is an important achievement in its own right, and a major step toward our goal of totally eliminating export subsidies in the next WTO Round.

2. Industrial Goods

In industrial goods, China will cut tariffs and bind them at the new, lower levels; make the deepest cuts in the areas of highest priority to the U.S.; allow American firms to import, export and distribute their products freely in China; and eliminate quotas and other numerical restrictions. Specific achievements in industrial goods include:

Trading Rights and Distribution - China will grant American companies, over a three-year phase-in period, rights to import and export products without Chinese middlemen, and to market, wholesale, retail, repair and transport their products -- whether produced in China or imported. Companies which set up business in China will also be able to import the goods they choose from the United States. Even for China's most protected sectors, such as fertilizer, China will grant full trading rights and distribution rights in five years.

Tariffs - China will make substantial tariff cuts on accession and further cuts phased in, two thirds of which will be completed in three years and virtually all of which will be completed within five years. On U.S. priority items, tariffs will drop on average to 7.1% -- a figure comparable to those of most major U.S. trading partners. As in agriculture, China will bind tariffs at these levels. Some specific examples include:

Information Technology Agreement - China will participate in the Information Technology Agreement (ITA), eliminating all tariffs on such information technology products as semiconductors, telecommunications equipment, computer and computer equipment and other items connected to the information superhighway by 2003 in most cases and 2005 in a few others. This places China on the same footing as other ITA participants, who are required to phase out all tariffs in these sectors by 2005.

Autos - China will reduce tariffs on autos from 80%-100% today to 25%, and on most auto parts to 10%. This will be done by 2005.

Wood and Paper Products - China will reduce high tariffs on wood and paper to levels generally between 5% and 7.5%.

Chemicals - China will commit to the vast bulk of chemical harmonizations, reducing tariffs from present rates between 10%-35% to 5% to 6.5% in most cases. In other high-tariff items, China will cut tariffs significantly as well.

APEC -- China has agreed to implement the early voluntary sectoral liberalization initiative of APEC now under consideration in the WTO, when consensus is achieved. This would eliminate tariffs on forest products, environmental goods and services, energy and energy equipment, fish, toys, gems and jewelry, medical equipment and scientific instruments, and also includes chemical harmonization.

Non-Tariff Barriers - China will eliminate all quotas and other quantitative measures on accession for top U.S. priorities such as certain fertilizers and fiber-optic cable, by 2005 in all cases and by 2002 in most cases. In autos, China has committed to an initial quota of \$6 billion - well above our current exports and the highest level of exports achieved in the past, and thus large enough that it will pose no restriction on trade. That quota will grow by 15% each year and will be eliminated entirely in 2005.

3. Services

In services, while discussions continue on audiovisual, banking and securities, China has agreed to broad-ranging commitments such as:

Grandfathering - China will guarantee to protect the existing rights and market access of all service providers operating in China.

Insurance - China will end restrictions on large-scale risk insurance throughout China immediately, grant licenses solely on prudential criteria, phase out restrictions on internal branching and remove restrictions on majority control or joint ventures, gradually eliminate geographical and numerical limits on licenses, and take several other measures.

Telecommunications - China will join the Basic Telecommunications Agreement, implementing regulatory principles including interconnection rights and regulatory rules. It will end geographic restrictions for paging and value-added services within four years, mobile and cellular within five years; and domestic wireline and closed user groups in six. It will also end its ban on foreign direct investment in telecommunications services, phasing in 49% foreign equity in all services in six years and 51% foreign ownership for value-added and paging services in four.

Audiovisual - Here, China will allow 49% foreign equity for the distribution of video and sound recordings, majority ownership in three years for construction, and ownership and operation of cinemas. We continue to discuss several issues here as well.

Distribution - China will remove all restrictions on wholesaling, retailing, maintenance and repair, and transportation within three years, along with restrictions on auxiliary services including express delivery, air courier, rental and leasing, storage and warehousing, advertising and others. This is of immense importance in its own right and as a step that will enable our exporters to do business more easily in China.

Also covered, of course, is a broad range of other services - architecture, engineering, legal, travel and tourism, computer and business services, environmental services, franchising and direct sales, and many more.

4. Protocol

Let me now turn to the Protocol issues. Some of these are completed; on others we will need work, including as part of the WTO process involving a large number of other countries. China has already made significant commitments in a number of major areas of concern, but significant issues remain outstanding. Commitments include:

- Product-specific safeguard provisions to ensure effective action in case of import surges.

- Guarantees that we will continue to use our current "non-market economy" methodology in anti-dumping cases.

- Commitments to eliminate requirements that companies export what they make in China or use Chinese parts or other products when they manufacture there. Our companies will not have to agree to offsets to invest in China or to receive permission to import U.S. goods.

- A ban on requirements for technology transfer for U.S. companies to invest in China.

- Guarantees that state trading companies and state-invested enterprises operate solely on commercial terms, and specification that purchases by these companies are not government procurements and are thus not subject to any special or different rules.

The important question of the duration of several of these special provisions remains open, and we continue to discuss other issues as well.

WTO ACCESSION AND OTHER AMERICAN PRIORITIES

Any final accession package must be judged primarily on its value to working people, businesses and agricultural producers. It is not a substitute for a vigorous and effective policy in other areas of our relationship with China, and is not intended to be such. When completed and when enforced, however, it will complement our work in such areas as human rights and security policy, helping us build a peaceful, prosperous and open Pacific region; and to advance fundamental American principles of freedom, transparency, accountable government and the rule of law.

Thus, as I welcome scrutiny of the trade policy details of the WTO accession, I also hope that Americans will think about them in the larger context of Pacific security and American values. And I would like to take the remainder of this time to speak to those questions.

1. Pacific Security

First of all, with respect to security, as ultimate WTO membership helps integrate China more fully in the Pacific and world economies, it will ensure that China's stake in its neighbors' stability and prosperity continues to grow.

This trend began with the economic opening of China in the late 1970s and early 1980s. Its results are clear in the contrast between the revolutionary foreign policy China pursued in the 1960s and early 1970s, when it sought the overthrow of neighboring governments; and the approach China has taken to the Asian financial crisis today, when it has sought to help stabilize their economies through contributions to IMF recovery packages and its own currency stability policies.

WTO accession, by reducing Chinese barriers to trade and investment and providing enforceable means of keeping them lowered, will deepen and accelerate this process of integration. Thus, this is in no sense a substitute for the U.S. military commitments, security treaties and other policies designed to ensure peace and security in the Pacific; but it will complement them in our larger search for a peaceful, stable and open Asia-Pacific region.

The WTO Accession and American Values

And as in the case of security, the WTO accession will complement and support efforts to advance the cause of human rights.

WTO membership, in its largest sense, represents adherence to a set of accepted international rules. They include the development and publication of laws and regulations; consistency in decision making; recourse to law enforcement and judicial proceedings; curbs on the arbitrary exercise of bureaucratic discretion. And these concepts in turn rest upon universal values and ideals including transparency, public and enforceable commitments, and openness to the outside world.

The WTO accession thus will accelerate the trend toward development of the rule of law within China. It thus complements the work our colleagues in other agencies are doing in advocacy for political prisoners, activity at the UN Human Rights Commission and engagement with China's top leadership on human rights issues in the Administration's efforts to bring China closer to conformity with international standards of human rights.

CONCLUSION

In summary, over the past months we have made very significant progress on this work.

We have attempted to address the principal concerns of American agriculture, manufacturing, and service industries. And we have enhanced the work on rules.

If this progress continues, we will ultimately reach a result that creates a fundamentally fairer trade relationship. And at the same time, we will contribute to our larger goals of a Pacific region more stable and peaceful than it is today; and to the advance of universal values worldwide. This is a process which is in the American national interest.

Let me conclude, though, by saying once more that the work is not yet done. WTO accession will come only on completion of a commercially meaningful agreement; and that means each part of a commercially meaningful agreement, including the market access commitments and the Protocol issues, which are central. In the weeks ahead, we will consult with the Committee and other Members of Congress to make sure that our work meets your concerns.

Thank you very much. And now I will take your questions.

TESTIMONY ON AMERICA'S AGRICULTURAL TRADE AGENDA

Ambassador Charlene Barshefsky

United States Trade Representative

Senate Committee on Agriculture

Washington, D.C.

June 24, 1999

Chairman Lugar, Senator Harkin, Members of the Committee, thank you very much for inviting me to testify on our agricultural trade agenda.

This is a timely hearing. A new Round of global trade negotiations is set to begin this winter, when the United States hosts and Chairs the World Trade Organization's Third Ministerial Conference in Seattle, and agriculture will be at the heart of this Round's agenda. A successful conclusion promises American farm and ranch families significant new opportunities and stronger guarantees of fair treatment in world markets, together with better prices for consumers.

We are now developing negotiating objectives, in consultation with Congress, farm and ranch organizations, consumers, the food industry and others interested in agricultural policy and trade. Thus, I am pleased to appear before the Committee today. My testimony will review our broad agricultural trade goals, place the Round in the context of the progress we have made in the past six years, and outline the process by which we are developing detailed objectives.

AGRICULTURAL TRADE GOALS

Mr. Chairman, American farmers are the most competitive and technically advanced in the world, producing far more than we can ever eat. Thus we have the opportunity to export to the 96% of humanity

that lives beyond our borders; and with one in three farm acres now producing for foreign markets, we must export to remain profitable at home.

These realities are the foundation of our agricultural trade policy. Under President Clinton and Vice President Gore, our work has covered five broad areas. We have sought to:

- reduce tariffs and other barriers to trade;
- ensure that sanitary and phytosanitary standards are based on science;
- promote fair trade by reducing foreign export subsidies and trade-distorting domestic supports;
- ensure greater transparency and fairness in state trading; and
- help guarantee that farmers and ranchers can use safe modern technologies, in particular biotechnology, without fear of trade discrimination.

The foundation of this work is its direct benefit to our agricultural producers. But each item on our agenda is also rooted in a broader humanitarian vision.

As American producers benefit from open markets, consumers abroad have more diverse supplies of food, helping guarantee food security and prevent famine during natural disasters.

As we reduce export subsidies, we ensure fairness for American farmers -- and for farmers in developing countries whose governments lack the resources to fight back.

And as we ensure respect for science in food safety and biotechnology, we protect public health and reduce pressure on land, water and wildlife habitat.

ADMINISTRATION AGRICULTURAL TRADE RECORD

These goals have been based upon a bipartisan consensus for open and fair markets in agriculture dating back to the initiation of the Uruguay Round negotiations in the 1980s. Under the Clinton Administration,

the results of our work have been substantial.

Opening World Markets

With the passage of the North American Free Trade Agreement in 1994, we won preferential access to our immediate neighbors. As a result, our agricultural exports to Mexico have grown from \$3.6 billion in 1993 to \$6.1 billion in 1998, a 70 percent increase, and exports to Canada from \$5.3 billion in 1993 to over \$7 billion in 1998. Together, these two countries -- with a total population of 120 million -- now buy over a quarter of our agricultural exports and provide American farmers with at least a partial shield against overseas economic crisis.

We have also negotiated bilateral agreements worldwide, in a very large range of commodities. Some examples include beef in Korea; apples and cherries in China; tomatoes and apples in Japan; almonds in Israel; a veterinary equivalence agreement with the European Union addressing sanitary issues blocking US live animal and animal products; citrus and other fruits in Brazil, Chile, Mexico and other countries; and the broad agricultural agreement with Canada concluded last December.

And with the completion of Uruguay Round in 1995, after forty-seven years of developing the trade system, we began to bring agricultural trade under fair and internationally accepted rules, in each area crucial to American agriculture:

- We lowered tariffs and are on track to eliminate most quantitative restrictions.
- We reduced trade-distorting subsidies.
- We ensured that all WTO members -- 110 at the time, 134 today -- would use sanitary and phytosanitary standards to protect human, animal and plant health rather than to bar imports.
- And we won consensus on a "built-in agenda" that would mandate further negotiations in agriculture, as well as services, beginning in 1999.

At the same time, our colleagues at the FDA and the Department of Agriculture are intensifying food

inspection at the border, to not only maintain but improve our food safety standards. This is especially important as imports have risen in recent years, to ensure that the American public will have the world's safest food supply as we get the benefits of open trade.

Enforcement

With these agreements complete, we have spent considerable time monitoring and enforcing compliance.

In most cases, our trading partners have met their obligations. However, for those cases in which they have not, the U.S. has used the strong dispute settlement mechanism to ensure that WTO members meet their commitments or suffer a penalty for failure. To be specific, we have used the dispute settlement mechanism in the past four years to enforce the Agriculture and SPS Agreements in thirteen separate cases from fruit sales to Japan, to pork in the Philippines, dairy in Canada, and of course the still unresolved banana and beef cases with the European Union.

The banana and beef cases are especially important, since they concern fundamentally important principles and precedents. They are the only two cases -- in agriculture or any other field -- in which defendants have refused to implement panel results. The banana case is the first test of dispute settlement in the General Agreement on Trade in Services; in beef, we are addressing respect for internationally recognized agricultural science. And both involve the confidence we and our public have that our trade partners will live by the results of WTO panel decisions. We expect full implementation of each decision and are taking measures to ensure it, beginning with our authorized retaliation of \$191.4 million in the banana case and on the completion of arbitration with a similar retaliation for beef. When members refuse to live by the rules, they will pay a price.

Agricultural Trade Policy and the Rural Economy in 1999

Before I turn to our agenda for the Round, let me say a few words about the importance of our trade initiatives in the context of the situation many farm families face today.

In the past year, a series of unpredictable events - financial crisis overseas, natural disasters at home, and a boom in world production -- have placed many rural communities in great financial stress. The combined effect on American agricultural exports has been severe, with total exports dropping from over \$60 billion in 1996 to \$52 billion last year.

No farmer could foresee these events -- as Vice President Gore said to the Farm Journal conference earlier this spring:

"Anyone who has spent any time on a farm knows that both the beauty and the tragedy of the land is that it follows a rhythm far beyond our ability to predict or control."

Trade policy forms part of a comprehensive response to this crisis. First, together with the domestic assistance measures undertaken by our colleagues at the Department of Agriculture, and the work of the Treasury Department to support IMF packages aimed at hastening economic recovery overseas, our bilateral trade agreements have created new markets which relieve some of the pressure on farm and ranch families.

To cite one especially important example, since our agreement with Canada gave Montana, North Dakota and Minnesota farmers access to the Canadian rail system, over 303,000 tons of wheat and barley have moved through Canada. That compares to virtually nothing last year. And the total has the potential to grow rapidly -- since Canada has also now, as the agreement required, recognized fourteen U.S. states as free of karnal bunt, eliminating testing and certification regulations in grain. And with 26 states now able to ship feeder cattle to Canada under new animal health regulations, over 51,000 head of cattle have moved north in the 1998-99 marketing year.

At the same time, we have opposed protectionist responses to the financial crisis overseas, notably legislation imposing quotas on steel imports. Such a response would violate our WTO commitments, and likely result in a cycle of protection and retaliation that would claim victims in American farm communities.

THE NEW ROUND

Altogether, then, through the Uruguay Round, our bilateral and regional agreements and enforcement, we have created a foundation of commitments to open markets and respect science. American farm and ranch families face a far more open and fair international market than they did six years ago.

But we are very far from done. In the next decade, we can and should go well beyond the achievements of the 1990s, to make trade more open for our farmers and ranchers; encourage the most advanced and

environmentally friendly agricultural technologies; and ultimately to increase the world's food security. And this brings me to the agenda for the new Round, set to begin when we host the WTO's Third Ministerial Conference in Seattle this November.

GOALS AND DEVELOPMENT OF NEGOTIATING OBJECTIVES

Broadly speaking, in this Round our goals will include:

- reducing tariffs;
- improving administration of tariff-rate-quotas;
- eliminating export subsidies;
- reducing trade-distorting domestic supports;
- stronger disciplines on the activities of state trading enterprises; and
- guarantees that decisions on new technologies (such as biotechnology) will be made on scientific grounds through transparent regulatory processes.

In each of these areas, we are developing specific goals through consultations with Congress, agricultural producer and commodity groups and others interested in the Round. We have published, for example, notices in the Federal Register seeking public comment on agricultural and other policy goals in the Round, and are holding hearings on the WTO agenda through the Trade Policy Staff Committee nationwide.

We are also holding a series of Listening Sessions with the Department of Agriculture focusing specifically on agriculture, which began early this month and will continue through July. I am pleased to say, Mr. Chairman, that one is taking place today in Indianapolis, Indiana. In earlier sessions, senior USTR officials and agricultural negotiators have traveled to Winter Haven, Florida; St. Paul, Minnesota; and Memphis, Tennessee to hear directly from farmers, ranchers, agribusiness on the agenda that will help them most. In the weeks ahead, we will hold Listening Sessions in Austin, Texas; Sacramento, California; Richland, Washington; Kearney, Nebraska; Newark, Delaware; Burlington, Vermont; Des Moines, Iowa; and Bozeman, Montana.

Our specific negotiating objectives will flow from these consultations, as well as from discussions with Members of Congress, industry leaders and others. Thus, at this point, it is premature to discuss the

precise goals we will set. However, I would like to discuss two key areas the Round will address in some more detail.

COMMON AGRICULTURAL POLICY REFORM

First, inevitably, a central focus of the next Round will be reform of the European Union's Common Agricultural Policy.

The Common Agricultural Policy (CAP), including \$60 billion in trade-distorting subsidies and 85% of the world's agricultural export subsidies, is certainly the largest single distortion of agricultural trade in the world, and may well qualify as the largest distortion of any sort of trade.

Reform is in everyone's interest. The combination of high tariffs and subsidies make European consumers pay prices far above the world market rate for food. Export subsidies in particular place an immense and unfair burden on farmers in other countries, especially developing countries in Africa, Asia, Latin America and elsewhere.

While many European governments recognize that reform is essential, internal reforms have brought only minor change in the past two decades. The "Agenda 2000" package adopted by the EU in March is no exception, and in fact represented a retreat from a set of reforms advocated by EU Agriculture Ministers. Clearly, international efforts to bring significant change, including reduction of border trade barriers, domestic supports linked to production, and elimination of export subsidies through the new Round are essential.

BIOTECHNOLOGY

A second key focus will be new technologies such as biotechnology.

Biotechnology has immense potential to develop strains of plants resistant to drought and other natural stresses, to improve yields, and thus to reduce hunger worldwide while easing pressure on land, water and wildlife. American farmers, as leaders in the biotechnology industry, must not suffer trade discrimination as a result of adopting scientifically proven techniques with these benefits.

However, we also recognize that biotechnology also raises some public and consumer concerns about potential unintended effects. This is especially true in Europe, where politicized and non-transparent regulation -- not only in biotechnology but elsewhere -- have led to serious policy mistakes and fears about food safety.

These are fears we must address squarely, through transparent, scientifically based, and accessible regulatory procedures. Such procedures should reveal any potential threats, while allowing farmers, consumers and the environment to win the maximum potential benefit of these techniques. Through the Transatlantic Economic Partnership discussions with the EU, we have agreed to establish a pilot project to enhance transparency and access to regulatory procedures, under which we will strive to agree on common data requirements for the acceptance of biotechnology products.

WTO ACCESSIONS

As we develop our negotiating objectives, we are also setting precedents and developing consensus through WTO accession processes and the regional trade initiatives we have begun in each part of the world. Let me begin with the accessions.

The WTO now has 134 members. But outside the system, unaccountable to its rules on market access and standards, remain about 1.5 billion people - about a quarter of world population. Thirty economies are now applying to enter the WTO, including some of the world's largest nations and traders.

Our goal, ultimately, is to bring all these into the system, on commercially meaningful grounds. In each case, we are requiring high standards in agriculture, including immediate acceptance of the Sanitary and Phytosanitary Agreement, renunciation of export subsidies, improved transparency in any existing state trading arrangements and significant market-opening measures. This has intrinsic benefits for American producers in each individual market, and also helps establish precedents and foundations for broader application in the Round.

Since December, we have completed three accessions (Kyrgyzstan, Latvia and Estonia), finished our bilateral negotiations with Taiwan, and made significant progress with nine other economies: Albania, Armenia, China, Croatia, Georgia, Jordan, Lithuania, Moldova and Oman. In the case of China, which is of course the largest prospective new economy in the WTO, while some services and rules issues remain for discussion, agricultural negotiations are complete and include a very strong set of commitments in market access, renunciation of export subsidies, tariff-rate quotas and other issues.

ROLE OF REGIONAL TRADE INITIATIVES

At the same time, we are working with other trade partners to build consensus and eliminate such disputes as may exist early. The regional trade initiatives we have opened in each part of the world, in addition to their significant potential trade benefits to farmers and ranchers, play an essential role in this process. Several especially significant examples are as follows:

- Western Hemisphere - Talks aimed at creation of the Free Trade Area of the Americas began in Miami last fall. By the end of 1999, they are scheduled to complete an "Annotated Outline" of a prospective agricultural chapter of the final agreement. This process will help us build consensus among Western Hemisphere democracies for our goals in the Round, and has already won consensus for elimination of export subsidies in this hemisphere.

- Asia-Pacific - Asia-Pacific Economic Cooperation (APEC) meetings have allowed us to work toward consensus on issues with our Pacific trading partners. Next week, for example, I will travel to Auckland, New Zealand, for a Ministerial Conference at which I will address issues such as tariff reduction, export subsidy elimination and others.

- Europe - In the Transatlantic Economic Partnership, one of the seven areas of concentration is agriculture, with a special focus on biotechnology. Our goal here is to increase European transparency and work toward development of a sound, transparent regulatory system that will allow timely approval of scientifically proven biotechnology products for the European market. As noted above, during the US-EU Summit this week we reached agreement on a pilot project to help develop such a system.

- Africa - The President's Economic Partnership with Africa has allowed us to engage African countries - which make up 38 of the WTO's 134 members - in a fundamentally improved way. We view agriculture, and in particular elimination of export subsidies, as an area of common interest with Africa, as developing country farmers are more disadvantaged by export subsidies than any other farmers.

CONCLUSION

In summary, Mr. Chairman, our agricultural trade policy throughout the Clinton Administration has created markets for American farmers and ranchers; reduced distorting subsidies; and helped promote the use of science to ensure food safety, consumer protection and fair trade.

The next Round offers us a chance to go further in all these areas. In the months ahead, we will consult closely with you, along with agricultural, consumer and other groups, on the detailed objectives that will serve our nation's agricultural interests best. At the same time, through bilateral negotiations, WTO accessions and our regional initiatives, we will set the precedents and develop the international consensus necessary to ensure successful negotiations.

Although American agricultural producers are living through a very difficult period, when we look ahead, I believe our farm and ranch families can see a very good future. We can realize very significant opportunities through trade in the next three years. These will combine with policies our colleagues at USDA and in the Administration as a whole are advancing at home - an improved safety net; lower interest rates; a better infrastructure; investments in scientific research and rural education. Thus, we can help make sure that America's farmers and ranchers will be able to make the most of their talent and get the full benefit of their hard work; and that their families continue to enjoy a good life on the land.

Thank you.

**ELECTRONIC COMMERCE:
TRADE POLICY IN A BORDERLESS WORLD**

Ambassador Charlene Barshefsky

U.S. Trade Representative

The Woodrow Wilson Center

Washington, DC

July 29, 1999

Good morning. I want to thank Lee Hamilton very much for inviting me to speak with you today, on this most interesting of subjects.

Our topic today is by no means a simple one. Electronic commerce, and the broader consequences of the development of information technologies, telecommunications and the Internet, are in their infancy. They are developing with great speed and unpredictable consequences, and are already forcing governments to think differently about many issues.

Today, I will outline for you first the implications we see in these early years of electronic commerce for trade and U.S. interests; and then turning to the policy framework we have developed in response.

THE INFORMATION REVOLUTION

To begin with, let me simply note a few of the practical consequences we can already see as a result of the information revolution.

In health, telemedicine is transforming rural health care as family doctors consult on-line with the NIH and the Centers for Disease Control.

In science, virtual reality guides microscopic cameras through blood vessels and robots across the landscape of Mars.

In travel, the Global Positioning Service safeguards shipping and makes family vacations easier and safer through immediate warnings of bad weather or traffic jams ahead.

And in public life, democracy is strengthened as Web sites and e-mail give students and citizens access to news, information and debate; which of course has its darker side, in giving hate groups and criminal organizations instant access as well.

ELECTRONIC COMMERCE

The same revolution is changing business and trade.

Global electronic commerce - the use of the Internet and other forms of electronic transmissions to buy and sell - will make companies more efficient, as computers allow them to cut inventories, provide better and more timely customer service, and meet consumer demand more efficiently. To give a concrete example, estimates are that when you go to a bank, your transaction with the teller costs about a dollar; when you use an ATM, it's about fifty cents; when you use the Internet, it drops to thirteen cents.

Internationally, the Internet will allow businesses and customers to find one another more rapidly, reduce the complexity of finding and filling out paperwork, and erase borders completely for products available in digital form. Especially interesting and exciting is the potential of electronic commerce to spur entrepreneurialism in disadvantaged areas: the Internet allows small businesses, and individuals in poor countries or remote areas to enter markets at low cost, find customers easily, and cope with paperwork and regulations far more efficiently.

For consumers, electronic commerce will raise living standards and create tremendous new sources of leverage over companies. It will give consumers new power to compare price and quality among vendors all over the world. And it will make buying more convenient, as consumers bypass department stores

and use computers to order products from downloaded music and film to home appliances delivered directly to the home from any international source.

But electronic commerce also, of course, raises some more troubling questions. Governments must reflect on the ways to adapt national trade and crime-fighting policies to a borderless world. Consumers -- and businesses too -- know that together with rising living standards and better prices come questions about Internet scam artists, abuse of credit cards, and collection of personal data about purchases, visits to Web sites and other privacy issues.

THE POLICY CHALLENGE

And so our immediate challenge emerges. Consumers should get the maximum benefits of new technologies. Our companies, our national economy, and our trade partners should be able to use them to the best effect. And we should maintain high standards of public safety, privacy and consumer protection that help define the quality of life.

When we apply these questions to trade policy, we must add another novel challenge. For fifty years the United States has followed a policy of opening markets and reducing trade barriers, which generally although not always appear at national borders. The trade policy questions raised by the Internet, however, demand a policy that is in many ways the opposite of this approach: cyberspace is a world with no natural borders, and as yet no trade barriers either.

This is a complex challenge, made more so by the rapid growth of the Internet and electronic commerce. The Internet, with three million users in 1995, now has 140 million worldwide, with 52,000 new Americans logging on each day; by 2005 it may reach a billion people around the world. Electronic commerce, totalling about \$200 billion last year, may reach \$1.3 trillion in the United States alone by 2003 -- and many other countries are expanding just as quickly, with e-commerce in Thailand likely to quintuple this year, and e-commerce in India will grow by perhaps \$15 billion within two years.

Looking more closely at individual industries, the possibilities are even greater. In some fields -- notably industries like software, entertainment, health and education - electronic commerce opens up the possibility of instantaneous delivery of services anywhere in the world, bypassing ports, customs and transport. And new products and services develop every moment.

U.S. PRINCIPLES

That said, neither in trade policy nor in other policy fields do we necessarily face utterly new and alien concepts. Electronic commerce and the Internet are technological innovations -- but also logical developments of earlier innovations in communications and information technology, dating to telegraphs and telephones 100 years ago and more.

So while we must adapt our thinking and policies in certain important ways, our traditional principles remain valid. We have generally believed that government policies should be in the form of self-regulation where possible, rather than attempts to control the development of industries and technologies.

Where this does not succeed, of course, the government has an obligation to protect citizens, especially those most vulnerable, through impartial means. And in either case, we have maintained an open and non-discriminatory market, believing that trade generally creates positive competitive pressures and raises living standards. These principles, we believe, will be valid in electronic commerce as well:

- It will be very difficult to predict precisely how an electronic marketplace will develop, and which goods, services and technologies will be most successful. So we do not propose to try; rather, we will wherever possible leave this to the private sector and the market.

- Further, while government action to fight crime, protect children and protect privacy in electronic commerce and the Internet will be necessary, evaluating the need for new regulations will be a very complex task. Unless the decisions we ultimately make rest on a strong consensus among the private sector and consumers as well as government, the most likely result will be a set of regulations that are both burdensome for businesses and consumers, and ineffective in their primary objective.

- And finally, as there are no natural borders to cyberspace, the development of policies and solutions must, as much as possible, be a worldwide effort.

Since 1995, we have been developing an institutional infrastructure for electronic commerce to give businesses and consumers the confidence and predictability we enjoy in traditional form of commerce. The issues involved range from managing domain names, establishing standards and a legal framework for digital signatures, ensuring adequate privacy protection, and addressing the tax implications of electronic commerce. All these issues are extremely important to the future of electronic commerce, and our colleagues in other agencies are addressing them through international talks and in our domestic agenda.

In trade policy, we are developing our broader principles through specific objectives at the WTO, and through advisory committees in our regional and bilateral trade initiatives. These goals fall into three major categories: unimpeded development of electronic commerce; enforcement of existing regulations to protect consumers, fight crime and so forth; and extending access to the electronic marketplace. And let me now review our objectives in each area.

UNIMPEDED DEVELOPMENT OF ELECTRONIC COMMERCE

First, we want to ensure unimpeded development of electronic commerce. Here we have several specific objectives: duty-free cyberspace; technological neutrality; and ensuring the most liberal treatment of products carried on electronic transmissions.

1. Duty-Free Cyberspace

Most immediate is our initiative to keep cyber-space duty-free -- that is, to prevent the imposition of tariffs on electronic transmissions. To impose customs duties for electronic transmissions would be a burden on the development of this technology lightened only by the extraordinary difficulty of collecting the charges. It would both slow the growth of electronic commerce, and encourage that growth to take place outside the law.

Today, fortunately, no member of the WTO considers electronic transmissions as imports subject to duties for customs purposes. There are no customs duties on cross-border telephone calls, fax messages or computer data links, and this duty-free treatment should include the Internet. We have thus spent a great deal of energy in preventing their emergence, and so far with success. We secured a temporary "standstill" on application of tariffs in this area at the WTO last year, and will seek consensus on an extension of it as the WTO Ministerial Conference in Seattle this November approaches.

2. Technological Neutrality

At the same time, through the longer-term WTO work program we seek consensus on a broader principle of "technological neutrality," to ensure that products delivered electronically are protected by the trade principles of the WTO.

New technologies and telecommunications services make possible a vast range of new activities. Whether it is call centers in Nebraska, Internet radio out of Texas, software production in India, or inventory monitoring in Ireland, a cheap, powerful global network now brings services to the area in which they are carried out most efficiently.

We can predict neither the new activities of the next decade, nor the methods which will deliver them most cheaply and easily. Neither, in fact, can technical experts - if you recall that Alan Turing, one of the inventors of the computer, thought in the 1940s that one of its major uses would be "calculating range tables for artillery fire." But what we can predict is that, with freedom to develop new ideas and technologies, we will find better and easier ways to conduct business all the time. Technology neutrality, in the trade perspective, means that countries should not deny firms and consumers the benefits of newer or cheaper goods and services simply because they are delivered electronically, and their trade commitments should reflect that. Otherwise, countries would choke off innovation before it begins.

3. Digital Products

And we believe the world should keep an open mind as to classification of the types of products delivered over the Internet. It may be that our traditional distinction between "goods" and "services," which are treated differently under the WTO agreements, is becoming somewhat outdated. We have and should keep an open mind as to the appropriate classification; and as a starting point we endorse Japan's proposal to ensure that digital products receive the most liberal treatment possible under the existing WTO agreements.

4. Intellectual Property Rights

Fourth, protection of intellectual property rights is essential if electronic commerce is to reach its full potential. This raises a special challenge, as music, film, and other copyright products will very soon be available over the Internet as easily through stores, cinemas or video rental shops. And this in turn also raises at least the possibility of an explosion in on-line piracy. Our principal vehicle for preventing this from occurring is our support for wide ratification of recent World Intellectual Property Organization (WIPO) Treaties addressing Internet piracy. And of course, we support establishing in parallel with ratification rules that outline the liability of networks and manufacturers.

5. The E-Commerce infrastructure

And finally, we are promoting a set of principles that create the most effective possible infrastructure for electronic commerce.

E-commerce flourishes where telecommunications is cost-effective and innovative. The U.S. is now the E-commerce hub of the world because we have such an infrastructure: we have embraced competitive provision of telecom services, spawning the greatest capacity, the lowest prices, and the most innovative offerings in the world. The result: American use their telecom network, by minutes of use, three times more than the Japanese.

We have begun to export that model to the rest of the world through the success of the WTO Basic Telecom Agreement. The case for this model is now more compelling than ever. Not only is competition clearly the best way to stimulate growth and consumer welfare for traditional telecom services, but it provides the platform for the exponential growth of electronic commerce. This is a virtuous circle in which low communications costs stimulate new services, which in turn stimulates more investment in the underlying infrastructure. Supporting more competition in telecom markets globally is one of the single most important things we can do to ensure the growth of electronic commerce.

CONSUMER PROTECTION

Together with, and fundamental to, unimpeded development of e-commerce is ensuring high standards of consumer protection: our second policy goal.

This is a fundamental American principle and a consensus policy goal. Consumers of course do not want to be cheated or exploited. And businesses who see part of their future in electronic commerce do not want the Internet to gain a reputation as rife with frauds and scams, or to gain a reputation for themselves as abusers of privacy.

Thus, in most cases we believe businesses can police themselves and one another. Many businesses already have voluntary privacy programs, backed up by good enforcement, allowing consumers who visit Web-sites to choose whether to offer information about themselves to the site operator. Those who refuse to adopt these programs will likely see business drop off.

At times -- especially with respect to children -- voluntary programs will likely need to be accompanied by government regulation and enforcement. As consumer protection regimes develop, governments should apply basic WTO principles like transparency and non-discrimination, and ensure that their regulatory processes are fair and open to advice from businesses and civil society groups. If not, the

resulting policies will most likely impose burdens on consumers and businesses while failing in their primary tasks.

The specific issues we will face are often highly complex, and also rapidly changing with technology. Thus, our initial action has been not to regulate, but encourage discussions toward the solution acceptable to the broadest group of people -- in the view that the decision most acceptable to businesses, consumers and governments will also be the easiest to implement. These discussions are going on in, or in association with, our bilateral trade negotiations and each of our major regional trade initiatives:

- We have endorsed joint statements of principles, including such issues as duty-free cyberspace and consumer protection, with Japan, the EU, Ireland, France, the Netherlands, Korea and Australia.

- -The Free Trade Area of the Americas negotiations, which began last September, have an Electronic Commerce Expert Committee which is exploring these issues with the intent of advising the other FTAA groups; the Committee includes representatives of business, academia and NGOs.

- Our Transatlantic Economic Partnership talks with the European Union make electronic commerce the focus of one of the seven areas of concentration. We also encourage and participate in discussions of electronic commerce issues in the Trans-Atlantic Consumer and Business dialogues.

- The Asia-Pacific Economic Cooperation Forum likewise has an E-commerce Steering Committee, which concentrates on a set of important technical issues.

In all these arenas, we act on the principle that the best way to reach our goals is transparency and close collaboration between government and the private sector. These are the kinds of good practices which embody key principles of the WTO, designed to foster trade and, ultimately, enhance consumer welfare.

GLOBAL ACCESS

And this leads me to the third policy goal: everyone, here and overseas, ~~to~~ should have access to the electronic marketplace.

One of the most profound and exciting implications of electronic commerce is its potential to speed

development in poorer nations and disadvantaged regions at home. Rural areas, Indian Nations, small towns, and entrepreneurial associations in developing nations are all finding that Internet access requires little capital, helps entrepreneurs find customers and suppliers quickly, and eases technical and paperwork burdens that can slow participation in trade.

Thus, electronic commerce is ideally suited for developing countries and people with a good idea but little capital. We can already see this in action in India, for example, which is becoming a world leader in software. We also stress these opportunities in our African trade initiative, together with technical assistance programs to help create competitive, private-sector driven electronic commerce markets.

Together with this, of course, must come decisions in other fields - notably participation in efforts to remove barriers to information technology products and telecommunications services. A study group in the Philippines, for example, has noted high potential for electronic commerce; but only assuming that tariffs on information technology products and barriers to telecommunications continue to come down. So technical assistance cannot do it alone. But together with commitment by developing country governments, it can help create a seamless, worldwide network which allows developing countries to enter trade quickly, spurring development and technological advance.

CONCLUSION

And that in turn is a means to a broader goal: a world economy which offers people greater opportunities to become entrepreneurs, raises living standards for families, and gives the next generation more than the present.

For these countries, and for us as well, electronic commerce is in its infancy. We have the luxury of being present at the creation of a very new phenomenon; and that gives us a great responsibility.

If we act today -- cautiously and sensibly, but with a vision of what the future can bring -- in the years ahead electronic commerce can develop into an extraordinary force for consumer benefits, economic growth, and creativity.

That is the goal we have set; and we will take the time to get it right.

AMERICAN TRADE NEGOTIATIONS WITH VIETNAM

Testimony of Ambassador Charlene Barshefsky

U.S. Trade Representative

Senate Foreign Relations Subcommittees

On International Economic Policy and Asia-Pacific Affairs

Washington, DC

August 4th, 1999

Chairmen Hagel and Thomas, Senators Sarbanes and Kerry, Members of the Subcommittees, thank you very much for inviting us to testify on our trade negotiations with Vietnam.

In the last two months, after over three years of negotiations, we have reached, in principle, a bilateral trade agreement with Vietnam. We are now consulting with Congress and working with the Vietnamese government to move toward completion of the agreement. When finalized, it will address a range of agricultural, industrial and services issues on our trade agenda, and allow us to request from Congress the authority to open Normal Trade Relations with Vietnam, subject to annual Congressional review.

This afternoon I would like to review for the Subcommittee the major elements of the agreement in principle. Let me begin, however, by reviewing the broad goals of our policy in Indochina and Vietnam in particular, and the place trade holds in that policy.

INDOCHINA TRADE POLICY

The agreement in principle, Mr. Chairman, is the culmination of a vigorous, bipartisan policy which President Clinton has followed throughout his Administration, and which dates to the Bush Administration's initial interest in improved relations with Vietnam.

Our first priority, like that of previous Administrations, has been a full accounting for American service personnel listed as Missing in Action in the aftermath of the Vietnam War. Ambassador Peterson and others have noted progress on this issue. With this continuing, the full engagement of Vietnam, Cambodia and Laos in Southeast Asian regional institutions and the Pacific economy serves a broader U.S. interest in regional stability and growth. Likewise, our negotiations on a number of fronts can advance the principled interests we hold - in Indochina as elsewhere in the world - in open markets, human rights and the rule of law.

Trade policy in Indochina takes place within the context of these priorities, interests and values. In each nation, a successful trade policy can contribute to our goals in several areas:

First, opening trade, in particular through formal legal agreements, contributes to economic liberalization within Vietnam, Laos and Cambodia. Trade agreements commit these countries to move toward market economics and the rule of law. Both of these tend to reduce arbitrary state power, offer individuals greater economic opportunities and more freedom to determine their own future, thus complementing the diplomatic efforts of our colleagues on human rights.

Second, integrating these countries into U.S.-Pacific trade will advance our strategic interests in Asia. In this decade, their entry into ASEAN has already removed a major source of tension and instability within Southeast Asia. A growing trade and investment relationship with the United States will continue and strengthen this trend.

Finally, of course, by opening these markets, our trade policy can help create substantial new opportunities for American businesses, farmers and working people. Vietnam in particular, as ASEAN's second-largest country, has the potential to develop into a rapidly growing economy with significant demand for our products.

SPECIFIC GOALS OF TRADE POLICY

Our trade negotiations with all three Indochinese countries began in the mid-1990s. Although the three economies are substantially different, in each case we faced a set of similar issues:

- All had highly closed trade regimes and non-market economies.

- All three governments, however, were interested in moving toward market-oriented domestic economic reform in the aftermath of the Cold War, and in opening economic relations with the United States.

- Likewise, all three, as non-market economies, were ineligible for Normal Trade Relations without negotiation of a Bilateral Commercial Agreement (BCA). (Vietnam, unlike the other two, was subject to the Jackson-Vanik Amendment, requiring a certification of freedom of emigration as well as negotiation of a Bilateral Commercial Agreement to gain NTR status.)

Our goal, therefore, was to negotiate agreements with each country that would lead to significantly more open markets, contribute to domestic reform and liberalization, and (assuming success in freedom of emigration in the Vietnamese case) allow us to endorse Normal Trade Relations. The grant of NTR would be conditional, renewed annually on determination of adherence to freedom of emigration. As in other cases, we would not move on to requests for permanent NTR until these countries join the WTO -- some years away.

CAMBODIA AND LAOS

With respect to the two smaller countries, we were able to move relatively quickly. We succeeded first with Cambodia through a BCA in 1994, which entered into force on the Congressional grant of NTR in 1996. As this agreement was negotiated before completion of the Uruguay Round, it is less comprehensive than the Laos and Vietnam agreements. However, it does contain comprehensive intellectual property commitments and ensures national treatment for imports.

With respect to Laos, we completed a BCA in 1997. In this agreement we were able to use the completion of the Uruguay Round as a foundation. The result is a more comprehensive agreement, covering market access for goods and services, and intellectual property rights. It has not yet come into force, however, as Laos has not yet been granted NTR. We thus hope to work with you to grant NTR this year.

VIETNAM

In Vietnam, the task was more complex still. Vietnam, with nearly 80 million of Indochina's approximately 100 million people, is by far the largest of the three countries. Its economy is much larger and more industrialized than the other two, the degree of economic planning and government control over the economy likewise greater, and the central planning system has been in existence significantly longer.

President Clinton has thus overseen a step-by-step opening of economic relations, with the authorization for resumption of international lending and for US firms to join in development projects in 1993; the lifting of the economic embargo in 1994, and the opening of normal diplomatic relations in 1995. These in turn build upon earlier decisions by President Bush in 1991 and 1992 to open organized travel, allow commercial sales to Vietnam for basic human needs and open telecommunications links.

After the opening of diplomatic relations, we began negotiations on a Bilateral Commercial Agreement in 1996. The talks proceeded very slowly for three years. However, our work this year has proceeded rapidly, culminating last month with an agreement in principle that, when completed, will begin to change Vietnam's trade regime and contribute to a broader liberalization of its domestic economy.

The specific provisions of this agreement go well beyond the terms of BCAs negotiated in the past to end Jackson-Vanik restrictions on other covered economies. These previous agreements had few or no market access commitments; as a result, U.S. commercial results in some cases were limited, and our partners in the negotiations found themselves unable to make rapid progress toward the larger goal of membership in the World Trade Organization.

By contrast, when completed, our BCA with Vietnam will set a course toward greater openness to the outside world, receding government control over the economy, and ultimately has potential to contribute to greater freedoms for individuals to find jobs and determine their own futures. At the most basic level it will do more to open markets for our goods and services by reducing trade barriers, ensuring national treatment and promoting transparency. Beyond this, however, it will serve goals we share with the Vietnamese government: promoting economic reform and sustainable growth within Vietnam; helping Vietnam integrate securely with the regional economy; and creating a stronger foundation for Vietnam's WTO entry.

I must stress, however, that this remains an agreement in principle. It represents understanding on the key issues, but legal issues remain and extensive drafting must be completed. A great deal of work remains to be done before a text can be finalized, including verification and review of the various schedules and detailed provisions in this complex and comprehensive agreement. Neither side, however, believes that these remaining issues will prove to be an insurmountable obstacle to timely conclusion of an agreement.

PROVISIONS OF AGREEMENT

Let me now review the understandings we have reached. Broadly speaking we have a comprehensive set of commitments that will go into effect on our grant of NTR, and address our major priorities in all areas through specific commitments and timetables for their implementation.

The major points are as follows.

1. Market Access for Goods

In goods, commitments include:

Tariffs -- Vietnam will guarantee MFN-level tariffs for U.S. goods. (This is a significant point, as Vietnam has in place a law applying higher, non-MFN, tariff treatment to US goods; while this law is now suspended, the agreement will ensure that it is never enforced.) Vietnam will also commit to substantial reductions in tariffs in both industrial and agricultural products.

National Treatment - Vietnam will apply national treatment for imports in areas including standards, taxes and commercial dispute settlement.

Government Procurement - Vietnam will commit to provisions on transparency in government procurement.

Quantitative Restrictions - Vietnam will prohibit quotas or other forms of quantitative restrictions, with some exceptions for listed products. Existing quantitative restrictions will be abolished according to a set time-table.

Trading rights - American exporters, American investors and Vietnamese citizens will acquire trading rights according to a phased-in schedule.

Other - Vietnam will accept WTO rules on customs valuation and fees and import licensing.

2. Intellectual Property Rights

With respect to intellectual property rights, Vietnam will accept, over time, the WTO TRIPs Agreement. A number of provisions, including passing and enforcing IPR laws, will be effective immediately.

3. Trade in Services

In services, the major commitments are as follows:

Rules -- Vietnam will accept a framework of rules based on the WTO's General Agreement on Trade in Services. These include MFN treatment, improved transparency and other guarantees of impartiality and openness in domestic regulation regimes.

Sectors -- The agreement addresses sectors including distribution, financial services, telecommunications and others.

Market Access Commitments -- Vietnam will provide market access commitments such as the right of establishment, and licensing for professionals with specific qualifications. Timetables for these commitments will vary by sector.

4. Investment

Vietnam will eliminate trade-related investment measures such as export performance or local content requirements within a fixed timetable, or by WTO accession if that comes first.

Immediately on our grant of NTR, Vietnam will implement provisions including guarantees of national treatment and MFN except for certain specific exclusions, transparency, movement of employees and

expropriation protection. Commitments on import licensing, discriminatory pricing and other issues will phase in.

5. Other

Finally, the agreement in principle includes a number of other provisions outside these categories but essential to the operation of any business and to the building of international confidence in the Vietnamese economy. These include commitments on transparency, requiring Vietnam to publish national economic data, laws, regulations and so forth; and business facilitation including access to dispute settlement. These will be effective immediately on our grant of NTR.

Altogether, then, we have reached understandings on the major issues we set out to address. When finalized, the result will be a comprehensive agreement that opens Vietnam's market to U.S. goods and services; promotes reform and liberalization at home; anchors Vietnam more firmly in the regional economy; and provides a basis for eventual WTO entry.

CONCLUSION

Mr. Chairman, a significant amount of work remains ahead, and we will consult closely with you as we complete the agreement and present it to Congress. But with your help, we have come close to the goal.

Completion of this agreement, and approval of NTR for Vietnam and Laos, will open significant new opportunities for Americans. More important still, it will contribute to aspirations for liberalization and the rule of law in these countries; complement the work we are pursuing in human rights; and advance our long-term vision of a peaceful, stable Asia.

Since the Second World War, upheavals and conflicts within Indochina have been one of Asia's principal sources of suffering and international danger. In the past decade, a concerted, bipartisan and effective policy stretching across three Administrations has contributed to the end of the Cambodian conflict; an accounting for Americans missing in action during the Indochina wars; and the reopening of hope for millions of Cambodians, Laotians and Vietnamese. This agreement will be another step, and a significant one, toward the end of this long and painful era.

This vision makes me very pleased to present the results thus far to the Subcommittees today, and to

work with you to bring the work to completion.

Thank you very much.

Remarks at U.S.-Bahrain Bilateral Investment Treaty Signature Ceremony

Ambassador Charlene Barshefsky

U.S. Trade Representative

Washington, D.C.

September 29, 1999

Good afternoon. I am very pleased to be here with Minister Saif as we sign this Treaty.

The United States and Bahrain enjoy a strong and close relationship, with the foundation of our shared commitment to peace and stability in the Gulf, and a bilateral trade relationship whose value now approaches half a billion dollars a year. The U.S.-Bahrain Bilateral Investment Treaty will help us build a still stronger economic relationship, and therefore a broader partnership for the decades ahead.

This Treaty is the first such agreement we have concluded with any Gulf state. It will ensure equal treatment for American businesses in Bahrain. It will guarantee free transfer of capital, profits and royalties; ensure freedom from performance requirements that distort trade and investment flows; offer access to international arbitration, and establish internationally recognized standards for expropriation and compensation. Further, it will ensure maximum transparency in investment, and reaffirm Bahrain's commitment to implement WTO's intellectual property standards this year.

For Americans, these measures will offer additional confidence in Bahrain as a center of business and trade in the Gulf. Our hope is that it will be the first in a series of steps that strengthen and diversify America's commercial relationship with the entire Gulf region.

At the same time, the Treaty will help establish Bahrain as one of the best places to set up business operations in the Gulf. Together with the Emirate's far-sighted policies in areas from strengthening protection of intellectual property to developing the education system, this step will help ensure that Bahrain remains one of the region's leaders in fields from financial services to shipping and air freight, and in development of trade policy as well.

This is a role entirely fitting the Bahraini heritage. Four thousand years ago Bahrain, then known as "Dilmun," was the center for trade among the ancient civilizations of Arabia, India and Mesopotamia. In the future, this Treaty offers the potential for a similar role -- certainly in the Gulf, and perhaps on a larger scale, if moves toward economic liberalization in India and Pakistan continue, and the Middle East peace process continues its recent progress.

And in the present, the Treaty is certain to strengthen the already very close relationship our nations enjoy.

Your Excellency Minister Saif, it is my great pleasure to be here with you to conclude this historic agreement.

AMERICAN GOALS IN THE TRADING SYSTEM

Testimony of Ambassador Charlene Barshefsky

U.S. Trade Representative

Senate Committee on Finance

Washington, DC

September 29, 1999

Mr. Chairman, Senator Moynihan, Members of the Committee, thank you very much for inviting me to testify on the U.S. agenda at the World Trade Organization.

The months ahead are a critical period for both the WTO and the U.S. trade agenda. This November 30th to December 3rd we will host, and I will chair, the World Trade Organization's Ministerial Conference in Seattle. The Ministerial will be the largest trade event ever held in the United States, bringing heads of government, trade ministers, and leaders of business, labor and other non-governmental associations from around the world to Seattle, and focusing public attention as never before on the role trade plays in American prosperity.

At this Ministerial, we also expect to launch a new Round of international trade negotiations, for which President Clinton called in his State of the Union Address. This initiative has the potential to create significant new opportunities for American workers, businesses, farmers and ranchers; to ensure that trade policy does as much as possible to support and complement our efforts to protect the environment, improve the lives of workers; and to improve the WTO itself, to make the organization more transparent, responsive, and accessible to citizens.

We are now working at home and abroad to build the necessary consensus for an agenda with broad support in the U.S. and worldwide. With the Ministerial just two months away, the Finance Committee has chosen an ideal time to review the work; and I look forward to continuing to work closely with the Committee and other Members of Congress to ensure that the Ministerial and Round accomplish as

much as they should for our country and for the world.

Today I would like to review for you our stake in the world trading system; the Ministerial; the results we hope to achieve at Seattle and in the Round; and the process by which we are building support for the agenda.

U.S. STAKE IN THE TRADING SYSTEM

The United States is now the world's largest exporter and importer, carrying on over \$2 trillion worth of goods and services trade each year. Thus, the jobs of millions of American workers, the incomes of farm families, and the prospects for many of America's businesses depend on open and stable markets worldwide. Furthermore, a strong trading system helps to give all participating nations a stake in international stability and prosperity, thus complementing our work in security policy to keep the peace.

This is the foundation of the leading role we have taken in the development of the trading system for over fifty years. Since the creation of the General Agreement on Tariffs and Trade in 1948, Democratic and Republican Administrations, working in partnership with Congress, have concluded eight negotiating Rounds. Each successive Round has opened markets for Americans, and helped to advance basic principles of rule of law, transparency and fair play in the world economy. Most recently, since the conclusion of the Uruguay Round in 1994:

- Markets have opened, as a more open world economy has helped American exports to rise by well over \$200 billion. This has contributed significantly to the rapid economic growth we have enjoyed over the past five years, and the continuation of the longest peacetime expansion in America's history. At the same time, it has helped us to gain high-skill, high-wage jobs, reverse a 20-year period of decline in wages, and in fact increase wages by 6% in real terms.

- The rule of law has advanced, as the strong dispute settlement system created by the Uruguay Round has allowed us to improve enforcement of the trading rules significantly. Since the creation of the WTO, we have filed more cases than any other member, and have a very strong record of victories or favorable settlements in the cases we have filed.

- And we have gained a source of stability in the world economy. During the financial crisis of the past two years, with 40% of the world in recession, and six major economies contracting by 6% or more, we so far have seen no broad reversion to protectionism. This fact -- in large part a tribute to the respect WTO members have in general shown for their commitments -- has helped guarantee affected countries

the markets they need to recover, while shielding our own farmers and manufacturing exporters from still greater potential damage.

THE WORK AHEAD

Despite these achievements, however, much work remains ahead. The trading system can be made more effective in removing trade barriers, more transparent and accessible as an institution, and broadened to include nations now outside. With the Ministerial and Round, we will address issues such as the following:

- World trade barriers remain high in many areas, including in sectors where the United States is the world's leader. Agriculture and services are crucially important examples; in industrial goods, we continue to face significant tariff and non-tariff trade barriers which a new Round can address.
- Our leadership in the scientific and technological revolution creates new challenges and opportunities for the trading system. Electronic commerce and the growth of the Internet as a medium for trade is an especially important example.
- Membership in the WTO can make a major contribution to reform in the transition economies - that is, the nations in Europe and Asia moving away from communist systems. As successful reformers and WTO members such as Poland, the Czech Republic and Hungary have observed, WTO membership on commercially meaningful grounds helps to integrate transition economies into world trade and make the reforms necessary to create market-based economies, thus promoting long-term growth and liberalization.
- The results of future WTO agreements can contribute to the world's efforts to reduce hunger, protect the environment, improve the lives of workers, promote health and nutrition, support financial stability, fight bribery and corruption, and promote transparency and good governance worldwide.

The balance of my testimony today will review our WTO agenda in four areas: ensuring implementation of the members' present commitments; developing the agenda for a successful Ministerial and a new Round; encouraging the accession, on commercially meaningful grounds, of new members; and the specific steps that can advance the broader vision and yield immediate results for the U.S. and world economies.

I. COMPLIANCE WITH AGREEMENTS

First of all, we are working to ensure full compliance with existing agreements. The credibility of the trading system, and the value of any new negotiations, depend on confidence that WTO members will implement their commitments. We have done so on time and in full, and we expect our trading partners to do the same.

We have made this point clear to our partners in Geneva, and 1999 is an especially important year. By January 1, 2000, WTO Members must meet certain Uruguay Round commitments under the Agreements on Agriculture, Intellectual Property, TRIMs, Subsidies, and Customs Valuation. In succeeding years, final commitments under the Agreement on Clothing and Textiles as well as certain aspects of the TRIPS and Subsidies Agreements will phase in. Likewise, Uruguay Round tariff commitments will soon be realized in full.

These commitments represent the balance of concessions which allowed completion of the Uruguay Round and have helped realize its benefits since then. The credibility of any future negotiations depends on their implementation. To ensure implementation, we use all methods available. This includes use of dispute settlement and U.S. trade laws when necessary, but also a commitment to the technical assistance programs that allow some of the developing countries to gain the capacity to meet complex demands in areas such as services, agriculture and intellectual property.

Most recently, we made a proposal in Geneva stressing the critical importance of implementing existing WTO agreements, such as those on sanitary and phytosanitary standards, textiles, technical barriers to trade, anti-dumping and intellectual property rights. The WTO's built-in agenda provides for extensive and critical review of agreements, and it is imperative that this work continue as the Round proceeds.

Finally, we are pressing those WTO Members who have agreed to, but not yet ratified, the Basic Telecommunications and Financial Services Agreements to do so as soon as possible. This will not only open markets to U.S. providers, but ensure that all Members can benefit from their commitments and that they can win the benefits of competition, transparency and technological progress these Agreements offer.

II. AGENDA FOR THE NEW ROUND

At the same time, we are working toward international consensus on the specific agenda for the new

Round.

1. Developing the Agenda

In general terms, we believe the new Round must be focused on the top U.S. priorities; have an agenda broad enough to offer benefits to, and thus win support from, the WTO membership as a whole, thus creating maximum leverage for achieving our objectives; and yield concrete results rapidly without raising major new compliance problems.

Our development of specific objectives to realize these goals has its foundation in our domestic consultations with Congress, agricultural and business groups, labor organizations, academics, environmental groups, state and local government, and others interested in trade policy. This has included Trade Policy Staff Committee hearings in Atlanta, Dallas, Los Angeles and Chicago, as well as Washington DC, to gather ideas on priorities and objectives; a series of Listening Sessions jointly with the Department of Agriculture on the agricultural agenda, traveling to Indiana, Florida, Minnesota, Tennessee, Texas, California, Washington, Nebraska, Delaware, Vermont, Iowa and Montana to hear directly from farmers, ranchers and others interested in agricultural policy; and continuous consultation with Members of Congress, non-governmental groups, business associations and others in Washington. At the same time, we have been meeting with our trading partners to form international consensus on the negotiating agenda by the Ministerial, at meetings such as the US-Africa Ministerial, FTAA conferences, the US-EU Summit, the Quad meeting in Tokyo, and the recent APEC Leaders Meeting in New Zealand, as well as discussions at the WTO in Geneva.

Based upon these discussions, we believe that in general terms the Round should set the following goals.

- The core of the Round should address market access concerns including agriculture, services and industrial goods (tariff and non-tariff barriers), with benchmarks to ensure that the negotiations remain on schedule for completion within three years.

- The Round should also pay special attention to areas in which trade policy can encourage technological progress, notably in electronic commerce.

- This Round should support and complement efforts to improve worldwide environmental protection, and ensure that trade policy yields the maximum benefit for the broadest range of workers.

- And the Round's negotiating agenda should be complemented and balanced by a forward work-program to address areas in which consensus does not yet exist for negotiations; and by a series of institutional reforms to the WTO, with a special focus on transparency and openness.

The timetable for achieving these goals would be as follows. At Seattle, the Ministers will take decisions launching the Round, agreeing on the subject matter, and setting out in specific terms the objectives of the three-year negotiations. To meet the three-year timetable, the Ministers must give directions on the manner in which the negotiations would proceed. In practical terms, the Ministerial must allow negotiations to begin in earnest at the beginning of 2000, with, as some WTO members suggest, tabling of initial negotiating proposals by the middle of the year. Further benchmarks to ensure progress would follow (such as a possible "mid-term" Ministerial review at the 18-month point) with negotiations to conclude by the end of 2002; ratification in 2003; and implementation to begin immediately afterward.

In the past months, we have laid out the details of our negotiating agenda at the WTO in Geneva, by filing formal proposals on agricultural market access, non-agricultural market access, services, implementation of commitments, trade and the environment, fishery subsidies, capacity-building, and trade facilitation. These proposals lay out a clear, specific and manageable agenda for the Round, as follows:

1. Market Access

Market access negotiations, as the core of the negotiations, should cover the built-in agenda of agriculture and services, but also address industrial goods.

In agriculture, aggressive reform of agricultural trade is at the heart of our agenda. In liberalizing trade we have the potential to create broader opportunities for American farm and ranch families, fight hunger and promote nutrition worldwide through ensuring the broadest possible supplies of food at market prices, ensure that farmers and ranchers can use the most modern and scientifically proven techniques without fear of discrimination, and help protect natural resources by reducing trade-distorting measures which increase pressure on land, water and habitat. To secure this opportunity, we would set the following objectives:

- Completely eliminate, and prohibit for the future, all remaining export subsidies as defined in the Agreement on Agriculture. This is a priority goal we now share with the Western Hemisphere trade ministers, all APEC members and the Cairns Group.

- Substantially reduce trade-distorting supports and strengthen rules that ensure all production-related

support is subject to discipline, while preserving criteria-based "green box" policies that support agriculture while minimizing distortion to trade;

- Lower tariff rates and bind them, including but not limited to zero/zero initiatives;
- Improve administration of tariff-rate quotas;
- Strengthen disciplines on the operation of state trading enterprises;
- Improve market access through a variety of means to the benefit of least-developed Members by all other WTO Members; and
- Address disciplines to ensure trade in agricultural biotechnology products is based on transparent, predictable and timely processes.

In services, American industries are the most competitive in the world, as demonstrated by our \$246 billion in services exports last year. The Uruguay Round created an important set of rules, but in many cases, actual sector-by-sector market-opening commitments simply preserved the status quo. Effective market access and removal of restrictions will allow U.S. providers to export more efficiently, and help address many broader issues worldwide. Examples include improving the efficiency of infrastructure sectors including communications, power and distribution; improving environmental services; easing commerce in goods through more open distribution systems, thus creating new opportunities for manufacturers and agricultural producers; and helping to foster financial stability through competition and transparency in financial sectors. To realize these opportunities, U.S. objectives would include:

- Liberalize restrictions in a broad range of services sectors, including the professions, audiovisual, finance, telecommunications, construction, distribution, environmental, travel and tourism, and others;
- Ensure that GATS rules anticipate the development of new technologies, such as the telecommunications technologies now enabling colleges to teach, hold examinations and grant degrees via the Internet; home entertainment to be delivered by satellite; and advanced health care delivered directly to the home or to rural clinics through telemedicine.;
- Prevent discrimination against particular modes of delivering services, such as electronic commerce or rights of establishment; and
- Examine "horizontal" methods of improving regulatory policies across the different industries through general commitments, for example, to transparency and good-government practices.

In industrial goods, further market-opening will help Americans promote high-wage, high-skill jobs and create economies of scale that allow U.S. firms to invest more in research and development and become more competitive. Here, broad market access negotiations in the next Round would build upon the Accelerated Tariff Liberalization initiative calling for the liberalization of eight specific sectors, and would proceed under the following principles:

- Reduce existing tariff disparities;
- Result in fully bound tariff schedules for all WTO members;
- Develop new sectoral agreements and increase participation in existing sectoral arrangements, including zero-for-zero and harmonization agreements;
- Provide recognition to Members for bound tariff reductions made as part of recent autonomous liberalization measures including WTO measures such as the Information Technology Agreement and Accelerated Tariff Liberalization, and for the general openness of markets.
- Seek interim implementation of results to be considered as an integral part of the overall balance of market access concessions to be determined at the conclusion of the new negotiations;
- Use of applied rates as the basis for negotiation, and incorporation of procedures to address non-tariff and other measures affecting market access; and
- Improve market access for least developed WTO Members by all other Members, through a variety of means.

2. Additional Overarching Issues

Most delegations, including the U.S., agree that negotiations should be completed within three years. Given this reality, and in order to find an appropriate balance of interests and a convergence of views, certain issues might be appropriate for a forward work program (e.g. on bribery and corruption) that would help Members, including ourselves, more fully understand the implications of newer topics and build consensus for the future.

In addition, several overarching issues will inform our work on the core market access negotiations. These would include:

a. Electronic Commerce

One of the most exciting commercial developments of recent years has been the adaptation of new information and communications technologies, notably the Internet, to trade. This has profound implications for reducing the cost of goods to consumers and improving the efficiency of companies. It can also speed growth in disadvantaged regions in the U.S. and developing countries, as Internet access

greatly reduces the obstacles entrepreneurs, artisans and small businesses face in finding customers and managing paperwork.

It is critical that the WTO act now to ensure that artificial barriers do not delay or block the benefits of this new method of conducting trade. We have therefore promoted a broad electronic commerce agenda at the WTO and elsewhere, including a work-program to ensure technological neutrality in the development of WTO rules; and capacity-building efforts to ensure that developing countries have access to the Internet. We are encouraged that most WTO members agree that all e-commerce activities are covered by the traditional WTO disciplines of transparency, non-discrimination and prevention of unnecessary obstacles to trade. As I will note later, our top immediate priority is to ensure that cyberspace remains duty-free - that is, that countries do not apply tariffs to electronic transmissions.

b. Sustainable Development and Committee on Trade and Environment

In all these areas, we intend to take special care to ensure that trade liberalization promotes and supports sustainable development. In particular, we will pursue trade liberalization in a manner that is fully consistent with and supportive of this Administration's strong commitment to protect the environment. The principles we will advance here will include:

- Considering the environmental implications of the negotiations from start to finish. President Clinton has committed to conduct an environmental review of the likely consequences of the Round, and we have called on other countries to do likewise. In the same vein, we have proposed using the WTO's Trade and Environment Committee to help identify the environmental implications of negotiations as they proceed.
- Promoting institutional reforms to ensure that the public can see the WTO and its processes, notably dispute settlement, in action; and contribute to its work, including assessment of the environmental implications of the new Round.
- Pursuing trade liberalization in a way that is supportive of high environmental standards. This means, among other things, that the WTO must continue to recognize the right of Members to take measures to achieve those levels of health, safety and environmental protection that they deem appropriate -- even when such levels of protection are higher than those provided by international standards - in a manner consistent with our commitment to science-based regulation.
- Identifying and pursuing "win-win" opportunities where opening markets and reducing or eliminating

subsidies hold promise for yielding direct environmental benefits. Examples we have identified thus far include elimination of tariffs on environmental goods through the Accelerated Tariff Liberalization initiative; liberalization of trade in environmental services; elimination of fishery subsidies that contribute to overfishing; and continued liberalization in the agriculture sector.

- Strengthening cooperation between the WTO and international organizations dealing with environmental matters. In this connection, we are pleased that discussions are going on right now between the WTO and the United Nations Environment Program on increasing cooperation.

We have tabled a number of proposals in Geneva to advance these objectives, and are carefully examining the proposals put forward by other countries on trade and environment. In addition, as we look at other proposals from other countries that are not trade and environment proposals *per se*, we will consider how they relate to the environment and our commitment to high levels of environmental protection. In all of this work, we welcome the input of this Committee and all stakeholders.

c. Trade and Labor

Likewise, the relationship between trade and labor is an especially important priority. As President Clinton said to the ILO Conference in June:

"We must put a human face on the global economy, giving working people everywhere a stake in its success, equipping them all to reap its rewards, providing for their families the basic conditions of a just society."

Trade policy has a role to play in the realization of this vision. Development of the trading system must come together with efforts to ensure respect for internationally recognized core labor standards. And the WTO system must bring the broadest benefits for the largest possible number of working people in all nations. Consistent with our statutory requirement under the Uruguay Round Agreements Act, we are working to build an international consensus that will enable the WTO to address the relationship between trade and labor issues.

In the Declaration issued at the WTO's First Ministerial Conference in Singapore, WTO members renewed their commitment to the observance of core labor standards. This was the first time Trade Ministers had formally addressed labor standards. While this was an important first step, we believe that more attention to the intersection of trade and core labor standards is warranted as governments and industries wrestle with the complex issues of globalization and adjustment. We also believe the WTO

build the foundation of a successful Round, and take advantage of existing opportunities to open markets and reform the WTO. They would include the following:

1. Accessions

The accession of new WTO Members, on commercially meaningful grounds, is a major endeavor and critical for the creation of a fair, open and prosperous world economy.

Since 1995, seven new Members have joined: Bulgaria, Ecuador, Kyrgyzstan, Latvia, Mongolia, Panama and Slovenia. Estonia and Georgia have completed their negotiations as well. All of these represent strong, commercially meaningful agreements. With 31 more accession applicants, we look forward to further accessions on a similar basis in the months ahead. Already this year, we have completed bilateral negotiations with Taiwan and made significant progress on the accessions of Albania, Armenia, Croatia, Jordan, Lithuania, Moldova and Oman. We have also held important and fruitful meetings with Russia, Saudi Arabia and Ukraine. Our hope is that negotiations on a number of these accessions will have been completed by November.

The largest applicant for accession to the WTO is, of course, the People's Republic of China. After making significant progress in April, our negotiations with China were interrupted for over four months by the mistaken bombing of the Chinese Embassy in Belgrade. We resumed informal discussions with the Chinese early this month, and received direction from Presidents Clinton and Jiang at the APEC Leaders Meeting in to begin formal talks at the APEC Leaders meeting in New Zealand.

2. Dispute Settlement Review

Second, to promote American rights and interests, and to ensure the credibility of the WTO as an institution, a dispute settlement system that helps to secure compliance with WTO agreements, provides clarity in areas of dispute, and is open to public observers is of great importance.

Our experience thus far with dispute settlement has been generally positive: we have used the system more than any other WTO member, with many successful results. The European Union's failure to implement panel results in two cases, however, has been very troubling. While we have retaliated against the EU in both instances, in a WTO-consistent fashion, we hope to take steps so that in the future, losing parties must comply or face penalties in a more timely fashion. Likewise, we believe the syste

has an important role to play in the process. We are continuing to consult with Congress and the labor community in the U.S., as well as with WTO members who share our interest, on contributions the WTO can make to the goal.

In January, we submitted a proposal for the establishment of a work-program in the WTO to address trade issues relating to labor standards, and areas in which members of the WTO would benefit from further information and analysis on this relationship and developments in the International Labor Organization (ILO.) In addition, we will seek to enhance institutional links between the ILO and the WTO through mutual observer status, to help facilitate collaboration on issues of concern to both organizations. We will consult with the Committee on these matters in the months ahead.

Work at the WTO on these issues is, of course, part of a broader effort centered on the ILO, which with the President's leadership recently concluded a landmark Convention on the Elimination of the Worst Forms of Child Labor. This builds on a June 1998 Declaration on Fundamental Principles and Rights covering core labor standards as well as a follow-up mechanism. In support of this work, the President announced in his 1999 State of the Union address a Core Labor Standards and Social Safety Net Initiative, including a budget request for \$25 million for multilateral assistance to be provided through the ILO, to help countries provide basic labor protections and improve working conditions. We also, of course, make use of the labor policy tools in our trade statutes, notably the traditional conditionality under the Generalized System of Preferences, to promote respect for core labor standards, among others.

3. Institutional Reform

The past five years of experience with the WTO have also revealed areas in which the institution can be further strengthened. It can more fully reflect the basic values of transparency, accessibility and responsiveness to citizens. And it can do more to ensure that its work and that of international organizations in related fields are mutually supportive, to promote as effectively as possible the larger vision of a more prosperous, sustainable and just world economy.

In response, we have proposed a set of reforms to make the WTO more effective in its policy responsibilities and at the same time strengthen the WTO's base of public support. These include:

Institutional Reforms that can strengthen transparency, and build public support for the WTO by:

- Improving means for stakeholder contacts with delegations and the WTO; and

- Enhancing transparency in procedures, notably dispute settlement, and the dissemination of information about WTO issues and activities to the maximum extent possible.

Capacity-building, to ensure that the WTO's less advanced members can implement commitments, and take maximum advantage of market access opportunities. This plan is based on our close consultation with our partners in Geneva to ensure that technical assistance and capacity-building programs meet the actual needs and practical experience of less developed countries. This is to benefit as well, advantage, as it will help these countries grow and become better markets for U.S. goods and services. Specific areas here would include:

- Improve cooperation, coordination and effectiveness among international organizations in identifying and delivering technical assistance;
- Build upon and expand the "Integrated Framework" concept adopted to help least developed countries implement commitments;
- Ensure the most effective use of resources on technical assistance programs;
- Strengthen capacity-building in regulatory and other infrastructure needs; and
- Explore a development partner program for the least-developed nations.

Trade Facilitation, which will ensure that U.S. small and medium-sized businesses as well as less developed economies can take full advantage of the market-opening commitments created by the Round. Here, objectives would include:

- Clarifying and strengthening the transparency requirements of WTO Agreements; and
- Helping to improve customs procedures on a global basis, so as to increase transparency and facilitate more rapid release of goods, ensuring that our exports reach foreign markets more rapidly and with fewer encumbrances.

III. TOWARD THE MINISTERIAL

In the months ahead, we will be working with our trading partners to develop consensus on this agenda (including issues of timing, and benchmarks to ensure that the negotiations begin and end promptly), preparing logistically for a successful meeting in Seattle, and consulting with the Committee and the Congress on all these issues. We also hope to reach consensus on several initiatives which would help

Signature Ceremony for US-Turkey Trade and Investment Framework Agreement

Ambassador Charlene Barshefsky

U.S. Trade Representative

Washington, DC

September 29, 1999

Good afternoon, Minister Tanrikulu, friends and honored guests. Thank you for coming to this signature ceremony today.

Let me begin by offering my personal condolences and sympathy for the terrible loss Turkey suffered in the earthquake one month ago. A natural disaster anywhere in the world is a terrible thing, but it touches us especially closely when it happens to a friend. I truly admire the courage and spirit with which the Turkish people have responded to this disaster, and I know our governments, and private relief groups from both countries, are working closely together to ensure as full and rapid a recovery as possible.

We are here today, however, to look ahead to the economic relationship our countries will have in the next century.

For fifty years, our relationship has rested upon a very strong foundation of shared values common interest in political and security issues. Turkey's natural geographic role as a bridge among Europe, the Middle East and Central Asia; its historical commitment to freedom and religious tolerance; and its identity as both a European nation and a leader in the Muslim world has made Turkey one of America's most important allies.

Americans and Turks served together in Korea. Our governments were and remain allies in defense of freedom as members of the North Atlantic Treaty Organization. And we are now working closely together to support reform, democratization and peace in Turkey's rather complex neighborhood - Europe and the Balkans, the Caucasus, the Middle East, and the newly independent states of Central Asia.

In recent years, however, these political ties have been joined by a growing economic relationship. I have recently been reading a history of the Ottoman Empire, and found a counsellor to Sultan Mehmed, whose advice is as follows:

"Look with favour on the merchants ... for through their trading trading the land becomes prosperous, and their wares abound in the world; the excellent fame of the Sultan is carried to surrounding lands, and the wealth within the land is increased."

We can see this happening in our relationship today. Turkey's exports to the United States have doubled since President Clinton took office. Our overall bilateral trade has grown to more than \$6 billion a year, covering high technology products, agricultural goods, textiles, finance, telecommunications and virtually every other industrial sector. And as our trade relationship has grown and diversified, the need for consultation and policy coordination has grown with it.

Likewise, the economic geography of Europe and the Middle East are changing. Western Europe is continuing to reduce its internal trade barriers. Turkey's neighbors have begun to liberalize their economies, with Bulgaria joining the WTO in 1996, and Albania, Jordan, Armenia, Georgia, and Moldova all making significant progress towards WTO membership this year. Jordan and Israel are opening joint economic development projects. These are developments profoundly favorable to both our countries, offering the prospect of a more prosperous, stable, and therefore more peaceful region.

Thus, we have a remarkable opportunity. If we work together, we can make the most of a growing bilateral trade relationship; and we can find consensus on the policies that will help us create an open and prosperous region in the decades to come.

And that is why the Trade and Investment Framework Agreement we will sign in just a moment is so important. The TIFA will open a permanent dialogue, and a negotiating forum as appropriate, between the United States and Turkey on the basic issues of trade in the modern world: agricultural and industrial standards; intellectual property rights; customs procedures; services; investment; and much more. It will help Americans invest and trade in Turkey, enable Turks to more easily export to the U.S., and help us coordinate our policies as the region develops and changes.

So I am very pleased to be here today to sign this agreement. I thank you all for coming, and I look forward to a trade relationship with Turkey grows and deepens with each passing year.

Remarks at U.S.-Albania Signature Ceremony

Ambassador Charlene Barshefsky

U.S. Trade Representative

Washington, D.C.

September 30, 1999

Good afternoon, Your Excellency Prime Minister Majko, Minister Meksi, Members of Congress and honored guests.

During my service as Deputy US Trade Representative and now as USTR, we have completed nearly 300 trade agreements. Many are routine affairs; but let me say very sincerely that this ceremony, concluding our negotiations on Albania's entry to the WTO, is an event with special meaning.

Albania's is one of the truly inspirational stories in the world today. Less than a decade ago, Albanians were virtually shut off from the world. In a few short years, facing some of the most daunting obstacles imaginable - from the legacy of political isolation, to domestic instability and war in neighboring countries - Albania has moved to create the institutions of a democratic society, and the laws and principles of a market economy.

Our government is very proud to stand with Albania, with its leaders, and with its people, in this historic and difficult task. And today's ceremony is a critically important milestone. It is the culmination of a long and detailed set of negotiations which will help Albania reform its economy at home, integrate Albania into the world of international trade and investment, and offer the prospect of growth, job creation and prosperity in the future.

The principles of the WTO - commitments to open markets in goods, services and agriculture; transparency; the rule of law - are those which promote long-term growth and development. They are also, as leaders of countries such as Poland, Hungary and the Czech Republic have noted, principles essential to successful reform in transition economies.

This agreement confirms the conclusion of the bilateral negotiations between the U.S. and Albania that are a key component of Albania's effort to join the World Trade Organization. It is a strong, commercially meaningful agreement that will open the Albanian markets, promote the rule of law, and place Albania among the leading economic reformers of the Balkans. In the long run, it will help Albanians build the prosperity and secure the freedom they desire.

For Americans, Albania's pledges on tariffs and services offer market access guarantees and build additional confidence in Albania as a destination for direct foreign investment and other business activities.

This is an important step for our two countries, therefore, as we move forward with the respective domestic requirements that are part of the accession process. Albania's accession to the WTO, which we hope will take place very soon, will further strengthen our bilateral relationship. We look forward to working with Albania within the WTO system on a day-to-day basis and in the new Round of negotiations to be launched later this year in Seattle.

In summary, Mr. Prime Minister, Minister Meksi, Minister Angjeli, and honored guests, this agreement marks both an historic moment in our bilateral relationship, and a moment of promise and hope for the Albanian people. I am proud to be here to sign it with you, and I look forward to working with you in the years ahead.