

**TOWARD SEATTLE: THE NEXT ROUND**  
**AND AMERICA'S STAKE IN THE TRADING SYSTEM**

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Good afternoon, and thank you all for coming!

When I last visited the Council on Foreign Relations, we had just begun preparation for the WTO's Ministerial Conference in Seattle, and the new Round of trade negotiations it will launch. Last Wednesday, the President set out our vision of what the Round can create: a world economy more prosperous, open, and more equitable than today's. And today, with the Ministerial six weeks away, I would like to discuss with you the specific objectives we have set to achieve this vision.

**AMERICAN TRADE PRINCIPLES**

Let me begin, however, with some general thoughts about American trade policy and the principles beneath it.

For fifty years, Americans have advanced a specific and clear vision of trade policy. In his speech last week, the President recalled a wartime address given by Franklin Roosevelt, looking ahead to the task of reconstruction:

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

Ever since then, the United States has led in the creation of a more open, fair and free world economy. And we have done so, under ten Administrations of both parties and twenty-six different Congresses, for clear, straightforward reasons that reflect our own national economic interests; our support for the advance of peace, freedom and the rule of law; and the interest we share with all our trading partners in creating a more prosperous world for each succeeding generation.

Open markets and freer trade are good for Americans and good for our trading partners overseas in economic terms. With freer trade, producers can sell to wider markets; consumers have greater choice and quality; technological progress accelerates; businesses become more efficient and competitive. With a strong rules-based trading system that keeps markets open, the rule of law advances and the world has a shield in moments of crisis. And as countries trade more with their neighbors, they gain an interest in prosperity and stability beyond their borders, strengthening the chances of peace.

For us, the progressively freer trading environment of the past fifty years has provided enormous benefits. Most immediately, it offers us the opportunity to export; and exports are essential to a strong economy. Almost 80% of world economic consumption takes place outside the U.S.; 96% of the world's population is beyond our borders. To grow and remain competitive in the years ahead, our farmers and businesses must have fair access to these markets. Without open world markets -- and foreign tariffs and other trade barriers are still substantially higher than ours -- farmers suffer from gluts that drive down prices, and American businesses lose economies of scale, and therefore invest less in plants, research, and hiring.

Open markets also allow us to import; and imports are equally important. They create the choice, price and competition that raise family living standards. This is true for all families, but most especially the poor. Imports, accompanied by a commitment to education and job training, help American workers specialize in the most technologically sophisticated and financially rewarding fields. And they give businesses access to inputs -- raw materials, parts, business equipment -- that reduce overall costs and therefore improve efficiency and competitiveness.

It is of course true that an open American economy means competition; and competition means change and adjustment to it. And the government has a responsibility to accompany an open trade policy with a commitment to education, job training, and adjustment. But most of the changes underway in our economy - falling unemployment, rising wages, rising demand for high-skill workers - are unambiguously positive. This is clear in the experience of the past seven years, when the world's economy has opened substantially, and ours along with it. As we have completed and implemented nearly 300 trade agreements, including five of truly historic proportions - the Uruguay Round, the North American Free Trade Agreement, and three multilateral agreements on Information Technology, Basic Telecommunications and Financial Services:

-- Our country has prospered. Our economy has expanded from \$7.1 trillion to \$8.8 trillion in real terms, during the longest peacetime expansion in America's history. The expansion of exports during this period, totaling well over \$300 billion, accounted for a third of our growth until the financial crisis.

- Our people are at work. We have created nearly 19 million new jobs, and unemployment rates have fallen from 7.3% to 4.2%, the lowest rate in the past three decades. Over 12 million American jobs are attributed to our export performance.

- Our economy has become more competitive, with unprecedented technological development and rates of investment. The U.S. has been rated by impartial observers as the world's most competitive economy for the past five years.

- And our families have enjoyed higher living standards, with average wages reversing a twenty-year decline and grown by 6.0% in real terms; record rates of home ownership; and unprecedented growth of family assets, investment in mutual funds, and other measures of financial well-being.

At the same time, our observation of the world beyond our borders offers equally stark lessons. Those countries which open their economies to the world, and to their neighbors through regional integration - Western Europe, then Southeast Asia, Latin America and Central Europe - see living standards rise and political tensions diminish. Those which have done less see poverty persist and political instabilities at times intensify. Those which rejected open markets and freer trade completely - North Korea, the former Soviet Union, Ne Win's Burma, Maoist China - encountered disaster.

The counsel of logic, and the lessons of experience, are clear. To turn our back on open trade would be to accept a lower standard of living, loss of export opportunities, reduced rates of investment in plants and hiring, and ultimately a loss of national strength and influence worldwide. To accept an open economy for ourselves, and to promote freer trade worldwide, is to set high standards for ourselves; to open new possibilities for our working people and industries; to reduce the cost of the essentials of life for the poor; and to accept our responsibility for world leadership.

## DEVELOPMENT OF THE TRADING SYSTEM

That is a responsibility we took up fifty years ago and have borne ever since. The WTO, of course, is a new creation, founded in 1995. But the system it represents is much older, dating back to 1948, when 23 nations -- the United States, the European Allies, some of our partners in Latin America and Asia -- joined to form the General Agreement on Tariffs and Trade, or GATT.

They did this, most immediately, to revive the western economies after the war. But their decisions took place in the light of the experience of the 1920s and 1930s, when cycles of protection and retaliation helped create the unemployment and social tension which contributed so much our own Depression and to the international political upheavals of the era. And the challenge they took up, in essence, was the rebuilding of the relatively open trading world which had existed before the First World War -- described so well by John Maynard Keynes in his Economic Consequences of the Peace:

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

Events had proven it nothing of the sort. That era of growth and open trade depended on policy and was undone by policy: the tariff hikes and colonial preference schemes of the 1920s, capped by the Smoot-Hawley Tariff in the United States, cut trade nearly 70% by 1934, transforming the world into something like a series of island economies, and deepening the Depression. By 1948, disintegration was complete: trade barriers divided the Allied economies; China left the world economy in the communist experiment; Russia was long gone; Japan and Germany had not yet returned.

The founders of the GATT drew the obvious lessons. For living standards and growth, trade is not a luxury but a necessity. In strategic terms, trade is an invaluable support to peace.

## THE ACCOMPLISHMENT

Since then, eight separate negotiating Rounds, capped by the creation of the WTO in 1995, have rebuilt a freer trading world.

The system has grown in membership, from the original 23 countries to today's 134 economies and 4.5 billion people. And it has grown in scope: tariffs remain central to its work, but are now joined by agreements on agriculture, services, sanitary and phytosanitary standards, intellectual property, technical barriers to trade, and the most recent agreements on Information Technology, Basic Telecommunications, and Financial Services. In addition, the WTO has capabilities for dispute settlement, with a dispute panel mechanism we have used in no less than 49 cases; oversight bodies for each agreement; and a forward work-program on newer issues. These give it substantially greater credibility as a guarantor of open markets, and a forum for addressing its members concerns, than the GATT.

As a result, since 1950 global trade has grown fifteen-fold. World economic production has grown six-fold, and per capita income nearly tripled. This in turn provides families and governments with the resources to improve health, invest in education, protect the environment and advance other social goals.

In consequence, life has improved nearly everywhere in the world. Since the 1950s, world life expectancy has grown by twenty years. Infant mortality has dropped by two-thirds. Famine has receded from all but the most remote or misgoverned corners of the world. And daily life has been enriched in perhaps small but remarkable ways: tropical fruit and green vegetables available around the world in midwinter; books and cars over the Internet.

Finally, in the financial crisis of the past two years, the trading system proved its worth in another way. We endured the worst financial crisis of the past half century - with 40% of the world in recession, seven major economies contracting by 6% or more, and the American trade imbalance at record levels. It has been a period of enormous human stress, with tens of millions of jobs lost in Korea and Southeast Asia, recession throughout South America, and crisis in American farms and steel mills. And yet the respect most WTO members showed for their commitments helped guarantee affected countries the markets essential for their recovery; shielded our own farmers and manufacturing exporters, and helped avert the political tensions that can arise when economic crisis leads to trade conflicts. The contrast to

the experience of the 1930s could not be more clear; and if the postwar founders of the system were here to see it, they could be forgiven for showing some pride in the work they began.

## END OF THE COLD WAR

The question, of course, is whether these accomplishments are enough; and we believe they are not.

First of all, the work begun in 1948 -- the completion of an open trading system whose principles are accepted by all major economies -- is not yet done. We face a truly profound implications: our trade policy response to the end of the Cold War.

The largest group of nations now remaining outside the WTO are the transition economies: China, Russia, Vietnam, Ukraine and other former Soviet republics, the Baltic States, and the reforming nations of the Balkans. These nations, together with applicants from the Middle East and several developing regions, make up over 1.6 billion people, and a sixth of the world economy.

Their entry - on the commercially meaningful grounds, addressing agriculture, services, industrial goods and rules, that yield the system's full benefits for them and for their trading partners - is essential. It will strengthen the WTO; support economic reform and sustainable growth in the transition economies; create new opportunities for Americans; and most important, strengthen peace by giving these nations greater interests in stability and prosperity beyond their borders. It is a task of immense technical difficulty and political complexity; but it is one of vast importance, comparable to the response of the trading system to decolonization in the 1950s and 1960s; or to the reintegration of Japan and Germany after the war.

And while this task is complex, it is also achievable - and that is clear because it is already well underway. Since its creation in 1995 the WTO has admitted five transition economies: Slovenia, Bulgaria, Mongolia, Kyrgyzstan and Latvia. Estonia's negotiations are complete, awaiting only deposit of the parliamentary ratification in Geneva. We have completed bilateral negotiations with Croatia, Georgia and Albania and made significant progress with Armenia, Lithuania and Moldova. Their governments -- some in the Balkans and the Caucasus operating under the most difficult of circumstances -- deserve great credit for their progress so far, as do Oman and Jordan in the Middle East. Those with which we have completed negotiations have made commitments in general of very high quality. This is immensely important for their future economic prospects.

We have also held fruitful discussions with Russia and Ukraine, as well as Saudi Arabia. And we have made significant progress with the largest transition economy - the People's Republic of China. The negotiations have taken time, and suffered an almost five-month interruption after the mistaken bombing of the Chinese Embassy in Belgrade. We have resumed the talks at the direction of Presidents Clinton and Jiang in Auckland a month ago, and will continue to work with the Chinese to complete the accession on strong commercial terms.

## THE FUTURE AGENDA

At the same time, a look at the world today, and a review of our experience over the past five years, shows how great are the opportunities still untapped. We can do more, and we can do better.

Much work remains ahead on industrial goods. The financial crisis pointed up the need for open and competitive services markets. Agricultural trade barriers and trade-distorting supports, which remain very high, reduce world food security as well as the incomes of many of the world's farm and ranch families. The advance of science and technology has created new products, new services and new methods of conducting trade, which the WTO must address.

In broader terms, many in the developing world believe previous Rounds did not give sufficient attention to the priorities of poorer nations. Paralleling this is concern in developed nations that policies to open trade and promote growth are advancing more rapidly than policies to protect the environment and defend workers against abuse. Governments have become more reluctant to talk about the benefit of imports. And -- certainly in America, and I believe elsewhere -- many hold a perception, which is not entirely incorrect, of the WTO as an institution whose workings, especially in dispute settlement, are opaque and inaccessible.

In response, last January, the President called for the opening of a new global trade Round. And in the months since, we have been consulting with Congress, our trading partners, and others interested in trade policy on its agenda. We have gotten out of Washington, to 16 public hearings and listening sessions everywhere from New York and Chicago to Bozeman, Montana and Kearney, Nebraska. We have met with our trade partners in Geneva and elsewhere, including in a series of major events from the US-Africa Ministerial in Washington, to the APEC Leaders Meeting in New Zealand, the G-7 meetings and US-EU Summits, and our Free Trade Agreement of the Americas consultations. Our goal has been an agenda broad enough to meet our top priorities and win support from the WTO membership as a whole; but also manageable enough to complete and implement in a reasonable period of time.

The result of this work is a comprehensive set of proposals, which we tabled in Geneva this summer and fall. They address implementation of Uruguay Round commitments, agriculture, industrial market access, services, trade and the environment, fishery subsidies, trade and labor and other issues. And together they make up both an ambitious and, with much work, an achievable agenda, that will bring fifty years of American trade leadership into the next century. Beginning at the Ministerial conference we will:

- Ensure that the WTO does its part to create growth and progress in the world's least developed countries.
- Take up the opening of sectors such as agriculture and services, where the work has only begun, in addition to our work on industrial goods and non-tariff barriers.
- Meet the challenge of the new industries and methods of trade created every day by the scientific and technological revolution.
- Advance our work to protect the world environment, fight hunger and promote internationally recognized core labor standards.
- And reform the WTO itself to make it more open, accessible and responsive to the public.

In the time that remains, let me review our agenda on each of these points.

### INTEGRATING THE LEAST DEVELOPED

First, we have a responsibility to ensure that the trading system does as much as it should for the least-developed nations - those countries in Africa, Asia, Latin America and the Middle East most deeply afflicted by poverty, hunger and isolation from the world economy.

Our Administration has taken up this challenge in areas well beyond trade. For example, in

many least developed countries, the financial burden posed by debt has made growth very difficult. This was the chief concern many African governments raised with us at the first-ever US-Africa Ministerial this spring. And thus President Clinton has challenged our Congress and the world to forgive 100% of this debt when relief will help finance basic human needs.

Trade policy also has a role to play. These nations need access to markets, especially in areas of comparative advantage. At times they need technical assistance to implement the market access commitments through which they attract investment and gain exposure to modern technologies. And we have developed a response:

- We will enhance our market access programs, beginning with my expansion of the duty-free GSP program, and going on to more ambitious legislative proposals like the African Growth and Opportunity Act and expansion of the Caribbean Basin Initiative. We will also enhance market access further through special tariff commitments in the new Round; and we will ask our trading partners, including both the developed economies and the more advanced developing nations to do their part.

Together with Bangladesh, Lesotho, Nigeria, Senegal and Zambia, we have introduced a proposal to improve and expand the WTO's technical assistance programs. At the same time, we are continuing our own efforts to build capacity for the least developed countries in telecommunications, Internet capability, and other modern technologies in Africa, Latin America and elsewhere.

- We will work to improve the WTO's collaboration with other international organizations such as the World Bank and IMF, UNCTAD, the UN Environmental Program, and the International Labor Organization, through joint observership and research, especially focused on the least developed countries.

- And we will ensure that the negotiating agenda for the new Round takes the priorities of developing nations into account. Market access issues like the Accelerated Tariff Liberalization initiative's proposal to end tariffs on such items as toys, gems and jewelry, and fishery products. Unfair trade practices like agricultural export subsidies that weigh most heavily on developing country farmers. And together with this, the concern of many least developed nations that comprehensive Rounds like the Uruguay Round create implementation burdens that are simply too great to manage.

## THE NEXT ROUND

Our agenda for the Round reflects this concern, as well as the top priorities we have identified through our domestic consultations. And let me review the goals we have set.

## 1. Creating Growth and Prosperity

First, through market access negotiations, to be completed within three years, we must create a more open world economy that offers greater opportunities for growth. These talks will offer concrete benefits for exports and employment in agriculture, manufacturing and services; address our top priorities and those of a wide spectrum of WTO members; and help to create the leverage to reach our goals in areas that will be most politically difficult, for example agriculture. A brief review of our proposals includes:

- In agriculture, we will seek aggressive reforms - open markets that create food security by ensuring diverse supplies of food; market-based prices that offer a fair reward to farm and ranch families - that will help lessen the threats of hunger and malnutrition, and build prosperity in rural societies at home and abroad.

Specifically, we call for eliminating, and prohibiting in the future, all export subsidies, and substantially reducing trade-distorting domestic supports. We will seek to lower and bind tariffs, and improve administration of tariff-rate-quotas. We will work for stronger disciplines on operations of state trading enterprises. And we will address disciplines to ensure trade in agricultural biotechnology products is based on transparent, predictable and timely processes. Europe in particular, which supplies 85% of the world's agricultural export subsidies and has been slow to develop a modern, transparent, and science-based system for food safety in general and biotechnology in particular, must accept its responsibility in these fields.

- In services - where American industries are the world's most innovative and competitive, we can address some of the weak regulatory practices in law and finance which helped to spark the financial crisis. Advance freedom of information by ensuring access to new telecommunications technologies. Raise the quality of life by giving countries greater access to environmental services as well as goods, and helping the world's most advanced hospitals and universities offer health care and education on-line as the information infrastructure improves.

We will meet the challenge by working to liberalize a broad range of sectors -- distribution, telecommunications, finance, audiovisual, environmental services, the professions, construction and others. We will work to ensure that GATS rules anticipate development of new technologies, which are already creating new services such as telemedicine and satellite delivery of entertainment to the home. We will seek to prevent discrimination against specific

modes of delivering services, and work to develop "horizontal" methods of liberalizing services, such as disciplines to ensure transparency and good governance in regulations across a broad range of services sectors.

- Industrial Goods - And we will pursue broad negotiations on industrial goods, which create opportunities for growth and employment in developing and industrial economies, improve price and choice for consumers, and create the economies of scale that support research, development and technological progress.

Here we will build upon the Accelerated Tariff Liberalization proposal begun in APEC - eliminating or harmonizing tariffs in eight industrial sectors, from environmental technologies and scientific instruments to chemicals, wood products and gems and jewelry - to reduce existing tariff disparities and bind tariff schedules for all WTO members. As the most recent APEC meeting noted, this would be concluded on a provisional basis, with final binding as part of the single package making up the Round's market access negotiations. We will then work to lower a broad range of tariff levels, as well as develop new sectoral agreements; increase participation in existing agreements, including zero-for-zero tariffs and tariff harmonization; and address non-tariff barriers and other measures affecting market access.

Finally, of course, as important as the negotiating goals is a timetable that will conclude them rapidly. Most WTO members now agree with us that the Round should be completed within three years. We are now working with other WTO Members to draft a Ministerial Declaration which will ensure that substantive talks begin immediately, with formal proposals tabled by mid-2000 and further benchmarks for progress as well, perhaps including a mid-term Ministerial review.

## 2. Building The 21st-Century Economy

Second, we will ensure that the WTO responds fully and rapidly to the revolutionary scientific advances transforming every field from communications to agriculture to trade itself.

In the past two years, we laid the groundwork for this in three monumental agreements: the Information Technology Agreement, eliminating tariffs on \$600 billion worth of trade in high-tech manufactured goods such as computers, semiconductors and others; the Basic Telecommunications Agreement, opening access to the \$1 trillion-dollar world telecom services market; and the Financial Services Agreement, which covers nearly \$50 trillion worth of financial transactions per year.

The next step is to ensure that the WTO promotes the unimpeded development of electronic commerce. This will begin with our work toward consensus by the Ministerial on "duty-free cyberspace" -- that is, extending the WTO's moratorium on the imposition of tariffs on electronic transmissions. We will build on this with an ambitious work-program at the WTO, addressing such questions as ensuring that WTO rules do not discriminate against new technologies and methods of trade; the proper treatment of digital products under WTO rules; and ensuring full protection of intellectual property rights on the Net. And we will balance this policy work with an extensive capacity-building program, to help developing countries gain the capacity to use the Internet, speeding their growth, technological progress and integration into world trade.

### 3. Institutional Reform of the WTO

And third, we will use the experience of the past five years to reform and improve the WTO itself, to ensure that the institution is capable of meeting the challenge of the modern world; and that as open trade creates prosperity, we also meet our responsibility of protecting the environment, advancing core labor standards, and meeting the test of openness and accessibility to citizens that we expect of government at home.

This will include:

- Trade and the environment - to ensure that trade liberalization complements and supports our environmental goals. This will begin in the U.S. with an early environmental review of the Round's negotiating agenda. It will include initiatives in the negotiating agenda itself that contribute to both environmental protection and more open trade, through liberalizing trade in environmental goods and services, and eliminating fishery subsidies that contribute to overcapacity, eliminating agricultural export subsidies and support for increased collaboration between the WTO and the UN Environmental Program. And it is a fundamental principle of American policy that our country and others will retain the right to the highest standards of environmental, health, safety and consumer protection, consistent with our commitment to science-based regulation.

- Trade and labor -- We will work to ensure the WTO helps promote internationally recognized core labor standards. This should include closer collaboration with the ILO, and a focused Working Group on Trade and Labor to review and analyze, in cooperation with institutions like the World Bank and the ILO, questions such as safety nets, the relationship between trade and internationally recognized core labor standards, and the best means of adjustment to heightened competition.

- We will strengthen the WTO's trade facilitation functions, with a special focus on global customs reform. This is especially important for small and medium-sized businesses, which have the most difficulty dealing with unnecessary red tape.

- Expanding and improving the WTO's capacity-building function, as I noted earlier, with a special focus on the least developed

## **AMERICAN AGRICULTURE IN THE NEW ROUND**

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**Washington, D.C.**

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Chairman Combest, Congressman Stenholm, and Members of the Committee, thank you very much for inviting my testimony on our agricultural trade agenda as we approach a new Round of international trade negotiations.

### **PREPARING FOR THE NEW ROUND**

This November 30<sup>th</sup>, the WTO will open its Third Ministerial Conference in Seattle. At this Ministerial - the largest trade event ever held in America - we will launch a new Round of international trade negotiations.

This will be the first Round held since the creation of the WTO in 1995; and in it, as President Clinton stressed in his address last week, aggressive reform of agricultural trade will be at the heart of our agenda. In these negotiations, we have a unique opportunity to achieve our own interest in opening new markets; strengthen guarantees of fairness for America's farm and ranch families; and help to ensure for the world a reliable supply of food at market prices.

Over the past year, we have conducted an extensive series of consultations and listening sessions, in Washington and around the country, to develop the objectives that will meet the priorities of American agricultural producers. As a result, we have proposed an ambitious set of reforms in areas ranging from

tariffs to export subsidies, state trading enterprises, domestic supports, and tariff-rate quota administration. At the same time, we have worked intensively with our trading partners in every part of the world to build support for these goals, and for a focused negotiation that will allow us to reach them within three years.

My testimony today will review our negotiating objectives; the process by which we have set our objectives; our strategy to reach international consensus on achieving them; and the timetable by which we plan to bring the work to a successful conclusion.

## AGRICULTURAL TRADE GOALS

Let me begin, however, with some brief remarks about the importance of the WTO system as a whole to American agriculture.

Mr. Chairman, American farmers and ranchers are the most competitive and technically advanced in the world. We produce far more than we can ever eat; and we therefore must have the ability to export to the 96% of humanity that lives beyond our borders if farm families are to prosper. That is already clear today, as one in three American farm acres now produces for foreign markets.

At the same time, experience shows us that an open, fair trading system for agriculture is among the world's strongest defenses against hunger. Countries which are open to agricultural trade diversify their sources of supply -- ensuring that consumers will have reliable access to food at market prices, and helping to guarantee that natural disaster or other interruptions of supply from any one source of food will not mean famine.

These realities are the foundation of our agricultural trade policy. Under President Clinton and Vice President Gore, from the beginning of our Administration 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 modern technologies, in particular biotechnology, without fear of trade discrimination.

## URUGUAY ROUND ACHIEVEMENTS

We have pursued these goals in negotiations with all of our major bilateral trading partners in a wide range of commodities, and in the regional initiatives we have opened in the Western Hemisphere, Asia, Europe and Africa. At the heart of our work, however, is construction of a world trading system that opens markets for farmers and ranchers; reduces unfair trade practices; ensures that our trading partners do not use unscientific sanitary and phytosanitary measures to block American goods, while ensuring that consumers in the United States and around the world have the highest possible standards of food safety; and gives us strong and credible means of settling disputes.

The completion of the Uruguay Round in 1994 marked the first major step towards such a trading system:

- Under the Uruguay Round's Agreement on Agriculture, we lowered tariffs, eliminated most quantitative restrictions, and reduced trade-distorting subsidies. Specifically, developed countries committed to 36% tariff cuts on average, and developing countries to cuts at two thirds the level of developed;
- Under the Application of Sanitary and Phytosanitary Measures (SPS), we ensured that all WTO members -- 110 at the time, 134 today -- would use science-based sanitary and phytosanitary measures to protect human, animal and plant health rather than to impose scientifically unjustifiable bars on imports for protectionist purposes.
- And through the creation of a strong dispute settlement mechanism, we enforce commitments in agriculture and elsewhere. We have used this system to bring 49 cases, including thirteen times in the last four years in agricultural cases, to enforce the Agriculture and SPS Agreements, on issues from fruit sales to Japan, to pork in the Philippines, dairy in Canada, and the banana and beef cases with the European Union.

## THE WORK AHEAD

With the Uruguay Round, therefore, we did a great deal to create a foundation of commitments to open markets, fair trade, respect for science and an enforceable rule of law. But while this is a strong beginning, we are very far from done.

As President Clinton noted last week, for example, even with the Uruguay Round tariff cuts, world agricultural tariffs average 50% - five times higher than American rates. Likewise, export subsidies and trade-distorting domestic supports -- especially in the European Union, whose \$7 billion in agricultural export subsidies makes up 85% of all world export subsidies -- severely distort agricultural trade and reduce opportunities for farmers in the United States and elsewhere in the world. And a number of countries maintain state trading policies that distort trade and reduce transparency and confidence in international markets.

At the same time, the advance of science and technology in agriculture has raised new challenges. The most publicized, though not the only, case is the potential for agricultural biotechnology to improve productivity and nutritional quality in many commodities. This has remarkable potential, for example, to reduce the use of pesticides and ease pressure on land, water and other natural resources. However, such advances also raise consumer concerns which must be met through fair, transparent, timely and science-based regulatory policies that ensure the strongest protection for public health and the environment in the U.S. and worldwide.

The agricultural agenda for the next Round, is broad and challenging. It will take us well beyond the achievements of the 1990s to make trade more open for our farmers and ranchers; ensure scientific advance and consumer protection; and ultimately to increase the world's food security.

## DOMESTIC CONSULTATIONS

Over the past 18 months, we have pursued a methodical strategy which has moved us, step by step, toward this goal. This began with our successful effort at the most recent WTO Ministerial, in May 1998, to renew the formal commitment by WTO members on agricultural negotiations, to begin in 1999. At the same time, of course, we ensured that implementation of existing agreements would continue. We then opened a long series of consultations with Congress, U.S. agricultural producer and commodity groups and others interested in the Round to seek advice on the goals and priorities we should set.

This included publishing notices in the Federal Register seeking public comment on agricultural and other policy goals in the Round, and hearings on the overall WTO agenda through the Trade Policy Staff Committee in Atlanta, Dallas, Los Angeles and Chicago, as well as Washington DC. We also held a series of twelve Listening Sessions with the Department of Agriculture focusing specifically on agriculture this June and July. In these sessions, senior USTR officials and agricultural negotiators

visited Austin, Texas; Indianapolis, Indiana; Des Moines, Iowa; Winter Haven, Florida; St. Paul, Minnesota; Memphis, Tennessee; Sacramento, California; Richland, Washington; Kearney, Nebraska; Newark, Delaware; Burlington, Vermont; and Bozeman, Montana to hear directly from farmers, ranchers and others on the specific issues and commodities they felt should be our top negotiating priorities.

## U.S. GOALS FOR THE NEW ROUND

Having completed these sessions, we used the advice we had received to develop a set of specific proposals, which together form an ambitious and achievable agenda for the Round. Our approach will address the major concerns raised in our consultations, including worldwide tariff disparities; reform of Europe's Common Agricultural Policy, which is the world's largest single distortion of agricultural trade; the reduction in market transparency and competition created by state trading monopolies; and ensuring fair treatment for trade in agricultural products derived from biotechnology.

We tabled these papers in August at the WTO in Geneva, proposing that the Round:

- Eliminate Agricultural Export Subsidies - A principal goal of the U.S. will be to completely eliminate, and prohibit for the future, all remaining export subsidies as defined in the Agreement on Agriculture.
  
- Substantially reduce trade-distorting domestic 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 distortions to trade. In addition, all trade-distorting supports should be more tightly disciplined.
  
- Lower tariff rates and bind them - this should include, but not be limited to, zero/zero initiatives. We will seek to eliminate disparities in tariff levels. And we will seek to simplify tariff policies, for example in cases in which WTO members use "compound" tariffs that include both ad valorem and cent-per-kilogram tariffs.
  
- Improve access for U.S. exports under tariff-rate-quotas - by increasing quantities eligible for low-duty treatment, reducing high out-of-quota duties, and improving disciplines on administration of TRQs to ensure that they offer real market access for producers

- Strengthen disciplines on the operation of state trading enterprises - While state trading enterprises are subject to the WTO limits on subsidized exports, there are a number of concerns about their operations, and in particular those of monopoly exporters. These include the possibility of disguised circumvention of export subsidy commitments, and anti-competitive practices such as predatory pricing.

- Least Developed Countries - Improve market access by all WTO members, through a variety of means to the benefit of least-developed members.

- Address disciplines to ensure trade in agricultural biotechnology products is based on transparent, predictable and timely processes. While WTO rules cover trade measures affecting biotechnology products, we are concerned about the European Union's non-functioning approval process for biotechnology. We continue to work with our industry, Congress and other interested groups in developing the best approach for dealing with this subject in the Round.

As the Committee may be aware, we have requested a number of studies from the U.S. International Trade Commission on the barriers that confront U.S. agriculture around the globe. In addition, agriculture is included in the request made to the ITC for advice on market access negotiations. Normally, this advice (which is required by statute) would be requested after negotiations are launched. We determined that in order to be ready, we should have the advice in hand immediately as negotiations are launched.

## BUILDING INTERNATIONAL CONSENSUS

At the same time, we are working to build international consensus on our goals and a rapid timetable for achieving them. This process includes several different elements: developing consensus on an overall agenda for the Round which offers the greatest potential for rapid and successful conclusion of the negotiations; creating the broadest possible coalitions in support of our agricultural goals and the three-year timetable which will help us reach them in a reasonable period of time; and setting concrete precedents for our goals in the Round through our regional trade initiatives and negotiations on new accessions to the WTO.

### 1. Maximizing Potential for Success

First, to ensure a successful Round, we are building consensus on an overall agenda that meets the interests of all our trading partners. The WTO's "built-in agenda" of agriculture and services offers a strong starting point, and the emerging consensus to broaden the agenda to include industrial market

access and several institutional reforms strengthens this further. Our goal is to move the market access negotiations for agriculture, industrial items, and services forward as one package and conclude those negotiations at the same time. This will give us the maximum leverage for aggressive reform of agricultural trade.

As one example, we won agreement from the APEC economies (including all major Asian economies, Canada, Mexico, Peru, Chile and Russia) for completion of an Accelerated Tariff Liberalization program in sectors important to both developed and developing countries. While seeking to finalize this effort in the WTO, we will not be diverted from ensuring that reform of agricultural trade remains central to our agenda. In particular, we are committed to ensuring that any interim implementation will be considered as an integral part of the overall balance of market access concessions to be determined at the conclusion of the new negotiations. One possible approach is to draw on the precedent from the Uruguay Round where an interim agreement on tropical products was applied provisionally after the Montreal mid-term Review and, subsequently, incorporated into the final commitments at the close of the negotiations. There are other possible approaches and we look forward to working with you to develop a method that maximizes our leverage.

At the same time, we do not believe, as some have argued, that the Round should revisit and reopen each agreement negotiated in the Uruguay Round, or focus on matters that are not yet ripe for negotiation. That would be a recipe for delay, which is unacceptable to the United States and many of our trading partners.

## 2. Developing Consensus on Goals and Timetable

At the same time, we have worked to build the largest possible degree of consensus on the three-year timetable and our goals in agriculture. We started early in the WTO's preparatory process -- focusing on the substantive problems with implementation and our goals for further reform. We called for building upon the basic structure of the Uruguay Round disciplines on agriculture - market access, domestic supports and export subsidies - and our trading partners seem to accept this fundamental approach for the new negotiations.

Most important, we have built consensus on a three-year negotiation, with benchmarks to ensure that we come away from Seattle with milestones for progress and the organization and conduct of the negotiations. For example, the Cairns Group -- joining fifteen nations with particular interest in agricultural reform - has called for "clear and detailed decisions in Seattle to ensure agriculture negotiations begin on time, conclude before 2003, and have an explicit negotiating time-table to deliver required outcomes." Even the European Commission has called for tabling of detailed negotiating proposals in all areas of the new Round by June 2000.

In practical terms, under this timetable the Seattle "launch" will establish the parameters that will govern negotiations for the next three years. In January 2000, negotiators return to Geneva for hard bargaining and substantive negotiations. Ministers likely will meet at the midterm to make sure the three-year schedule is kept. We are now working to confirm this consensus in Geneva, where WTO Members are developing draft decisions for approval in Seattle on the scope and subject matter for the new Round; time lines that establish milestones for progress; and the organization of the negotiations, including establishment of negotiating groups, oversight responsibility, and so forth.

In addition to our work at the WTO in Geneva, we have used opportunities created by our regional trade initiatives and major international meetings (e.g. the US-Africa Ministerial in Washington this March; the NAFTA Ministerial in Ottawa in April; Free Trade Area of the Americas negotiations and meetings; the US-EU Summit this spring; the Quad meeting in Tokyo; the OECD Ministerial; Cairns Group meetings; and most recently the APEC meeting in New Zealand in September) to build support for our goals in market access, subsidies and biotechnology. Some examples include:

- Asia-Pacific - At the APEC Ministerial in early September, we won a commitment by all 23 APEC Trade Ministers, including those of Japan, Canada, Mexico, the ASEAN states, South Korea and others, to a three year timetable for the Round; to an agenda which considers tariff and non-tariff measures and takes a joint stand for the "abolition of agricultural export subsidies," and to promote "transparent and science-based approaches to the introduction and use of biotechnology products."

- Africa - This March, we hosted an historic US-Africa Ministerial, at which we found common ground with many African trading partners on agricultural market access issues. Likewise, we have support from a number of African countries on elimination of agricultural export subsidies, which are especially damaging to developing country farmers.

- Europe - Clearly, many of our most difficult negotiating challenges in agriculture will be with the European Union. However, we are working to develop consensus in as many areas as possible. For example, at the US-EU Summit this spring we confirmed our agreement on a three-year timetable for the Round, and under the Transatlantic Economic Partnership discussions opened 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.

- Western Hemisphere - we are working towards commitment from every Western Hemisphere nation participating in the FTAA talks to support worldwide elimination of agricultural export subsidies, and have developed wide support for this goal.

### 3. WTO Accessions

Finally, thirty-three economies are now applying for accession to the WTO. In each of these we are requiring full compliance with the provisions of the Agreement on Agriculture as well as significant market-opening measures, immediate acceptance of the Sanitary and Phytosanitary Agreement, and improved transparency in any existing state trading arrangements.

Specifically, in the past year we have brought Kyrgyzstan and Latvia into the WTO; Estonia has completed its accession and will enter in the next few weeks; we have completed bilateral negotiations with Albania, Croatia, Georgia and Taiwan; and made significant progress with Armenia, China, Jordan, Lithuania, Moldova and Oman. All the successful applicants have made very strong agricultural commitments, which create new opportunities for American agricultural producers and set precedents for the type of reforms we should see in the new Round.

In the case of China, while some services and rules issues remain for discussion, agricultural negotiations are complete. The result is a very strong set of commitments in market access, renunciation of export subsidies, tariff-rate quotas and other issues. These negotiations have resumed at the direction of Presidents Clinton and Jiang at the APEC Leaders Meeting in Auckland this September.

### CONCLUSION

In summary, Mr. Chairman, the new Round offers a remarkable set of opportunities for American farm and ranch families. Agricultural trade reform is at the heart of our objectives for the Round, and we are optimistic about our prospects for success, despite the hard work this will entail.

Over the past year, we have developed a specific and detailed set of negotiating objectives which reflect the advice and priorities we have received from Congress and American agricultural producers. We have set a timetable that will achieve them soon. And we have begun to build the international coalition that will help us realize our goals in the Round.

This places us well in advance of the pace set by the Uruguay Round. However, much work remains ahead. We hope to consult closely with the Committee as we prepare for the launch of the Round at the Ministerial, and then as the negotiations begin. We look forward to a continued close working relationship, and to results which lead to a fairer, more open trading world for America's farm and ranch families.

Thank you.

## Toward the New Round

Ambassador Charlene Barshefsky

U.S. Trade Representative

Foreign Press Center

Washington, DC

November 1, 1999

Good afternoon, everyone. Thank you all for coming today.

In four weeks, we will open the WTO's Ministerial Conference in Seattle. This will be the largest trade event ever in America, bringing over five thousand people - from government, business, agriculture, labor, environmental groups and many other fields. And it will launch a new Round of international trade negotiations, of great potential for growth, living standards, and technological progress in the years ahead. This morning I will review the agenda we expect for the Ministerial and Round. But let me begin with a few basic points.

### THE TRADING SYSTEM AND ITS PRINCIPLES

The WTO today joins 134 economies in agreements covering industrial tariffs and non-tariff trade barriers, agriculture, intellectual property rights, subsidies, textiles, anti-dumping procedures, dispute settlement and a number of other. It is easy to get lost in the details. But fundamentally, these agreements, and the WTO as a whole represent a set of principles:

- The open markets that foster growth, prosperity, and a rising standard of living.
- The rule of law and peaceful settlement of dispute which ensure fair play.

- The shared interests and mutual benefits that strengthen peace.

For fifty years, the trading system has helped us, and our trading partners, to take these principles and make them reality. We have worked with Europe, Latin America, Asia, Africa and the Middle East - each of us with specific trade interests in mind, but at our best, also remembering the broader goals we share. President Clinton, in his address to the Democratic Leadership Council, recalled Franklin Roosevelt's comment on the role trade could play in the postwar era:

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

Ever since then, the United States, in partnership with our allies and our trading partners, has worked to build a more open, fair and free world economy. And we have done so, under ten Administrations of both parties and twenty-six different Congresses, for clear, straightforward reasons that reflect our own national economic interests; our support for the advance of peace, freedom and the rule of law; and the interest we share with all our trading partners in creating a more prosperous world for each succeeding generation.

## VALUE OF OPEN MARKETS

Open markets and freer trade are good for Americans and good for our trading partners overseas. With freer trade, producers can sell to wider markets; consumers have greater choice and quality; technological progress accelerates; businesses become more efficient and competitive. With a strong, rules-based trading system that keeps markets open, the rule of law advances and the world has a shield in moments of crisis. And as countries trade more with their neighbors, they gain an interest in prosperity and stability beyond their borders, strengthening the chances of peace.

For all of us, the progressively freer trading environment of the past fifty years has provided enormous benefits. Most immediately, it offers the opportunity to export; and exports are essential to all strong economies. They give farmers broader markets as productivity rises; they offer manufacturers the economies of scale that promote research and development; and economic experience tends to show that export industries support higher-wage jobs.

Open markets also allow us to import; and imports are equally important. They create the choice, price and competition that raise family living standards. This is true for all families, but most especially the poor. Imports, accompanied by a commitment to education and job training, help workers specialize in the most technologically sophisticated and financially rewarding fields. And they give businesses access to inputs -- raw materials, parts, business equipment -- that reduce overall costs and therefore improve efficiency and competitiveness.

It is of course true that an open economy means competition; and competition means change and adjustment to it. That is true here, and it is true abroad. Governments have a responsibility to accompany an open trade policy with a commitment to education, job training, and adjustment. But most of the changes an open world economy has brought - falling unemployment, rising wages, rising demand for high-skill workers - are unambiguously positive.

Our observation of the world beyond our borders offers equally stark lessons. Countries which open their economies to their neighbors and the world -- first Western Europe, more recently Latin America, Southeast Asia and Central Europe -- have seen living standards rise and political tensions diminish. Those which have done less see poverty persist and political instabilities at times intensify. Those which rejected open markets and freer trade completely -- North Korea, Maoist China, Ne Win's Burma -- encountered disaster.

The counsel of logic, and the lessons of experience, are clear. To turn our back on open trade would be to accept a lower standard of living, loss of export opportunities, reduced rates of investment in plants and hiring, and ultimately a loss of national strength and influence worldwide. To accept an open economy for ourselves, and to promote freer trade worldwide, is to set high standards for ourselves; open new possibilities for our working people and industries; reduce the cost of the essentials of life for the poor; and accept our responsibility for world leadership.

#### DEVELOPMENT OF THE GATT AND WTO

That is a responsibility we and our trading partners took up fifty years ago, at the foundation of the GATT; and that we have borne ever since.

We did this, most immediately, to revive the western economies after the war. But their work took place in light of the experience of the 1920s and 1930s: the tariff hikes and colonial preference schemes, capped by the Smoot-Hawley Tariff in the United States, which cut trade nearly 70% by 1934, transforming the world into something like a series of island economies, deepened the Depression, and intensified the political tensions of the era.

The founders of the GATT drew the obvious lessons. For living standards and growth, trade is not a luxury but a necessity. In strategic terms, trade is an invaluable support to peace.

In the intervening half century, we have worked with Europe, Latin America, Asia, Africa and the Middle East - each of us with specific trade interests in mind, but at our best, also remembering the broader goals we share - to build the trading system.

This work has continued through eight negotiating Rounds, capped by the creation of the WTO in 1995; and the entry of 111 new members to the system. It has cut tariffs by 90%; and while tariffs remain central to the trading system's agenda, our work has broadened to include non-tariff barriers, agriculture, services, intellectual property, and much more.

### THE LESSONS OF EXPERIENCE

And the results have been remarkable. Since 1950 global trade has grown fifteen-fold. World economic production has grown six-fold; and per capita income nearly tripled. This in turn provides families and governments with the resources to improve health, invest in education, protect the environment and advance other social goals.

In consequence, life has improved nearly everywhere in the world. Since the 1950s, world life expectancy has grown by twenty years. Infant mortality has dropped by two-thirds. Famine has receded from all but the most remote or misgoverned corners of the world. And daily life has been enriched in perhaps small but remarkable ways: tropical fruit and green vegetables available around the world in midwinter; books and cars over the Internet.

And in the financial crisis of the past two years, the trading system proved its worth in another way. We endured the worst financial crisis of the past half century - with 40% of the world in recession, seven major economies contracting by 6% or more, and the American trade imbalance at record levels. It has been a period of enormous human stress, with tens of millions of jobs lost in Korea and Southeast Asia, recession throughout South America, and crisis in American farms and steel mills. And yet the respect most WTO members showed for their commitments helped guarantee affected countries the markets essential for their recovery; shielded our own farmers and manufacturing exporters, and helped avert the political tensions that can arise when economic crisis leads to trade conflicts. The contrast to the experience of the 1930s could not be more clear; and if the postwar founders of the system were here to see it, they could be forgiven for showing some pride in the work they began.

## THE ARGUMENT FOR ISOLATION

And where do we go from here?

There are certainly voices, here in the United States and abroad, who have forgotten the lessons of our history or never learned them. These are the voices of modern isolationism, which call on us to turn around and retreat toward a more closed world - the 1970s, or even the 1930s.

Isolationists often fear that Americans cannot compete in an open world. The facts of today's American economy -- unemployment at a record low; home ownership at a record high; the longest peacetime expansion in our history -- show that this is entirely wrong.

Isolationists at times believe that a growing economy and a clean environment cannot coexist. Again, history shows this is incorrect. The development of our modern environmental laws since the 1970s has gone together with the trade agreements that have more fully opened our economy and the world's; and as a result, as our economy has grown from \$3.7 to \$8.6 trillion in the past thirty years, lead emissions have dropped 95%, the number of people living with unhealthy air dropped by half, and we have doubled our percentage of clean rivers and streams. And in the long run, the prosperity created by open markets is essential if we expect world labor standards as well as environmental protection to rise.

And what is true for America is true abroad. History shows that in the United States or elsewhere, to respond to these concerns by turning our backs on open trade would be to choose a world that is likely to be poorer, dirtier, and more violent than the one we live in today.

## THE CHALLENGES OF THE PRESENT

What, then, is our task as we look toward the Ministerial meeting in Seattle?

Some of the great tasks of the early years - postwar reconstruction, the reintegration of Germany and Japan - are complete.

In others - creating growth by reducing the trade barriers set up in the Depression years; responding to decolonization through integrating the developing countries - we have made great progress but have much more to do.

And as time has passed, a new set of responsibilities has arisen:

- The response to the end of the Cold War, as countries once run by communist planning systems seek to rejoin the world economy;
- The full integration of least developing countries, once buffeted by the Cold War and now seeking their place in an open and prosperous world;
- The challenges and opportunities presented by the technological revolution, in areas such as electronic commerce, telecommunications, and biotechnology; and
- The issues of the quality of life, notably the areas in which trade policy intersects with labor or environmental protection.

At the Ministerial and in the new Round, we will build upon this legacy; progress toward completion of the work that remains undone; and begin to take up the new opportunities now before us.

## TOWARDS THE NEW ROUND

Since the President's call for a Round last January, as host and Chair of the Ministerial, we have been working toward a Round that will meet this challenge.

We have sought an agenda that meets the top priorities of all participants, including our industrial trading partners, the advanced developed countries and the least developed; that yields concrete benefits rapidly; and responds to the concerns of many developing countries about the potential burden of implementation. And the result, which we have set out in detail over the past weeks, is a broad, ambitious but also manageable agenda. Let me now review just the main points, and then take your questions.

First, we must continue to build a world economy with greater prospects for growth, jobs and rising

living standards.

The Round's market access negotiations must focus on the reform of agricultural trade, reducing tariffs and other barriers; and as a top priority, seeking the elimination of agricultural export subsidies. They must continue to open the world services economy, further freeing trade in sectors like telecommunications, finance, distribution, the professions and others that are not only high-value fields in themselves, but are essential to the functioning of all modern, technologically advanced economies. And we must continue to reduce and eliminate barriers to industrial products.

Second, we should build a more technologically advanced and progressive world economy.

We have laid the groundwork for this through three multilateral agreements on Information Technology, Basic Telecommunications and Financial Services. We are now moving on to electronic commerce and extension of the moratorium on tariffs applied to electronic transmission and the Internet; and we will begin to consider the implications of biotechnology, which has revolutionized medicine and now offers both opportunities and challenges in agriculture.

Third, we will seek institutional reforms and improvements that make the WTO more effective and broaden its base of public support.

We must better ensure that the opening of trade complements and supports the goals of environmental protection. That the trading system is transparent and open to citizens. That it does all it should to help smaller and medium-sized businesses, take part in trade. And that it contributes to the promotion of internationally recognized core labor standards, through closer collaboration with the ILO, and a focused Working Group on Trade and Labor.

And fourth, we must respond to the end of the Cold War. From the Balkans and the Baltic states, through Russia and the former Soviet republics to China, Vietnam and Laos, a vast group of nations are breaking with communist planning systems. Their application to join the WTO, completed through commercially meaningful accessions, will both help them complete their domestic reforms, and strengthen the peace in the next century, by more securely integrating them into a prosperous, stable world economy.

And at the same time, we must ensure that the WTO does all it can to better promote the integration of the developing countries, and in particular the least developed, into the world economy. At home, we will enhance our market access programs, beginning with my expansion of the duty-free GSP program,

and our support for greater market access for Africa and the Caribbean. We will also enhance market access through special tariff commitments in the new Round. We will strengthen the WTO's technical assistance and capacity-building programs. And we will ensure that the negotiating agenda for the new Round better takes the needs of the developing nations into account.

## CONCLUSION

Altogether, we have an extraordinary set of opportunities before us. And we have set out to meet it with a broad and ambitious agenda that will build upon fifty years of statesmanship and progress, and take that work forward into the new century.

Thank you very much, and now I will take your questions.

## **SERVICES IN THE NEW ROUND**

Ambassador Charlene Barshefsky

United States Trade Representative

Senate Banking Committee

Washington, D.C.

November 2, 1999

Mr. Chairman, Senator Sarbanes, Members of the Committee:

Thank you very much for inviting me to testify on our services trade agenda. We are rapidly approaching the WTO Ministerial Conference in Seattle next month, and the new Round of international trade negotiations we expect to launch at the event. And as the President said in his address on the WTO last week, in this Round, opening trade in services will be a central goal.

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

Let me begin with some basic observations on the services industries, their place in our economy, and the rules we have developed thus far at the WTO to facilitate trade in these fields.

The American services sector includes a vast array of industries: from finance and telecommunications to distribution, health, education, environmental, travel and tourism, construction, law, engineering, architecture and more. These industries provide 86 million private-sector jobs and over \$5.5 trillion worth of production -- more than 75% of America's private-sector economic production, and more than one dollar in seven of world production.

In addition to this productive capacity, services play a subtle but essential role in our industrial economy, to which they directly contribute about 2.1% of GDP in the form of construction, and provide the infrastructure which allows manufacturing industry and farmers to function.

- Efficient transport and distribution allow farmers to get their products to market without spoilage, and ensures that auto parts reach the plant in time for efficient production.
  
- Strong insurance, accounting, finance and legal industries ensure that farmers and manufacturers have access to capital; that contracts guarantee predictable, transparent and reliable business decisions; and that consumers have high standards of protection.
  
- 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.

In many of these fields, the U.S. is the world's leader. As a general matter, our success rests on our openness to both domestic and foreign competition, combined with guarantees of high standards of consumer protection through transparent, fair and impartial regulation where relevant. The competition this creates speeds innovation and helps develop a productive, efficient economy.

### **SERVICES IN AMERICAN TRADE**

American services industries are highly successful exporters. In fact, the United States is by far the world's leading exporter of services, with \$246 billion worth of private-sector services exports last year (the U.S. government also exported approximately \$18 billion in services) as compared with \$165 billion in private sector services imports. To cite some specific examples, this includes:

- \$71.3 billion in travel services;
  
- \$36.8 billion in royalties and licensing fees from audiovisual services, software, copyright payments,

franchise fees and other sources;

- \$25.5 billion in freight and port services;
- \$24.3 billion in unaffiliated business, professional and technical services, including among others:
  - \$4.1 billion in construction, architecture, engineering and mining;
  - \$3.7 billion in equipment installation, maintenance and repair;
  - \$2.5 billion in legal services;
  - \$2.0 billion in computer and data processing;
  - \$1.2 billion in medical services;
  - \$0.9 billion in research and development;
  - \$140 million in sports and performing arts;
  - \$13.7 billion in financial services;
  - \$9.0 billion in education;
  - \$3.7 billion in telecommunications services exports.

Altogether, our two-way services trade makes up over 16% of the total \$1.4 trillion in world services trade. The pattern of U.S. trade in these industries is somewhat different from our trade in goods. In particular, the European Union and Japan take 46% (\$114 billion) of our private sector services exports, as opposed to 30% of our goods exports.

## **CURRENT STATUS OF MULTILATERAL SERVICES AGREEMENTS**

These figures indicate how much services industries now contribute to our economic growth, and to our export performance. Our goal in services trade policy, speaking very broadly, is to open markets and foster competition, transparency, and efficiency in the world economy, as in our domestic services markets. This will facilitate American exports of services, and also have potential to help create a more stable, efficient and productive world economy.

### **1. General Agreement on Trade in Services**

In contrast to goods trade policy, however, trade policy in services is a relatively new development. In fact, as recently as 1993, the world trading system had no rules for trade in services.

Thus, a major achievement of the Uruguay Round trade negotiations was completion of the General Agreement on Trade in Services (GATS), which for the first time established a framework of rules governing services trade, as well as commitments in many individual services industries.

Implementation of these commitments has been generally good. And we have since made substantial additional progress, with commitments to market access and national treatment in two of the highest-value service fields through the Agreement on Basic Telecommunication and the Agreement on Financial Services.

## **2. Basic Telecommunications Agreement**

The Basic Telecommunications agreement, now in effect for a year and a half, is already showing benefits. Through commitments on market access, national treatment and regulatory safeguards by over 70 WTO Members, its pro-competitive principles have encouraged billions of dollars in international investment in new telecommunications facilities, much of it led by U.S. firms. As a result, low-cost telecommunications services are removing geography (and borders) as a constraint on the delivery of a broad range of services and products.

Since this agreement went into effect, the ability of dominant carriers in foreign countries to keep rates artificially high and depress demand for telecommunications services and electronic commerce has weakened significantly. This has helped to bring down rates by half, to levels as low as 10 to 20 cents per minute, for calls between the United States and countries such as Japan and Mexico in the past 18 months, benefitting consumers here and abroad. And as a result of the broader market access and increased investor stability provided by WTO commitments, new investment in undersea fiber optic cables may result in a fifty-fold increase in capacity by the end of 2001, compared to mid-1999. Such expansion has created competition for investment to develop regional data and electronic commerce hubs, encouraging many WTO members - e.g. Hong Kong, Korea, Japan, India, Singapore and Jamaica - unilaterally to improve their market access commitments.

At the same time, U.S. exports of telecommunications services and equipment have increased significantly following the entry into force of the WTO basic telecommunications services agreement in February 1998, (as well as the Information Technology Agreement, which is on course to eliminate import duties on virtually all equipment related to the Internet.)

These results are tribute to the quality of the agreement, and also to our active enforcement program mandated under Section 1377 of the 1988 Trade Act, for telecommunications trade agreements. For example, thanks to Section 1377 actions:

- Canada last year eliminated discriminatory rules that prevented use of U.S.-based networks for routing of Canadian domestic and international long distance calls;
  
- Japan agreed to lower substantially its interconnection rates and took a variety of steps to deregulate its telecommunications services market under our bilateral deregulation initiative, now in its third year. We are now strongly urging Japan to build on these actions through implementation of a telecommunications "Big Bang."
  
- European industry compromised with U.S. firms in developing standards for third generation mobile telecommunications systems, and we are actively pushing for steps by EU Member State regulators to assure fair licensing rules by the end of this year, to allow American technology unfettered access in Europe;
  
- Taiwan agreed last year to lower interconnection rates for mobile telecommunications services firms by approximately 40% over three years; and
  
- Mexico and Germany currently are under out-of-cycle Section 1377 monitoring as we await regulatory decisions that will implicate their WTO commitments and which will be important to U.S. firms operating in those markets.

### **3. Financial Services Agreement**

Likewise, the 1997 Financial Services Agreement represents a successful effort by the United States to open global financial services markets to U.S. suppliers of insurance, banking, securities and financial data services. While it came into effect more recently than the Basic Telecommunications Agreement, the Financial Services Agreement has already contributed to the ability of U.S. service suppliers to expand existing operations and find new market opportunities across a wide spectrum of developed country and emerging markets, including Asia, Europe, Eastern Europe and Latin American.

The improvements encompass the ability to supply services through investment in foreign markets or via cross-border trade. And as in other WTO agreements, these benefits are "locked in" through recourse to the GATS dispute settlement mechanism, if necessary. Growth potential for competitive U.S. financial services suppliers is high, including to help emerging markets modernize their financial services systems and to improve their infrastructure for trade in goods and services. The Agreement will provide an effective launching pad for further negotiation of financial services trade issues in GATS 2000.

### **THE WORK AHEAD**

These are, however, only the first steps. While the 1990s have seen a fundamental change for the better, services trade remains highly restricted in many areas. This significantly inhibits American exports; the costs to the world of closed markets in services are far greater:

- Inefficient, pollution-prone power and transport reduce efficiency, worsen the quality of life and waste investment.

- Telecommunications markets still 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, and make exports much more difficult for many American industrial and agricultural producers as well.

- And the recent financial crisis has highlighted the need to work to strengthen the world's financial systems, and make them more open. Measures like those exemplified by the Financial Services Agreement are important steps in that direction. Foreign participation with fair competition in financial services is a key ingredient in building a reliable and durable financial system. This in turn builds confidence, fosters growth, and is thus critical for stability.

### **PREPARING FOR THE ROUND**

Our agenda for the Round will help us address these problems as we open new opportunities for Americans. Since the WTO's last Ministerial in 1998 reconfirmed that we would open negotiations in

services this year, in consultation with the Committee, U.S. industries, and trading partners interested in services trade, we have been developing an agenda that can bring significant liberalization, opening of markets, and reforms throughout the world services economy. We have worked closely with our colleagues in a number of other agencies and the business community to develop these objectives. The result of this work is as follows:

First, as we prepare for the Seattle Ministerial, our goal is to launch a negotiation which enables us to secure maximum liberalization in a broad array of sectors from all WTO members, through a broadening and deepening of the services commitments of all WTO countries. In preparation for these negotiations, we have set both objectives and a negotiating process which will allow us to achieve the greatest liberalization possible. This includes:

- Liberalizing substantially a broad range of service sectors: This should include 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 training, health, express delivery, energy and environmental services. (Liberalization of distribution services is also a critical aspect of liberalizing trade in goods, helping ensure that agricultural goods and manufactured products reach markets as rapidly as possible.) This would include several different types of approaches, capable of achieving substantial liberalization in many industries, as follows:

- Sectoral agreements, developed through creation of "model" sets of GATS commitments for key sectors of interest to the United States. These model schedules, or "templates," would be equivalent to the zero-for-zero tariff elimination we have already done for goods. The model schedules would, in essence, create significant movement toward free trade in a services sector through removal of as many restrictions in that sector as possible.

- Examining cross-sectoral or "horizontal" methods of service liberalization by improving regulatory policies across industries, for example, for all countries to provide transparency and good-government practices to ensure that domestic regulations do not undermine the value of our trading partners' commitments. This could also include across-the-board commitments to services liberalization, such as agreeing to common levels of ownership across sectors.

- And "request-offer" talks like those under the Uruguay Round, in which we selected top priorities for liberalization of services in the economies of particular trading partners.

- Ensuring that services rules anticipate the development of new technologies. Examples of the potential of new telecommunications, information technologies and the Internet to support trade in services are

obvious in almost every field, from colleges which can teach, hold examinations and grant degrees via the Internet; to home entertainment products delivered by satellite; long-distance environmental monitoring of air and water quality; and advanced health care delivered directly to the home or to rural clinics via telemedicine. Service providers in years to come will find many new opportunities to use new technologies to deliver their products overseas, and should not encounter discrimination based on choice of technology.

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

- Increasing participation in the Basic Telecommunications and Financial Services Agreements: Expanding country participation is a goal in several of our regional initiatives, notably in Africa, and will also be a focus in the Round.

### **CASE STUDY: FINANCIAL SERVICES**

The financial services sector offers a good example of how we hope to proceed.

As I noted earlier, the 1997 Financial Services Agreement was a major step forward in guaranteeing market access across important geographic regions. However, we have significant room to build upon these results. We are consulting closely with U.S. financial services providers (insurance, banking, securities and other financial services) to develop general negotiating priorities, and expect to receive more specific information (including on country barriers) shortly. The U.S. is pursuing a negotiating strategy that is designed to obtain maximum benefits for U.S. suppliers of these services.

For example, we will seek broader and deeper market access commitments from those WTO members participating in the initial liberalization effort and bring in those that failed to make commitments the first time around. To be specific, we will promote improved commitments on commercial presence so that U.S. service suppliers can choose their preferred form of doing business (e.g., as majority joint ventures, 100 percent foreign-owned subsidiaries, or branches). We also will seek improved scope of national treatment commitments. Another key objective will be further commitments for cross-border provision of financial services, including via electronic means.

Once basic rules are enhanced, they should not be undermined by the application of non-transparent, discriminatory or unfair regulatory regimes. We will explore regulatory issues with our trading partners while continuing close consultation with U.S. state and federal level regulators, and bearing in mind the

ability of WTO members to regulate financial services on a prudential measures basis.

We intend to pursue these issues vigorously and through the use of all possible negotiating techniques in the upcoming round of services negotiations. We will work closely with the Committee, work with our colleagues at the Treasury Department, and benefit from the expertise of other Government agencies as well as state and federal regulators in formulating U.S. negotiating positions as the Round approaches.

## **RELATED ISSUES**

### **1. Electronic Commerce**

Separate from the services negotiations, but essential to success, are the U.S. goals in electronic commerce. While we believe broad classification of digital products as goods or services is premature, clearly a number of services -- telemedicine, distance education, some forms of entertainment, news -- can be efficiently and easily delivered electronically. We therefore have a broad program underway at the WTO to help ensure unimpeded development of electronic commerce.

This begins at the Seattle Ministerial with our "duty-free cyberspace" program, in which we are seeking extension of the WTO's current moratorium on application of tariffs to electronic transmissions. We will also embark upon a program to ensure that our trading partners avoid measures that unduly restrict development of electronic commerce; ensure WTO rules do not discriminate against new technologies and methods of trade; accord proper treatment of digital products under WTO rules; and ensure full protection of intellectual property rights on the Net. Together with this is a capacity-building program, to help developing countries develop their ability to use the Internet, speeding their development and technological progress.

### **2. 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, with a special focus on ensuring timely and reliable customs procedures. This 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 the WTO's capacity-building function, to ensure that members are able to make and comply with commitments in the services field. Services trade is a new and highly complicated issue for many WTO members, especially the least developed countries. The National Statements circulated by many of these nations at the WTO's 1998 Ministerial Conference in Geneva, for example, showed a widely shared concern that domestic regulatory agencies are having trouble meeting even existing WTO commitments. As we seek greater participation in the Basic Telecommunications and Financial Services agreements, and liberalization of further sectors, it is essential to address these concerns to ensure that services commitments will have meaning in the real world.

## **PREPARING FOR A SUCCESSFUL NEGOTIATION**

In addition to building consensus on these substantive goals, we are working with other WTO members to create a timetable and process that will ensure that the Round yields significant benefits rapidly.

### **1. Timetable**

One element of this is agreement on a limited time-table for completing the negotiations. At this point, most WTO members agree with us that a three-year schedule would be appropriate.

In practical terms, the schedule 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. Negotiations should begin in earnest at the beginning of 2000, with, as some WTO members suggest, the formal 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.

### **2. Manageable Agenda**

Second, we are working toward consensus on an agenda which meets the top priorities of all participants in the Round, and is broad enough to create political consensus among WTO members; but is also focused and manageable enough to complete within three years. Of particular importance for the services negotiations, many developing countries have raised concerns about a negotiating agenda so large that it

would make implementation difficult. We have stressed this point in a number of international discussions, most recently in Switzerland last week.

### **3. Consultations at Home**

In addition, we are consulting intensively at home on specific objectives for each sector with Congress, industry, labor, and civil society groups, as well as Governors, state regulatory officials, and state legislators. This will continue, of course, beyond the Ministerial through conclusion of the Round.

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.

### **4. Toward Seattle**

Finally, we are working toward consensus on several specific achievements, to be completed by the Ministerial, that will yield concrete benefits, build momentum for the services negotiations and help us achieve our broader goals. These include progress toward an agreement on transparency in government procurement, which is a major purchaser of services worldwide; and as I noted earlier, in electronic commerce, work toward extension of the moratorium on tariffs applied to electronic transmissions.

## **ROLE OF ACCESSIONS AND REGIONAL INITIATIVES**

Last, let me note our services initiatives in two other areas -- the 33 separate negotiations on accessions to the WTO now underway, and the regional initiatives we have begun in Europe, Africa, Asia, the Middle East and the Western Hemisphere. These offer their own immediate benefits for American service providers; but also help us set precedents and develop models for the goals we have set in the Round.

### **1. WTO Accessions**

With respect to the WTO accessions, in the past year we have completed the accessions of Latvia and Kyrgyzstan. Estonia has also completed its accession, and will enter the WTO on November 13<sup>th</sup>. We have completed bilateral negotiations with Albania, Croatia, Georgia and Taiwan; and made significant progress on a number of other accessions, including those of Armenia, Jordan, Lithuania and Oman. Significant progress has also been achieved with respect to China's accession. 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. These set a foundation from which we can work in the WTO Round.

## 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 (FTAA). These talks include a Negotiating Group entirely devoted to trade in services, which like the other FTAA Groups has completed an "annotated outline" of an FTAA services chapter this fall. This will help us 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 - our largest overseas services market, taking over a third of our private sector services exports last year - 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 with the EU toward an agreement setting a framework for negotiating Mutual Recognition Agreements -- that is, agreeing to recognize accreditation or licensing granted under one another's regulatory standards -- in services fields, as appropriate.

Our bilateral work in Japan has similar goals. Our initiatives are aimed at improving access for US firms and professionals to Japan's vast market, through negotiation and enforcement of agreements covering such sectors as insurance and telecommunications. During Prime Minister Obuchi's visit to Washington this summer, through the Enhanced Initiative on Deregulation and Competition Policy we agreed that Japan will take concrete deregulatory measures in sectors including telecommunications, financial services, energy and distribution services, as well as broader horizontal issues such as transparency.

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 --

## **THE ROAD FROM SEATTLE**

Ambassador Charlene Barshefsky

United States Trade Representative

Prepared for Delivery

National Press Club

Washington, DC

November 23, 1999

Good afternoon, and thank you all for coming.

We are now one week away from the World Trade Organization's Ministerial Conference in Seattle. This event, which the United States will host and Chair, will bring 150 nations together to launch a new Round of global trade negotiations; and this Round in turn will help us create the foundation of the next century's world economy.

In the past months, beginning with President Clinton's call for a new Round in his State of the Union Address, our Administration has laid out a detailed and ambitious program for the Ministerial and the new Round. My purpose today, as the event approaches, is to give you a sense of the challenges this agenda will address, and the results it can achieve.

### **THE ACHIEVEMENTS OF THE PAST HALF-CENTURY**

Let me begin with some general thoughts about American trade policy and its record.

The trading system represented by the WTO is the result of fifty years of progress and American leadership -- under ten Administrations and 26 Congresses -- toward a more open, fair and free world economy. We have led in this work through eight negotiating Rounds, from the foundation of the General Agreement on Tariffs and Trade (GATT) in 1948 to the creation of the WTO five years ago, and now the launch of a new Round. And we have done so to advance our own national economic interests; to promote the values of freedom and the rule of law; and to realize the aspiration, shared with our trading partners, of a more peaceful and prosperous world for each succeeding generation.

This effort rests on the understanding that open markets and freer trade are good for both Americans and our trading partners overseas. This is true in economic terms, first of all. With market opening comes growth, opportunity and rising standards of living; producers can sell to wider markets; consumers have greater choice and quality; technological progress accelerates; businesses become more efficient and competitive.

But it is also true in a deeper sense. Our development of the trading system has helped us to realize broader aspirations: the rule of law; a more stable international economy; a stronger peace. With a rules-based trading system that keeps markets open, trading nations rely on law and contract rather than on coercion in good times; and in moments of crisis, the world has a shield against the fears that can lead to cycles of protection and the "beggar-thy-neighbor" policies of the 1930s. And as countries trade more with their neighbors, they gain an interest in prosperity and stability beyond their borders, strengthening the chances of peace.

All these benefits are clear in the record of the past fifty years.

For us, open markets abroad offer the opportunity to export; and exports are essential to a strong economy. Almost 80% of world economic consumption, and 96% of the world's population, is outside the U.S.. If these markets are opened more fully to Americans in the years ahead -- and foreign tariffs and other trade barriers are still substantially higher than ours -- our farmers will face less risk of gluts that drive down prices, and American businesses will gain the economies of scale that enable them to invest in plants, research, and hiring.

Open markets at home are equally important. Imports create the choice, price and competition that raise family living standards. This is true for all families, but most especially the poor. Imports, accompanied by a commitment to education and job training, help American workers specialize in the most technologically sophisticated and financially rewarding fields. And they give businesses access to inputs -- raw materials, parts, business equipment -- that reduce overall costs and therefore improve efficiency and competitiveness.

It is of course true that technological change, rather than trade, is principally responsible for job dislocation in the United States. But it is also true that an open American economy means competition; and competition also means change and adjustment to it. And the government has a responsibility to accompany an open trade policy with a commitment to education, job training, and adjustment.

But most of the changes underway in our economy - falling unemployment, rising wages, rising demand for higher-skilled workers - are unambiguously positive. These are very clear in the past seven years: as the world economy has further opened through the Uruguay Round and nearly 300 other trade agreements our Administration has negotiated, and as we concurrently committed ourselves to fiscal discipline and stronger support for education and job training, we have embarked upon the longest peacetime expansion in our history; created 19 million new jobs; reduced unemployment to 4.1%; and seen family incomes begin to rise again after a long period of stagnation.

On a broader scale, the work of developing the trading system has helped us to create a more prosperous, just and peaceful world. When the work began, our postwar leaders faced a world fragmented and impoverished by the Second World War; the communist experiment in Russia and soon China; and the older economic divisions among the Allies created after World War I through the colonial preference schemes of Britain and France, and then the American Smoot-Hawley tariffs of the Depression era. The core problem was that stated long ago by the Roman historian Livy:

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

That is, in the natural desire for freedom -- for security -- for prosperity -- lie dangerous temptations. Without the rule of law to prevent them, some will act on them -- if only because they fear someone else will do it first. This was precisely the experience between the summer of 1914 and the Depression. And the trading system embodied by the GATT and now the WTO is in essence a network of agreements that defend each of us -- the strongest and the weakest alike -- against such temptations.

And its effects in practice have justified its founders' hopes. Since 1950, global trade has grown fifteen-fold; world economic production has grown six-fold, and per capita income almost tripled. Life has improved nearly everywhere in the world: world life expectancy has grown by twenty years; infant mortality has dropped by two-thirds, and famine has receded from all but the most remote or misgoverned corners of the world. And slowly but steadily, as one region after another has committed itself to the principles of the trading system, peace and stability have strengthened - first in Western Europe; then Southeast Asia; most recently Latin America and Central Europe.

And finally, the trading system has strengthened our guarantees of economic and political security. We see this clearly in the financial crisis: when the world met the test it failed in 1930. During an extraordinarily painful and dangerous period, the respect most WTO members showed for their commitments helped guarantee affected countries the markets essential for their recovery; shielded, to the maximum extent possible, American farmers and manufacturing exporters; and helped avert the political tensions that can arise in economic crisis.

### **... AND THE CHALLENGES OF THE NEXT**

Fifty years on, as we take stock, we see how much we have accomplished.

The immediate tasks of 1948 -- postwar reconstruction; the reintegration of Germany and Japan -- are far behind us. With respect to the industrial tariffs and other formal trade barriers which made up the agenda of the first Rounds, much has been accomplished: based (perhaps a bit simplistically, but not unfairly) on the ratio of trade to world economic production, in 1997 the world regained the degree of openness it had at the outbreak of the First World War. But we also see that much remains to be done; and that new challenges have arisen:

- The decolonization of Africa, Asia and the Middle East, which brought nearly 90 new nations and 2.5 billion people into world trade; and
  
- The end of the Cold War, which has led China, Russia and 28 other nations once governed by Communist central planning to undertake economic reforms at home, and begin reintegrating themselves into the world economy.
  
- The challenge of the scientific and technological revolution, which is now creating new products and even new methods of trade more rapidly than ever before.
  
- And issues related to the quality of life and democratization: environmental protection, guarantees of core labor standards and consumer safety; the broad questions of transparency and citizen access to the institutions of the trading system.

Thus, as President Clinton's first term began with the completion of the Uruguay Round and the creation of the WTO, his second term will close with the opening of a new Round that meets the challenges before us today. The agenda we have developed for it is ambitious; and when completed, will meet the standard of the past fifty years.

## **PROSPERITY AND GROWTH**

Our first challenge is the creation of new opportunities for prosperity and growth through the launch of the Round itself. This is our central mission for Seattle.

### **1. Market Access Agenda**

Here, we respond with an agenda which will further open the world economy; which will meet the priorities of all WTO members; and which is focused enough to complete rapidly, offer concrete benefits in a reasonable time, and ensure that all WTO members, in particular the least developed nations, can participate fully in the talks and win their full benefits.

At the heart of our agenda is aggressive reform of agricultural trade. After fifty years, agriculture must be made fully part of the trading system. The rewards of success will be great: we can build prosperity in rural areas at home and abroad; we can help to raise living standards for consumers, in particular the poorest families who devote the greatest part of their income to food; and we can contribute to the fight against hunger and malnutrition by giving all nations access to diverse, market-priced, and speedily available supplies of food. The agenda we and others seek will meet the challenge. We will seek elimination of agricultural export subsidies -- an especially abusive policy that imposes its greatest burdens on the poorest farmers in developing countries. We will work toward reducing tariffs and other trade barriers, reforming state trading policies, and further reducing trade-distorting domestic supports. And we will begin the work of the next decade, by ensuring that farmers and ranchers can use scientifically proven new technologies without fear of trade discrimination.

Likewise in services, we take up a sector where liberalization has only begun, and which promises vast rewards in economic efficiency, technological progress, and the quality of life. By opening services to trade, we can address some of the weak regulatory practices in law and finance which helped spark the financial crisis. We can promote technological advance in new telecommunications. We can give countries greater access to environmental services as well as goods, and help the world's most advanced hospitals and universities offer health care and education on-line as the information infrastructure improves. And we can create stunning opportunities for prosperity and growth: the services industries -- distribution, telecommunications, finance, audiovisual, environmental services, the professions, construction and others -- make up \$5.5 trillion worth of production in the U.S. alone; 70% of our

economy, and nearly a seventh of the world economy.

And in industrial goods we have equally important opportunities, from high technology to fields such as toys, jewelry and other sectors which are top developing country priorities. Here we can create opportunities for growth and employment in developing and industrial economies, improve price and choice for consumers, and create the economies of scale that support research, development and technological progress.

## **PEACE AND DEVELOPMENT**

Our second challenge is to strengthen peace and promote development.

And we respond with our work towards the completion of the core vision of the GATT system in 1948: a trading system which includes all the world's major nations; gives the world's people greater hope of prosperity and rising standards of living; and strengthens peace by giving nations stronger interests in prosperity and stability beyond their borders.

### **1. End of the Cold war**

Most fundamentally, this means the trade policy response to the end of the Cold War: that is, the integration of the nations now moving away from communist planning systems toward the market. Ten years after the fall of the Berlin Wall, they are the largest group outside the trading system. To bring them in - on commercially meaningful grounds, addressing agriculture, services, industrial goods and rules - is a task with implications for the world's economic and political future comparable to the reintegration of Japan and Germany fifty years ago.

Those nations which have completed the transition - for example, Poland, Hungary and the Czech Republic - have found that the WTO's principles of transparency, open markets and rule of law are also those which help economic reform succeed. That will be true for each new entrant as well. And for our part, as we help these countries integrate themselves into world trade, we strengthen peace by giving their people better economic prospects, and their governments greater interests in world prosperity and stability.

This is a complex task; but it is also an achievable task, and that is clear because it is well underway.

Since its creation in 1995 the WTO has admitted six transition economies: Slovenia, Bulgaria, Mongolia, Kyrgyzstan, Latvia, and - a week ago Sunday - Estonia. This year, we have completed bilateral negotiations with Albania, Croatia and Georgia. We have made significant progress with Armenia, Lithuania and Moldova; and held fruitful discussions with Russia and Ukraine as well. In addition, in the Middle East we have completed negotiations with Jordan, made significant progress with Oman, and held important discussions with Saudi Arabia.

Most recently, we completed our talks with the largest transition economy - the People's Republic of China. The result is a comprehensive agreement covering agriculture, services, industrial goods, unfair trade and investment practices and other rules, with specific and enforceable commitments that will phase in rapidly in each area. China's WTO entry under these terms will open new opportunities for American farmers and businesses; address trade practices designed to draw jobs and research to China from the U.S. and other countries, and ensure that we can address import surges and dumping into our economy rapidly and effectively.

At the same time, this agreement will help commit China to the principles Americans have advanced for many years. The WTO accession is not in itself, nor is intended to be, a sufficient human rights policy: it must be accompanied by active outreach on political prisoners, religious freedom, freedom of association and other issues. But as democracy advocates such as Martin Lee and Chinese dissidents like Ren Wanding have noted, by entering the WTO China accepts principles such as judicial review of government policies and decisions; publication of laws and regulations; and irrevocable openness to the outside world. Likewise, some specific commitments - opening the telecommunications and Internet markets; allowing Chinese people to trade free of government permission -- will help to promote freedom of information and contacts with the outside world. Over time, this can have profound and positive effects. As Mr. Ren put it:

"Before, the sky was black; now it is light. This can be a new beginning."

And internationally, this agreement will mark a qualitative advance in our work to strengthen China's stake in stability and peace in the Pacific region. China's development of trade and investment ties with its neighbors - Japan, South Korea, Southeast Asia - is inseparable from the transformation of its foreign policy from the revolutionary era of the past, to China's present willingness to work with us in such critical areas as the Asian financial crisis and the Four-Party talks in Korea. WTO accession will accelerate this process -- complementing our security policies in the Pacific in the same way it will complement our goals in human rights.

## **2. Integrating the Least Developed**

At the same time, as new members are admitted, we will seek the full integration into the trading system of the least-developed nations - those most deeply afflicted by poverty, hunger and isolation from the world economy.

Our Administration has taken up this challenge in areas well beyond trade. This fall, President Clinton challenged the Congress and the world to forgive 100% of the debts owed by least-developed countries, when debt relief will help finance basic human needs. And Congress has made a strong beginning. But the WTO has a fundamentally important part to play. These nations need enhanced market access, better targeted technical assistance and capacity-building to implement the commitments that help them grow. We are working jointly with the European Union on an initiative along these lines, with the benefit of advice from a number of African and other nations. This will complement the strong program we have already put forward:

- We have broadened our own market access programs, first by expanding the duty-free GSP program, and now through the more ambitious legislative proposals we have put forward for Africa and the Caribbean Basin. We will go on to special tariff commitments in the new Round, to which both developed economies and advanced developing nations should contribute.

- We have also introduced, together with Bangladesh and four African nations, a proposal to improve and expand the WTO's technical assistance programs, and are continuing our efforts to build capacity for the least developed countries in telecommunications, Internet capability, and other modern technologies. Likewise, we are working to improve the WTO's collaboration with other international organizations such as the World Bank and IMF, UNCTAD, the UN Environmental Program, and the ILO.

- And we will ensure that while the negotiating agenda for the new Round takes the priorities of all nations, including the least developed, into account, it is also limited and manageable enough so that all WTO members can meaningfully participate.

## **THE 21<sup>ST</sup>-CENTURY ECONOMY**

Our third challenge is the revolution in science and technology.

And we are responding with a network of agreements that open markets in the key sectors of the 21<sup>st</sup>-century, ensure the strong protection of intellectual property that facilitates research and creativity; and creates the modern regulatory structures that enable new ideas to reach the market swiftly and with

strong protection for consumers.

In the past two years, we laid the groundwork for this in three historic agreements: the Information Technology Agreement, eliminating tariffs on \$600 billion worth of trade in high-tech manufactured goods such as computers, semiconductors and others; the Basic Telecommunications Agreement, opening access to the \$1 trillion-dollar world telecom services market; and the Financial Services Agreement, which covers nearly \$50 trillion worth of financial transactions per year.

The next step is to ensure the unimpeded development of electronic commerce. Its use, first as new method of trade, can spur development in isolated regions, make economies more productive, and raise living standards for consumers. This will begin with our work toward consensus on "duty-free cyberspace" -- that is, extending the WTO's moratorium on the imposition of tariffs on electronic transmissions on the Net. We will build on this with work to address such issues as intellectual property protection, the proper treatment of digital products under WTO rules, and preventing discrimination against new technologies and methods of trade. And we will continue our extensive capacity-building programs to help developing countries gain the capacity to use the Internet, speeding their growth and technological progress.

At the same time, we will begin to consider the implications of biotechnology, which has revolutionized medicine and will soon do the same in agriculture. This is a complex issue; agricultural biotechnology at times raises consumer concerns which we must meet squarely. But it also offers potential benefits - more productive farms, which reduce pressure on land and water; reduced use of pesticides; healthier produce, through reduction of fat content, addition of vitamins, or elimination of allergens - which cannot be overstated. The task here is to develop a consensus for transparent, timely, and science-based regulatory procedures which will both address public concerns and allow us to enjoy the benefits of these innovations.

## **A BETTER WORLD**

And our fourth challenge is to address the issues of the quality of life: the intersection of trade, environmental protection and core labor standards; the demands of democratization.

Americans expect that with economic growth will come a rising quality of life: healthier air and water, safer factories, institutions that are open to public participation. And we are right to expect these things. The high standards we have set in these areas, in fact, have greatly improved American domestic policy. As our economy has grown, we have adopted environmental policies, workplace standards, consumer protections and other measures which mean that a more prosperous nation is also a healthier and safer nation.

These are also questions that arise in the world economy. And a more educated world public, with access to modern technologies, expects us to address them. And our trade agenda responds.

## **1. Environment**

With respect to the environment, we can build on our experience at home: as our economy has grown from \$3.7 to \$8.8 trillion over the past twenty-five years, we have developed modern environmental policies of pollution prevention and cleanup; protection of endangered species and biodiversity; sustainable resource management; and consideration of environmental effects during policy decisions that have significantly improved America's air, water, and public health.

We begin with a fundamental principle: as we open trade, we will maintain the highest standards of environmental, public health and consumer protection, consistent with our commitment to science-based regulation. The WTO recognizes, and has since 1947, the primacy of this right for all nations. And based upon this, we will ensure that our participation in the Round helps us to create a healthier as well as a more prosperous world. The President's signature of an Executive Order requiring early environmental reviews, and the release of the White House Policy Declaration on Environment and Trade, give us a systematic basis on which to proceed.

We will begin with an early environmental review of the Round's negotiating agenda, and work toward increased collaboration between the WTO and the UN Environmental Program. And in the Round, we will seek a series of measures that contribute both to a more open trading world and better environmental practices: the opening of trade in environmental goods and services; the elimination of agricultural export subsidies; and the elimination of fishery subsidies that contribute to overcapacity. As we do so, we will use the WTO's Committee on Trade and the Environment to identify and consider the environmental implications of the negotiations as they proceed.

## **2. Trade and Labor**

The WTO can also help to strengthen respect for internationally recognized core labor standards. Here, again, our record at home shows that a growing economy goes together with rising labor standards; to choose just one example, as manufacturing production has doubled since 1970, the number of workplace deaths has fallen 60%. And common sense indicates that when children spend their days in sweatshops rather than in the classroom, prospects for future national growth and competitiveness in a high-technology world recede.

Here, we begin at the very beginning: the WTO, in a formal sense, does not recognize that links between trade and labor exist. This is not a position which can endure: it is intellectually indefensible, and it will over time weaken public support for the trading system. Our task, therefore, is to ensure that the WTO recognizes that links between trade and labor policy do exist, and discusses them in a serious manner.

Thus we are not only seeking closer collaboration between the WTO and the International Labor Organization, but also creation of a Working Group on Trade and Labor to examine seriously, in cooperation with institutions like the World Bank and the ILO, questions such as safety nets, the relationship between trade and internationally recognized core labor standards, and the best means of adjustment to heightened competition. This is a very high priority for our Administration, in its own right and as a matter of the trading system's foundation of public support in the future.

### **3. WTO Reform.**

And we are working toward reform and opening to the public of the WTO itself. The case for this is fundamental. At home, our government has succeeded for two hundred years because it is open and accountable; if international institutions are to succeed, people must likewise see them as open and accountable. This has always been true, but it is more urgent than ever today, as improving education and modern telecommunications open institutions to ever greater scrutiny and debate.

The WTO does not yet fully meet this test, and that is, ultimately, a challenge to its future. Thus we are working for greater transparency throughout the system, through the progressive attainment of some practical goals: ensuring rapid release of documents, enhancing the input of citizens and citizen groups; providing the opportunity to file amicus briefs in dispute settlement proceedings, and opening those proceedings to public observers. These are the measures which create the foundation of public support for the institutions of government at home; and they will do the same for the institutions of the trading system.

### **CONCLUSION: THE MINISTERIAL AND THE YEARS AHEAD**

Prosperity and growth; peace and development; scientific and technological progress; a better world. For

fifty years, we have led in the creation of a worldwide trading system that helps us realize these aspirations. It has been an era of great vision; and achievement to match that vision. And in Seattle, as we close the book on these decades, we can open a new era whose accomplishments build upon and transcend those of the past.

An era in which peace strengthens; poverty and hunger recede into the past, and the world enjoys more security in the present and better hopes for the future.

In which nations grow more fully accept the principles of open markets, the rule of law, and peaceful settlement of disputes.

In which factories are safer, children are in school rather than at work, the air and water are clean and our natural heritage flourishes.

And we build a system of international laws and institutions that are transparent and accountable; that meet the standards of a more democratic and open world; and that will endure.

Thank you very much.

## Remarks To International Confederation of Free Trade Unions

Ambassador Charlene Barshefsky

U.S. Trade Representative

WTO Ministerial Conference

Seattle, Washington

November 29, 1999

Good afternoon, and thank you all for inviting me to speak with you today.

Let me begin by congratulating the International Confederation of Free Trade Unions on your fiftieth anniversary. For five decades, the ICFTU has been a voice of freedom and hope for the world's working people. And there is nothing more appropriate than for us to meet here, as the ICFTU's friends and member unions commemorate fifty years of work for democracy and economic opportunity; and as we also mark, in the World Trade Organization's Ministerial Conference, fifty years of work to create an open and fair world trading system.

### THE TRADING SYSTEM AND THE FREE TRADE UNIONS

It is no accident, I believe, that the ICFTU and the trading system were founded together in the postwar era, and have grown together ever since.

In some ways, these two institutions are very different. But at the most fundamental level, at their inception in the 1940s they reflected the ideals of the western democracies in the postwar era: the rule of law, the rights of the individual, the aspiration for broadly shared prosperity. And it is no accident, I believe, that the nations whose workers join in the ICFTU are also the nations whose governments joined to form the General Agreement on Tariffs and Trade, and which, over 50 years, developed it into

today's World Trade Organization.

Here in Seattle, we are commemorating these past fifty years. And we are right to take great pride in our accomplishments. Because these have been decades of progress unmatched ever before in human history.

Since 1950, as the world economy has opened, global trade has grown fifteen-fold; world economic production has grown six-fold; and per capita income almost tripled. These developments in turn have catalyzed a remarkable improvement in daily life, throughout the world: world life expectancy at birth was 48 years in 1955; it is nearly seventy today; infant mortality has fallen by nearly two-thirds, from 148 per thousand births in 1955 to 59 in 1995; and famine has receded from all but the most remote or misgoverned parts of the world.

In the United States, especially in the past seven years, we have seen equally remarkable benefits. Today, unemployment stands at 4.1%. This is the lowest figure in thirty years, meaning that few Americans on the job today have ever worked in an environment which offers more rewards or more opportunities.

Likewise, in Latin America, Africa, Southeast Asia and Central Europe, we have seen a slow but steadily rising tide of freedom and democratic change. This would have been inconceivable without the courage of union activists in Poland, South Africa, and elsewhere; and the support the ICFTU and its members, including in a place of honor America's own AFL-CIO, gave them for so many years.

At the same time, the reform process in these nations would have been far less without the principles of transparency, market opening and the rule of law which the trading system helps to advance. Minister Steinhoff of Poland recalled this at our WTO Ministerial Conference in Geneva last year:

"Poland's accession to GATT in 1967 helped us to retain institutional links with the international marketplace at the time when my country was still subjected to a political and economic system alien to the aspirations and entrepreneurial spirit of its people... Our participation in the GATT/WTO framework has helped to consolidate reform."

This experience should be a source of great pride to all of us. And it is continuing as we speak. In the past five years, as nations from Slovenia and Bulgaria to Latvia, Estonia, Kyrgyzstan and Mongolia have joined the WTO, they have also adopted the institutions of a free society. And as others - Albania, Croatia, Georgia, China - do the same, we see the promise of a still more free and peaceful world in the years ahead.

## THE CHALLENGE AT HOME

With this record of success, however, have come a set of challenges that all of us - in government, in the labor movement, in business and in other non-governmental organizations - must work together to address.

To create a world of fair and open trade under the rule of law is to accept an open economy for ourselves. That has many benefits: it sets high standards for ourselves; it opens new possibilities for our working people and industries; and reduces the cost of the essentials of life for everyone, most especially the poor. But an open economy also means competition; and competition means change and adjustment to it. And governments, together with working people and industry, must respond.

Much of this response lies in the field of domestic policy. In all our nations, governments have a responsibility to accompany an open trade policy with a commitment to education, job training, and safety nets. This has been the fundamental commitment of the Clinton Administration over the past seven years, from the approval of the Family and Medical Leave Act in 1993 to the work Secretary Herman has done to improve and strengthen job training, the President's successful fight to give America's schools \$1.3 billion to hire 100,000 new teachers this year, and \$453 million for after-school programs for students; and the battle to raise the minimum wage and strengthen guarantees of health care.

But some of the response must also come from the trading system.

## THE CHALLENGE TO THE TRADING SYSTEM

This is what has brought so many union leaders, and so many working people, to Seattle. And in fact, all of us, in our own ways, have come to Seattle for the sake of change.

All of us hope to build a better trading system in the next century. One which does more to create job opportunities and rising living standards in all our countries. One which is more able to support economic development in the world's poorest regions. One which builds upon and transcends the efforts of our predecessors to strengthen the rule of law and create an open, fair world economy for the generations to come.

At the foundation of the trading system, the postwar allies were just beginning the work of reconstruction. The work they did was right for the moment; and much more can be done in the new Round to create prosperity and growth by opening markets. But today we must go further.

## 1. Trade and the Environment

We must, for example, take up the links between trade and the environment.

Here, the United States begins with a fundamental principle: as we open trade, we will maintain the highest standards of environmental, public health and consumer protection, consistent with our commitment to science-based regulation. The WTO recognizes, and has since 1947, the primacy of this right for all nations. And based upon this, we will ensure that our participation in the Round helps us to create a healthier as well as a more prosperous world.

The President's signature of an Executive Order requiring early environmental reviews, and the release of the White House Policy Declaration on Environment and Trade, give us a systematic basis on which to proceed. We will begin with an early environmental review of the Round's negotiating agenda, and work toward increased collaboration between the WTO and the UN Environmental Program. And in the Round, we will seek a series of measures that contribute both to a more open trading world and better environmental practices: the opening of trade in environmental goods and services; the elimination of agricultural export subsidies; and the elimination of fishery subsidies that contribute to overcapacity. As we do so, we will use the WTO's Committee on Trade and the Environment to identify and consider the environmental implications of the negotiations as they proceed.

## 2. WTO Reform and Transparency

And we are working toward reform and opening to the public of the WTO itself. The case for this is fundamental. At home, our government has succeeded for two hundred years because it is open and accountable; if international institutions are to succeed, people must likewise see them as open and accountable. This has always been true, but it is more urgent than ever today, as improving education and modern telecommunications open institutions to ever greater scrutiny and debate.

The WTO does not yet fully meet this test, and that is, ultimately, a challenge to its future. Thus we are

working for greater transparency throughout the system, through the progressive attainment of some practical goals: ensuring rapid release of documents, enhancing the input of citizens and citizen groups; providing the opportunity to file amicus briefs in dispute settlement proceedings, and opening those proceedings to public observers. These are the measures which create the foundation of public support for the institutions of government at home; and they will do the same for the institutions of the trading system.

## TRADE AND LABOR

And we must take up, in a serious way, the links between trade and labor.

Today, in a formal sense, the WTO does not recognize that links between trade and labor exist. This is not a position which can endure: it is intellectually indefensible, and it will over time weaken public support for the trading system. Our task, therefore, is to ensure that the WTO recognizes that links between trade and labor policy do exist, and to confront them, avoiding both superficially easy alternatives of ducking the issues or pretending there are easy answers.

Thus we are not only seeking closer collaboration between the WTO and the International Labor Organization, but also creation of a Working Group on Trade and Labor to examine seriously, in cooperation with institutions like the World Bank and the ILO, questions such as safety nets, the relationship between trade and internationally recognized core labor standards, and the best means of adjustment to heightened competition. This is a very high priority for our Administration, in its own right and as a matter of the trading system's foundation of public support in the future.

The topics we propose to address in this Group are:

- *Trade and employment* - examination of the effect of increased international trade and investment on levels and composition of countries employment;
- *Trade and social protections* - the examination of the effect of increased international openness in trade and investment and the scope and the structure of basic social protections and safety nets in developed and developing countries;
- *Trade and core labor standards* - the examination of the relationship between economic development,

international trade and investment, and the implementation of core labor standards;

- *Positive trade policy incentives and core labor standards* - the examination of the scope for positive trade policy incentives to promote implementation of core labor standards;

- *Trade and forced or exploitive child labor* - the examination of the extent of forced or exploitive child labor in industries engaged in international trade; and

- *Trade and derogation from national labor standards* - the examination of the effects of derogation from national labor standards (including to export processing zones) on international trade, investment and economic development.

If the Ministerial adopts such a proposal, it will help us review and analyze, as the new Round proceeds, some of the issues of greatest concern to workers and families in many countries: respect for core labor standards; jobs; adjustment to competition and technological advance. This Group's work would be enhanced by collaboration with the International Labor Organization, the international financial institutions, and the UN Conference on Trade and Development.

We are also therefore seeking WTO observer status for the International Labor Organization, and we are very pleased to welcome Director-General Somavia to this Ministerial as a first step. The ILO, as the preeminent international labor organization, with a record of accomplishment in negotiating a new convention on the most abusive forms of child labor and the Declaration on Fundamental Principles and Rights at Work and Its Follow-up, is central to the success of any effort to address trade and labor through international institutions.

## CONCLUSION

These are issues the trading system has not taken up in the past. To form a working group -- in fact, to give formal recognition to the links between trade policies and labor issues -- is a new departure for countries of the WTO.

But the achievements of the past fifty years should give us the confidence to tackle not only those tasks which appear to be difficult, but those which seem impossible.

Since the foundation of the GATT in 1948, and the ICFTU in 1949, a shattered and impoverished world has produced the greatest era of economic growth, technological progress, job creation and rising standards of living ever seen on earth.

The values and institutions of freedom have spread from the embattled democracies of Western Europe and North America around the world to Asia, Latin America, Africa and Central Europe.

And in all these regions, young people are growing up with more hope and confidence in their future than ever before.

That is a tribute to the idealism and determination of our predecessors; and it is a sign of what we can accomplish in the years ahead.

Thank you very much.

## Remarks at the WTO Ministerial NGO Forum

Ambassador Charlene Barshefsky

U.S. Trade Representative

Seattle, Washington

November 29, 1999

Good morning. As Chair of this Third WTO Ministerial Conference, and on behalf of the United States Government, I welcome each of you to Seattle and I thank you all for coming.

I also thank Director-General Moore for his leadership and vision in sponsoring this Civil Society Day; and each of the distinguished representatives of the non-governmental world from academia, business, agriculture, environmental, labor and other organizations who will appear before us today.

We have come here to participate in an historic event. In the days ahead, we will, in effect, close the book on the past fifty years of international trade policy, and open the door to a new century. And as we think about the tasks we will face in the days and years to come, it would be fitting for us to look back upon the accomplishment of our predecessors.

The trading system Director-General Moore heads today dates back to the postwar era: to the decision of 23 nations to join in the creation of the General Agreement on Trade and Tariffs in 1948.

Their world was very different from ours today. It was impoverished and fragmented: by the Second World War; by the Communist experiment; and by the trade barriers set up between the World War I and World War II, which did so much to deepen and prolong the Depression. And in the light of their experience the GATT founders responded with a far-sighted and generous vision, expressed so well by our wartime leader, President Franklin Roosevelt:

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

Since then, through eight negotiating Rounds capped by the creation of the WTO in 1995, in America, under a bipartisan commitment stretching from Roosevelt through Kennedy to President Clinton today; we have worked together - each of us with our own goals in mind; but, at our best, also mindful of the broader mission of open markets, mutual benefit, and shared destiny.

- We have reduced tariffs by 90%, and broadened our agenda to include agriculture, services, technical standards, subsidies, intellectual property, dispute settlement and many other issues.

- And we have expanded membership, from the original 23 GATT members to today's 135 WTO members, extending the trading system's principles of open markets, transparency and rule of law throughout the world.

These have never been easy decisions. To accept an open economy is to set high standards for ourselves; to accept competition, and the change and adjustment that come with it. Each of us must accompany an open trade policy with a commitment to education, job training, and adjustment. But each of us also can observe that to accept an open economy is to open new possibilities for our working people and industries; reduce the cost of the essentials of life for the poor; and accept our responsibilities to one another. And this is clear in the remarkable developments since the GATT founders met fifty years ago.

- Since 1950, global trade has grown fifteen-fold; and per capita income almost tripled.

- Daily life has improved for billions of people: since 1950, world life expectancy has grown by twenty years; infant mortality dropped by two-thirds; the threats of hunger and famine receded; and the trading system deserves substantial credit for this.

- And the divisions between nations have eased, as first Germany and Japan were reintegrated into the trading system following World War II; then much of the post-colonial world; and now the transitional economies breaking with communist central planning practices. And as they integrated themselves into

the world economy, these groups of nations also have seen their stake in a world governed by mutual benefit and the rule of law grow; and thus the chance for a lasting peace has strengthened.

If we pause, before opening this Ministerial Conference, to take stock of the record, we can see that it is very good. The great task of postwar reconstruction is far behind us. And in some of the other early challenges - reducing the trade barriers of the Depression years; responding to decolonization - while much remains to be done, we have also made great progress. But as time has passed, a new set of responsibilities has arisen:

- The response to the end of the Cold War, as countries once run by communist planning systems seek to rejoin the world economy.

- The full integration of the least developing countries - those nations most afflicted by poverty, hunger, and want - into the modern world economy.

- The challenges and opportunities presented by the technological revolution, in areas such as electronic commerce, telecommunications, and biotechnology.

- The protection of the environment we hold in trust for future generations from pollution and rising pressure on land, water and natural resources.

- The guarantees of respect for the internationally recognized core labor standards: freedom from forced labor and abusive child labor, the right to freedom of association and collective bargaining, the end of discrimination.

- And the reality, which all institutions including the trading system face, that as education improves and new communications technologies appear, that practices at odds with principles of openness and transparency are not only outdated, but cause for suspicion and loss of faith.

These are the challenges before the Ministerial Conference today. They are profound and difficult; many of the most unassailable propositions on labor, environment and transparency are not accepted by many countries. But when we consider the challenges of the postwar generation and their accomplishment, we must be similarly farsighted and absolutely determined.

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The goal is to create a world economy in which more open trade offers opportunities for prosperity and growth for farmers, working people and entrepreneurs. Which helps families, in particular the poor, raise living standards by offering greater choices of goods at better prices. Which helps the developing world take its rightful place in the trading system. Which contributes to the fight against hunger, by reducing barriers to the flow of food around the world. Which takes full advantage of the potential of the scientific and technological revolution. And which recognizes that labor, environment and transparency-related issues are not poor cousins, but must bear weight in the 21st-century economy. And this Civil Society Forum is a sign that the WTO is beginning to respond to the last and perhaps most important challenge: that of democratization.

Today, we will receive and exchange ideas and advice from academics, farmers, business executives, labor leaders, scientists, consumer representatives, women's groups, environmental leaders and religious figures. It will be a day of intense substantive discussion, which will help the Ministerial as it proceeds towards the launch of the new Round. And just as important, it will open the Ministerial on a note of openness and transparency.

Thus, this event will help us ensure that in the next five decades as in the last, the trading system will continue to raise living standards for the world's people; strengthen peace among the world's nations; and meet the needs and concerns of the public it is here to serve.

Thank you very much.

## Remarks to Africa Symposium

Ambassador Charlene Barshefsky

U.S. Trade Representative

WTO Ministerial Conference

Seattle, Washington

November 30, 1999

Good afternoon.

On behalf of the United States government, and as Chair of this Third WTO Ministerial Conference, let me welcome all of you to Seattle, and to this Symposium for African delegations. As we begin, I would like to say a few words about our own African trade policies and our opportunities to work together in the Round.

This can be summed up in the opening of President Clinton's address to the South African Parliament two years ago. For many years, as the President said, we asked questions like:

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

### COMMON INTERESTS

Each member of our foreign policy and economic team acts in this spirit. In trade policy, over the past two years we have listened to African ideas and concerns -- at the last WTO Ministerial Conference in

Geneva; in the historic US-Africa Ministerial many of you attended in March; and in my own discussions with leaders and Ministers from Ghana, South Africa, Mozambique, Senegal, Nigeria and many other nations. And the conclusions we drew were as follows:

-- Africa's prospects are good. African economic and political reforms over this decade have brought results: since 1994, inflation is down, growth is up, and our trade with Africa -- both exports and imports -- has grown.

-- Africans appear to have a policy consensus on trade which we can support, and which will promote further reform and growth. This includes support for regional economic integration; technical assistance as African governments make commitments in complex areas like services, agricultural standards and intellectual property; and market access in areas of comparative advantage for Africa like textiles and agriculture.

-- And the WTO can help us reach these goals together. It can help African governments create more competitive economies, by making commitments to open markets for goods. It can help African nations attract investment and rapidly improve their technological base, as Ghana and Uganda have done by joining the WTO agreements on Financial Services and Basic Telecommunications. And by further opening world markets to African products in the new Round, it can help promote growth and employment.

## AFRICAN TRADE POLICIES

Our own American policy initiatives will contribute to these goals.

Beginning in 1997, we have expanded our duty-free GSP program to include nearly 2000 new products, and devoted more people and resources to developing trade with Africa. This has helped Africa raise its non-energy exports to the U.S. by nearly \$1 billion, including an increase of over 50% in African textile exports. We have also launched the Leland Initiative, a five-year, \$15 million U.S. government effort to extend full Internet connectivity to over 20 African countries.

And this will go much further. We have won broad Congressional support for the African Opportunity and Growth Act, which will extend a range of duty-free privileges for ten years to reforming African countries, and ensure that quotas do not restrict African textile exports.

And to this we have added President Clinton's historic proposal to forgive 100% of the debt owed by least-developed countries, when relief will help finance basic human needs.

## THE WTO AGENDA

At the same time, we have worked with our African trade partners to ensure that the new Round, and the general work of the WTO, will meet Africa's priorities.

First, we are working toward an agenda that opens world markets more fully to African products. In the new Round, both developed and the more advanced developing countries should commit to remove tariffs on products from the least-developed countries. We are also pushing for reforms of agricultural trade, including both removal of trade barriers and the elimination of export subsidies, that open new opportunities and strengthen guarantees of fairness for African farmers.

Second, we are also ensuring that while the negotiating agenda for the new Round meets the top priorities of all participants, it is also focused and manageable enough so that all WTO members can fully participate.

And third, we have developed, jointly with Lesotho, Nigeria, Senegal and Zambia, a proposal to the WTO's General Council on the exceptionally important topic this Symposium will address: strengthening and improving the WTO's technical assistance and capacity-building functions. This will help ensure that all African participants in the WTO can take the practical, day-to-day steps that yield the system's benefits:

- Participation in all WTO agreements, notably those dealing with complex issues like regulation of services, protection of intellectual property, and development of strong sanitary and phytosanitary standards for agriculture. These are the agreements which help countries reach foreign markets and attract investment.

- Use of the dispute settlement mechanism, so that African countries are fully able to assert their rights.

- And participation in formation of the trading system's agenda for the future.

## CONCLUSION

At that, of course, is already happening - as, at this Ministerial Conference, we see the remarkable contribution Africa is making to the development of the trading system of the 21<sup>st</sup> century.

In Chairman Mchumo's direction of the General Council over the course of this year; at the NGO Forum on Monday, where we heard from African business leaders, labor union heads and environmentalists; in this Symposium today, Africa is taking its rightful place as a shaper of the future world economy. I am very proud that we are, in the President's words, working with Africa to make it happen.

## INTRODUCTION, MEMBERS OF CONGRESS AND THE OAU

With us today, to also welcome you to this symposium and to Seattle are Senator William Roth and Congressman Jim McDermott, as well Assistant Secretary General of the Organization of African Unity/African Economic Unity Ambassador Vijay Makhan.

These members of Congress have been champions of African interests and have been vital in our combined efforts to achieve passage of the African Growth and Opportunity Act. As Chairman of the Senate Finance Committee, Senator Roth led the way for passage of the African Growth and Opportunity Act, which passed by an overwhelming margin. Congressman McDermott was a leader in the House on the bill as well.

Both members are critical to the formation of American trade policy, especially with respect to Africa. They are committed to American leadership in maintaining an open trading system that promotes the development of all countries.

These Members of Congress demonstrate that when it comes to doing what is best for America and the world, our political system can work.

Mayor Wellington Webb is also here to welcome you. In addition to being Mayor of Denver, Colorado, Mayor Webb is also President of the U.S. Conference of Mayors. He has been a leader in working to promote closer U.S.-Africa ties and enhanced relations between American and African private as well as

public sectors.

Lastly, I want to express my appreciation for Ambassador Vijay Makhan's participation in this symposium. I had the pleasure of co-chairing with Ambassador Makhan a special U.S.-Africa roundtable on bilateral and multilateral trade issues during the U.S.-Africa Ministerial in March.

I am very pleased these distinguished Members of Congress, Mayor Webb, and Ambassador Makhan could be here today. I ask you now to join me in a warm welcome for the Honorable Senator William Roth.

## Opening Remarks

Ambassador Charlene Barshefsky

U.S. Trade Representative

WTO Ministerial Conference

Seattle, Washington

November 30, 1999

Distinguished Ministers, Director-General, Delegates, I call the meeting to order.

As Chair of this Ministerial Conference, and as United States Trade Representative, I thank you all for coming; I welcome you on behalf of the President and the United States government; and I also offer my sincere thanks to the people of Seattle, Governor Locke and Mayor Shell for the hard work they have done to prepare for this historic event.

As we open the World Trade Organization's Third Ministerial Conference this morning, it may be appropriate to reflect on the distance we have come to reach this point.

In 1948, the founders of the General Agreement on Tariffs and Trade took a world shattered by war; divided by ideology; fragmented and impoverished by the trade barriers erected in the 1920s and 1930s.

They had the courage and vision to imagine a different and better world. A world united by ties of mutual interest and shared benefit; a world reflecting the principles of peaceful settlement of disputes and the rule of law; a world which offered its people new opportunities for employment, rising living standards, and a stronger peace, as nations gained a stronger economic stake in peace and stability beyond their borders.

They and their successors, from the era of Truman and Churchill down to each of us here this morning, have worked together to make their vision reality. Over the years:

- We have created a network of agreements that promote prosperity and growth, promote scientific and technological progress, and strengthen the rule of law.
  
- We have responded to the political challenges of five decades: the era of reconstruction after the Second World War; the era of decolonization, from which over 90 nations have emerged as members of the WTO; and now the end of the Cold War, as the principles of the trading system help economic reform succeed.
  
- And as a result, we have created an era of growth and human progress unmatched at any time in history. As trade has grown sixteen-fold, the world economy has grown six-fold; per capita income nearly tripled; and daily life immeasurably improved.

Today, we turn the page on this era of achievement. And we open a new chapter, taking up the challenges of the 21st century in the first Round of global trade negotiations since the creation of the WTO. The agenda before us is broad:

- We can do more to create prosperity and growth by reducing the trade barriers, trade-distorting subsidies, and weaknesses in customs practices which limit the horizons of the world's farmers, entrepreneurs and service providers.
  
- We can do more to promote development in the world's least-developed nations, by opening markets and improving technical assistance and capacity-building, to give these countries their rightful place in the trading system.
  
- We can strengthen peace in the next century, by helping to ensure that China, Russia and the other nations now reforming their economies in the aftermath of the Cold war to join the WTO, on commercially meaningful grounds.
  
- We can respond to the challenge of the scientific and technological revolution, which is now creating

new products and even new methods of trade more rapidly than ever before.

- We can ensure that the trading system does its part to protect the environment we hold in trust for future generations, and we can help to strengthen guarantees of respect for internationally recognized core labor standards.

- And we can and must respond to the fact that, in this 21<sup>st</sup>-century world, practices at odds with principles of openness and transparency are outdated; and the broadening of transparency and public access helps to both improve policies and give them broader foundations of public support. The right to be heard is fundamental. Issues raised in peaceful protest should be discussed, to ensure continued public commitment to an open trading system.

These are the tasks before us. As we take them up, we build upon a very strong foundation: fifty years of dedication and patient labor to create an institution which helps us realize our peoples' hopes of prosperity and growth; of peace and development; of scientific and technological progress; of a better world.

It has been an era of great vision; and achievement to match that vision. And over the course of this week, we can open a new era whose accomplishments build upon and transcend the past. That is our historic mission: let us prove equal to it.

I would now like to welcome our the Secretary of State Ambassador Madeleine Albright, together with the Director-General of the WTO, Mr. Mike Moore, the three Vice-Chairpersons of the Ministerial Conference, and the Chairman of the General Council. May I also welcome the Secretary-General of the United Nations, Mr. Kofi Annan, who is with us today. I would also like to extend a special welcome to the first Director-General of the WTO, Mr. Renato Ruggiero, who led the organization through the first years of its existence.

With us today to open the Conference is someone whose sense of history, and whose personal experience of the changes of the past fifty years are unmatched.

Madeleine Albright is America's Secretary of State and the President's senior Cabinet advisor. By training she is a scholar; by career a diplomat and public servant; by temperament, conviction and life experience, an unswerving advocate of the principles the WTO embodies: freedom, fairness, opportunity, the rule of law, the open society.

Her arrival in the United States came just six months after the foundation of the trading system. The child of a diplomatic family, she left Czechoslovakia to escape an oppressive political system. She has been a teacher, a participant in American political debates, and a public servant. And five decades after her arrival in New York, as our Ambassador to the United Nations and as Secretary of State, she has played a central part in, among many other historic events, the rebirth of freedom throughout Central Europe.

Today, the Secretary is an inspiration to millions of American women. She is at the center of the Clinton Administration's foreign policy, with respect to both our security policies and our economic and trade initiatives. And it is our great honor to receive her as the welcoming speaker of this Conference.

I ask you now to join me in a warm welcome for the Honorable Madeleine Korbelt Albright, and I invite the Secretary of State to speak.

## Opening Remarks

Ambassador Charlene Barshefsky

U.S. Trade Representative

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They and their successors, from the era of Truman and Churchill down to each of us here this morning, have worked together to make their vision reality. Over the years:

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Today, we turn the page on this era of achievement. And we open a new chapter, taking up the challenges of the 21st century in the first Round of global trade negotiations since the creation of the WTO. The agenda before us is broad:

- We can do more to create prosperity and growth by reducing the trade barriers, trade-distorting subsidies, and weaknesses in customs practices which limit the horizons of the world's farmers, entrepreneurs and service providers.
  
- We can do more to promote development in the world's least-developed nations, by opening markets and improving technical assistance and capacity-building, to give these countries their rightful place in the trading system.
  
- We can strengthen peace in the next century, by helping to ensure that China, Russia and the other nations now reforming their economies in the aftermath of the Cold war to join the WTO, on commercially meaningful grounds.
  
- We can respond to the challenge of the scientific and technological revolution, which is now creating

new products and even new methods of trade more rapidly than ever before.

- We can ensure that the trading system does its part to protect the environment we hold in trust for future generations, and we can help to strengthen guarantees of respect for internationally recognized core labor standards.

- And we can and must respond to the fact that, in this 21<sup>st</sup>-century world, practices at odds with principles of openness and transparency are outdated; and the broadening of transparency and public access helps to both improve policies and give them broader foundations of public support. The right to be heard is fundamental. Issues raised in peaceful protest should be discussed, to ensure continued public commitment to an open trading system.

These are the tasks before us. As we take them up, we build upon a very strong foundation: fifty years of dedication and patient labor to create an institution which helps us realize our peoples' hopes of prosperity and growth; of peace and development; of scientific and technological progress; of a better world.

It has been an era of great vision; and achievement to match that vision. And over the course of this week, we can open a new era whose accomplishments build upon and transcend the past. That is our historic mission: let us prove equal to it.

I would now like to welcome our the Secretary of State Ambassador Madeleine Albright, together with the Director-General of the WTO, Mr. Mike Moore, the three Vice-Chairpersons of the Ministerial Conference, and the Chairman of the General Council. May I also welcome the Secretary-General of the United Nations, Mr. Kofi Annan, who is with us today. I would also like to extend a special welcome to the first Director-General of the WTO, Mr. Renato Ruggiero, who led the organization through the first years of its existence.

With us today to open the Conference is someone whose sense of history, and whose personal experience of the changes of the past fifty years are unmatched.

Madeleine Albright is America's Secretary of State and the President's senior Cabinet advisor. By training she is a scholar; by career a diplomat and public servant; by temperament, conviction and life experience, an unswerving advocate of the principles the WTO embodies: freedom, fairness, opportunity, the rule of law, the open society.

Her arrival in the United States came just six months after the foundation of the trading system. The child of a diplomatic family, she left Czechoslovakia to escape an oppressive political system. She has been a teacher, a participant in American political debates, and a public servant. And five decades after her arrival in New York, as our Ambassador to the United Nations and as Secretary of State, she has played a central part in, among many other historic events, the rebirth of freedom throughout Central Europe.

Today, the Secretary is an inspiration to millions of American women. She is at the center of the Clinton Administration's foreign policy, with respect to both our security policies and our economic and trade initiatives. And it is our great honor to receive her as the welcoming speaker of this Conference.

I ask you now to join me in a warm welcome for the Honorable Madeleine Korbelt Albright, and I invite the Secretary of State to speak.

## Remarks of Ambassador Charlene Barshefsky

### Closing Plenary

December 3, 1999

Let me begin by offering my sincere thanks to Director-General Moore, to our Working Group Chairs and Co-Chairs, the WTO Secretariat, and to each of the delegations representing their governments here at this Ministerial, for their very hard and productive work over the past week. I would also like to thank our hosts in the Seattle community for their hospitality and patience during a sometimes very difficult week.

Over the past four days, we engaged in intense discussion and negotiations on one of the core questions facing the world today: the creation of a global trading economy for the next century. The delegates have taken up some of the most profound and important issues and policy decisions imaginable, including issues that previous Rounds could not resolve, and matters that have not come before the trading system in the past. They took up these issues with good will and mutual respect, and made progress on many of them.

However, the issues before us are diverse, complex and often novel. And together with this, we found that the WTO has outgrown the processes appropriate to an earlier time. An increasing and necessary view, generally shared among the members, was that we needed a process which had a greater degree of internal transparency and inclusion to accommodate a larger and more diverse membership.

This is a very difficult combination to manage. It stretched both the substantive and procedural capacity of the Ministerial, and we found as time passed that divergences of opinion remained that would not be overcome rapidly. Our collective judgment, shared by the Director-General, the Working Group Chairs and Co-Chairs, and the membership generally, was that it would be best to take a time out, consult with one another, and find creative means to finish the job.

Therefore, Ministers have agreed to suspend the work of the Ministerial. During this time, the Director-General can consult with delegations and discuss creative ways in which we might bridge the remaining areas in which consensus does not yet exist, develop an improved process which is both efficient and fully inclusive, and prepare the way for successful conclusion. The Ministerial will then resume its work.

Again, I wish to thank Director-General Moore, the Seattle community, and all our delegations for their hard work and their participation in these talks. Our work together has been a honor and a privilege for me, and I look forward to its continuation in the weeks and months ahead.