DIRECTOR'S FORUM LECTURE ON TRADE AND DEVELOPMENT

Ambassador Charlene Barshefsky

U.S. Trade Representative

The Peace Corps

Washington, DC

June 20, 2000

Thank you very much. Let me thank Director Schneider for inviting me to speak with you this morning, and express my appreciation to all of you for coming today.

I am very pleased to be here at the Peace Corps, because we share a great deal with you. To begin with, we are a small agency -- one of the few smaller than the Peace Corps - and among our employees we have six returned Peace Corps volunteers: Christina Lund, Deputy Director of our China office and a volunteer in the Congo; Teresa Howes, our China agriculture negotiator, who served in Thailand; our telecom expert Jonathan McHale, and Mark Sloan in our agriculture office, both of whom served in Morocco; Joe Ripley in our Africa office, a veteran of South Korea; and one of our newest interns, Shawna Turner, who served in Malawi. We also of course share a Press Secretary, Brendan Daly.

And we share with the Peace Corps a common origin. The Peace Corps, the Office of the U.S. Trade Representative -- and I should add the Agency for International Development -- all date to the Administration of John F. Kennedy. All three represent his vision and his confidence in the capacity of America's energy and ideals to change the world for the better; all three, in our different ways, share the mission he defined in creating the Peace Corps - to create for the world:

"That decent way of life, which is the foundation of freedom and a condition of peace."

U.S. TRADE POLICY

This is the mission Peace Corps volunteers take up in the most practical and effective way, working directly with schools, families and local governments to teach young people, link villages to the Internet, and train aspiring entrepreneurs. Our task at USTR is different but inseparably related: as the Peace Corps helps to educate students, provide training in business skills and link villages to the Internet, our task is to create the framework of open markets and economic stability that enables people and nations to take advantage of these skills.

Our work rests on economic logic: exports let us serve larger markets and are generally associated with higher-paying jobs; imports increase competition and economic efficiency, dampen inflation, and raise the standard of living, especially for the poorest families. But we base policy not only on theory but on practical experience with the alternative.

Last Friday, as it happens, marked an important anniversary in American trade policy -- although it is not one we often commemorate, because it is so embarrassing. That is, seventy years ago last week was President Herbert Hoover's signature of the Smoot-Hawley Act, which was the largest single restriction on trade in American history.

President Hoover's trade policy rested on the belief that Americans could not compete effectively with developing countries. As he put it, we "cannot successfully compete against foreign producers because of lower foreign wages and a lower cost of production." These are natural, understandable fears -- present in our trade debates today as well as seventy years ago. In contrast to the present, however, Hoover persuaded Congress that he was correct. The result remains well-known today: a cycle of tariff hikes and retaliation which cut trade by 70% between 1930 and 1933, deepened the Depression, and intensified the political tensions of the era.

After this experience, Franklin Roosevelt proposed the alternative we have followed ever since. As he put it in 1944:

"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 the Second World War; accelerating under the Kennedy Administration; and together with our trading partners, we have turned this insight into lasting institutions and policies. The work has continued for over fifty years; and it has brought enormous benefits:

- Growth and Opportunity: The opening of world markets has sparked what is in effect a fifty-year boom. Trade has expanded fifteen-fold since the 1950s, world economic production grown six-fold and per capita income nearly tripled. And the result has been historically unprecedented social progress: since the 1950s, world life expectancy has grown by twenty years, infant mortality dropped by two-thirds, and the threat of famine begun to recede.

- Economic Security: In the Asian financial crisis of 1997-99, with 40% of the world in recession, the respect WTO members had for their commitments kept open the markets necessary for affected nations to recover. Thus the system of mutual benefit and rule of law represented by the WTO helped prevent a cycle of protection and retaliation like that of the 1930s; and ultimately to avert the political strife that can erupt in economic crisis.

- Peace and Stability: And the trading system has helped us address some of the profound political challenges of the past decades: the reintegration of Germany and Japan in the 1950s, and of the nations emerging from colonial rule in the 1960s and 1970s; and now a task of equal gravity, as after the Cold War, nearly 30 nations breaking with communist planning systems seek WTO membership to reform their economies and integrate with the world.

THE QUESTION OF DEVELOPMENT

This is a remarkable record, and we can look back on it with justified pride. But as we think about the agenda of the coming years, we must also look at it with a critical eye - recognizing that in some areas negotiations have fallen short; that new challenges have arisen from the end of the Cold War and the technological revolution; and that the world remains marked by inequities and untapped opportunity.

Central to each of these challenges are the questions of development: Why, in a world more prosperous and dynamic than ever before, do over a billion people remain trapped in absolute poverty? Why have some nations moved ahead so rapidly and others found it so difficult to enter the world economy? Will new technologies heal or widen these gaps among people and nations?

These questions demands answers -- for practical reasons, as stagnating development can bring political tension; and in light of our moral responsibility in the face of suffering and deprivation beyond our borders.

THE PLACE OF TRADE POLICY IN DEVELOPMENT

Trade policy must respond; but we must begin by recognizing that trade policy can never be enough alone. Ultimately, countries largely control their own destinies. While it can create new opportunities, trade policy can never substitute for effective domestic policy measures or for financial stability, and to believe otherwise is to court disillusion. Rather, development is the union of several different fields:

- Appropriate domestic policies: the rule of law and a stable, democratic political system; a market-based economy; health and social safety net policies; financial stability; education and the development of skills for workers.

- The right balance of international assistance and financial policies: the practical, people-to-people support that Peace Corps volunteers provide; the larger-scale government-to-government work of AID, the work of the IMF and the World Bank; and recognition of the fact that for the least developed countries, the financial burden posed by debt has made growth very difficult, which is why President Clinton has challenged our Congress and the world to forgive 100% of this debt when relief will help finance basic human needs.

- And together with these, a trading system that gives developing nations, in particular the least developed, greater access to world markets; more ability to diversity their economies; and more ability to defend their rights and interests.

To this latter challenge, we bring our own experience and principles, and the advice and ideas we have received from many sources. And from these we can set two policy goals: a more fully open world market; and a trading system more transparent and easier to use.

A MORE OPEN TRADING SYSTEM

The first point is more open markets.

1. Benefits of Open Economies

Again, part of the responsibility lies with developing country governments. Experience throughout the world shows that the most open economies grow fastest, create new businesses most efficiently, and reduce poverty most rapidly. As Southeast Asia, Central Europe and Latin America opened to the world, they grew more rapidly; reduced poverty; and built more stable, peaceful regions. By contrast, South Asia, the Middle East and Africa, where trade barriers remain highest, have reduced poverty more slowly and seen political tensions persist. So there is no substitute for reduction of tariffs and other barriers; membership in the WTO and participation in its most recent agreements on information technology, telecommunications and financial services; and development of regional integration initiatives like the ASEAN Free Trade Area, the Free Trade Area of the Americas, and Africa's three regional trade groups.

2. US Programs

But when countries do the right thing, the world must do more than stand by and applaud.

The United States already offers a generally open market. We see this in more than $500 billion worth of goods and services imports from developing countries last year -- a figure that has more doubled since 1990 -- and perhaps $600 billion this year. But we also recognize that we can do better, and we have thus developed a series of special market access programs:

- The Generalized System of Preferences, or GSP, which since 1976 has offered duty-free treatment to nearly 5,000 types of goods from developing countries, and which I recently expanded by another 1,800 for the least developed countries -- meaning that almost two-thirds of all products from these countries are now duty-free.

- The African Growth and Opportunity Act, signed by the President just last month, which will create substantial new opportunities for African entrepreneurs, including guarantees of quota-free and in most cases duty-free treatment for textiles and apparel.

- Regional integration in the Middle East, through a pilot program in support of the peace process, which since 1998 has offered duty-free privileges to joint Israeli-Jordanian industrial projects, and we hope in future will include projects involving Palestinians and Egyptians; and which will create a full Free Trade Agreement with Jordan later this year.

- A new program we have proposed to Congress, called the Southeast Europe Trade Preference Act, which if passed would offer duty-free treatment to a number of goods from the countries most deeply affected by the recent conflicts in the Balkans.

- And the Caribbean Basin Initiative, which we created in 1984 and enhanced just last month. Through broader duty-free programs and special access for textiles and apparel, CBI has helped the countries of Central America and the Caribbean to create jobs and stabilize their economies and create jobs. Fifteen years ago, many of these nations relied on coffee and oil for 60% of their exports to the United States; today, these commodities make up only 15% of regional exports, and are joined by much larger volumes of apparel, semiconductor, fishery and computer exports. Thus they are far less vulnerable to fluctuations in commodity prices; and this in turn has helped to create a framework for the success of the Central American peace process.

This experience illustrates the inseparable links between domestic policy, assistance and trade policy: resting on a domestic commitment to reform and reconciliation; offered a path to growth through open trade; and helped onto the road by the work Peace Corps volunteers do in 16 CBI beneficiary countries -- including the bridge Director Schneider helped to build in a San Salvador barrio thirty years ago, which Salvadoran children now take to school every day.

3. WTO Negotiations

Our hope is that others will take similar steps. The EU, Japan and Canada have expressed interest in the concept. There is also clearly room for the more advanced developing countries to do more -- as we see when we consider that Nepal exports more to the United States than to India. And we are working toward opportunities on a broader scale at the WTO.

This begins with the talks the WTO opened last February on agriculture and services. In these, to choose an example, we hope to see elimination of export subsidies in agriculture. This is one of the most disruptive practices in trade today, as it not only blocks developing country farmers from world markets, but disrupts their domestic markets as well. The rewards of success may be substantial: according to the UN's Food and Agricultural Organization, when the European Union cut export subsidies on beef sales to West Africa six years ago, the result was a sharp increase in beef production in some of the world's poorest countries - Mali, Niger, Burkina Faso and others. We also can do more in other areas, such as manufacturing. We are therefore working to build consensus for a new, more broadly based Round that would include such issues.

A TRADING SYSTEM EASIER TO USE

Second, open markets mean little in practice without ability to reach them. This presents two challenges:

ensuring that the least developed countries can take full advantage of a trading system that is more complicated than ever before; and making sure the WTO and its agreements give smaller businesses, artisans and family the same opportunities they create for larger firms.

1. Technical Assistance and Capacity-Building

To take the first point, modern trade agreements -- on intellectual property, services, sanitary and phytosanitary standards, or dispute settlement -- demand considerable expertise from participating governments. We are therefore committed to a program of increased technical assistance and capacity-building to build understanding of the agreements; help governments comply with them; and equally help countries assert their rights and interests in negotiations.

This is especially important for the least-developed countries, which come to the WTO with less experience and resources. Last year we joined Bangladesh, Lesotho, Nigeria, Senegal and Zambia, as well as Bangladesh, in a proposal to improve the WTO's current program, known as the Integrated Framework, in these areas. More broadly, we have begun a series of workshops and sessions in several different regions of the world -- on our own, and together with colleagues from the Agency for International Development, the Federal Communications Commission, the Department of Agriculture and elsewhere -- to offer advice and assistance on the WTO, as well as on our own market access programs.

2. Electronic Commerce and Trade Facilitation

At the same time, new information technologies, together with practical trade facilitation measures, can offer practical assistance to smaller and newer businesses.

One of today's most profound and exciting trends is the development of the Internet and worldwide telecommunications. Internet access requires little capital, helps entrepreneurs find customers and suppliers quickly, and eases technical and paperwork burdens that can slow participation in trade. Thus electronic commerce is ideally suited for developing countries.

Peace Corps volunteers are capitalizing on this today: setting up computer networks in African villages and Pacific islands, or helping Guatemalan women market traditional textiles to international buyers over the Internet. Our colleagues at AID are doing the same through the Leland Initiative in Africa and the Internet for Economic Development program, which help developing countries gain information technology skills and ease access to the Internet.

Our work on duty-free cyberspace program and our focus on trade facilitation complements these initiatives. Here the work is very practical: in the Free Trade Area of the Americas talks, we have a hemispheric agreement to post all visa and customs requirements on the Internet, and are also implementing streamlined customs procedures for express shipments and commercial samples. Similar initiatives are underway in APEC. And at the WTO, we can build on this to reach worldwide commitments that make it easier to find customers, deal with paperwork and customs regulations.

CONCLUSION

Altogether, we hope to create a system that does more to support long-term growth and export opportunities for developing countries; which is easier for governments to use and takes account of the special problems of smaller businesses and new entrepreneurs; broadly speaking, which gives people a fuller sense that the world economy offers opportunity to anyone willing to work.

The challenge is complex, and we do not pretend to have all the answers. But we are confident that we are on the right course: in our own open market policies; the work we have done to build a trading system of shared responsibility and mutual benefit; the seamless fit between trade policy, development assistance and the work 7,000 Peace Corps volunteers are doing as we speak, in 77 nations across the globe. But most of all, in the faith that Kennedy held at the creation of both the Peace Corps and the USTR: that our ideals and our energy can change the world for the better.

Thank you very much.

PRESS CONFERENCE ON WTO AGRICULTURAL PROPOSAL

Ambassador Charlene Barshefsky

U.S. Trade Representative

Washington, DC

June 29, 2000

As Prepared for Delivery

Good afternoon, and thank you all for coming.

We are meeting at a moment of great historic importance to American agriculture. Two weeks ago Congress passed, and the President signed, a disaster relief bill providing $15 billion to assist farm and ranch families struggling with an economic crisis now in its fourth year. Although the Administration differed with aspects of that legislation, we view the assistance it provides as critical to our commitment to improving the economic opportunities of farmers, ranchers and rural America.

Today we are unveiling a second component of that strategy. This is a plan for fundamental and long-term reform of agricultural trade: opening markets overseas, eliminating unfair export subsidies, and leveling the competitive playing field for U.S. agriculture.

This is a comprehensive plan which will create new opportunities for our farm and ranch families, strengthen the trading system and also strengthen guarantees of fairness for farmers in poor and developing countries worldwide.

With one in three of our farm acres now producing for world markets, the ability to export is fundamental to prosperity in rural America. Over the past seven years, agriculture has thus been central to American trade policy. We have come a long way -- opening key markets and creating the first substantial international rules for agricultural trade -- but we have much more work ahead. American farmers still live in a world marked by high foreign trade barriers; by export subsidies that reduce farm incomes worldwide; and in some cases pervasive government involvement in agricultural trade through state trading enterprises.

U.S. PROPOSAL AT THE WTO

The proposal we will introduce tomorrow in Geneva takes these head on. The WTO committed itself to broad agricultural negotiations five years ago, and opened the talks on schedule in February. Since then, we have been consulting with Congress; farmers, ranchers and agricultural industry; and with our trading partners.

The proposal we will introduce tomorrow in Geneva incorporates the views we heard. Let me make four main points about it.

First, it is ambitious. It addresses every major issue from market access to export competition and domestic support. We call for substantial reductions or elimination of tariffs, expansion of remaining tariff-rate quotas, elimination of export subsidies, disciplines on the use of export restrictions on agricultural products, disciplines on state trading enterprises, simplification of rules applying to domestic support, and establishment of a ceiling on trade-distorting support that applies equally to all countries.

Second, it is fair. It will reduce or eliminate disparities in tariffs and subsidies worldwide, ensuring that farmers are competing not against government treasuries, but against one another based on productivity and skill. At the same time, it recognizes the appropriate role governments can play in supporting farmers and rural economies, as long as they do not do so at the expense of people on the land elsewhere in the world. All countries can use government policy tools to address national objectives -- our proposal simply emphasizes that this support should be provided through non-trade distorting means.

Third, it simplifies rules for agricultural trade. Our proposal, for example, will replace complicated border measures with simple tariffs. It will streamline domestic support rules to ensure all trade-distorting support measures are disciplined, while clarifying approaches countries can take to support farmers through non-trade-distorting measures. And it will call for reforms that facilitate trade in new technologies, when proven safe by fair, transparent and science-based regulations.

Fourth, it is bipartisan. This proposal reflects the ideas and advice of producer groups from around the country; Members of Congress from both parties; and our trading partners with whom we share a commitment to agricultural reform. It places us in partnership with developing countries and others committed to reform in today's world market. It places us in a role of leadership setting the agenda for the next agricultural negotiations.

CONCLUSION

We want a more open, stable, and prosperous world agricultural trading system, one which offers more opportunity to farm families in America; fairness for farmers in the developing world; and better prices and choice for consumers everywhere. This proposal is a major step forward, and I would like to thank our friends in Congress, in producer and consumer groups, and of course the USDA for the advice and ideas they have contributed.

Thank you very much for coming, and let me now turn to Secretary Glickman.

AMERICAN TRADE POLICY IN AFRICA

Ambassador Charlene Barshefsky

U.S. Trade Representative

D.C. Bar International Law Section

Washington, D.C.

July 6, 2000

Good morning, friends and honored guests. Let me thank the International Law Section for inviting me to speak with you today. And I congratulate you on your decision to honor the Leadership and Advocacy for Women in Africa Program, and its promotion of women's rights and the rule of law in Africa.

The program offers practical, effective assistance as Ghana, Tanzania and Uganda address challenges women face in every country - from domestic violence, to HIV and AIDS, and discrimination in the workplace. In doing so, it is making a lasting contribution to the rights of women, to the rule of law more generally, and to the development of a closer relationship across the Atlantic. It is admirable work and has fully earned this recognition.

U.S. TRADE POLICY AND ITS RECORD

Our trade policy in Africa has parallels with this: addressing a worldwide aspiration for development and broad-based prosperity; based on optimism about Africa's prospects and commitment to work in partnership with Africa; and drawing on our own experience at home.

For more than half a century, Americans have maintained a commitment to open markets at home, and to develop open markets under the rule of law worldwide. This has also been the basis of our work in the Clinton Administration, through nearly 300 separate trade agreements and seven of historic importance for the world economy: the North American Free Trade Agreement; the Uruguay Round which created the WTO; global agreements on information technology, financial services, basic telecommunications, and duty-free cyberspace; and most recently on China's accession to the WTO.

We see the benefit of this work in the remarkable record of prosperity our country has built at home. And we see it in broader trends, as the opening of world markets has helped spark what is in effect a fifty-year economic boom, as trade has expanded fifteen-fold since the 1950s, world economic production grown six-fold and per capita income nearly tripled. This has brought historically unprecedented social progress: since the 1950s, world life expectancy has grown by twenty years and infant mortality dropped by two-thirds. And it has helped strengthen peace, giving nations in regions from Southeast Asia to Latin America and Central Europe greater opportunity and home, and stronger interests in prosperity and stability beyond their borders.

We can take justified pride in this record. But we must also examine it with a critical eye: understanding that some regions of the world have not yet won its full benefits; recognizing our practical interest in reform; and accepting our moral obligation to close the gaps.

In this, we must also recognize that trade policy alone can never be enough. Ultimately, countries largely control their own destinies. If it is to succeed, trade policy must be joined by the right domestic policies: the rule of law and a stable, democratic political system; a market-based economy; health and social safety net policies; financial stability; perhaps above all, education and the development of skills for workers. And it must proceed in concert with the right balance of international assistance and financial policies. But together with these commitments, trade can provide the essential framework for development; and this brings us to our African policy.

THE AFRICAN TRADE CONTEXT

When we examine the African trade context today, we see a situation that in some ways resembles the fragmentation of worldwide trade when our work began in the 1940s.

- African tariffs are the world's highest, averaging 28%. This reduces living standards for families and limits the ability of businesses to buy computers, telephones, and other essential inputs.

- While 38 African nations have joined the WTO, few are participating in its newest agreements on information technology, financial services and telecommunications, meaning reduced opportunities for access to new technologies.

- Economic integration has begun through three regional trade organizations, but remains at an early stage. Only 10% of Africa's trade is with other African countries; this means a fragmented market with less ability to develop economies of scale and attract investment.

- And the current world trade environment creates some obstacles as well, as barriers remain highest in fields - notably agriculture and textiles - in which Africa has a comparative advantage.

In trade terms, these realities have kept our trade relationship with Africa relatively small and dominated by a few natural resource commodities. Last year, of our $14 billion in imports from Africa, nearly 80% came in three commodities: 500 million barrels of oil, 105 tons of platinum, and 976,000 carats of diamonds. This pattern is unlike our trade with any other region of the world; and it contributes both to slow economic development and the vulnerability of many African economies to fluctuations in world commodity prices.

TRADE IN BROADER CONTEXT

These are not mysterious or inevitable facts of life. They are problems we have encountered elsewhere in the world; and they can be addressed through policy. But they also exist together with larger problems: persistent military conflict in Sierra Leone, the Horn of Africa and the Congo Basin, which threaten the development prospects of these nations and their neighbors; burdens created by debt; and the crisis of the AIDS pandemic, which threatens an entire generation in much of Southern and Eastern Africa, as 15-year old girl in Zambia today has a 60% chance of dying from AIDS. Trade policy can only reach its potential as part of a larger approach to these questions; and the solutions must begin in Africa.

But throughout this region of 600 million people and 48 nations, most governments are committed to reform: Ghana, Tanzania and Uganda - the beneficiaries of the Law and Advocacy for Women in Africa program; the continent's two economic giants, South Africa and Nigeria; and other nations from Namibia and Mozambique to Mali and Senegal. When people are doing the right thing, the world must do more than stand by and applaud; and with a shared commitment, no problem is insoluble.

AIDS, for example, is a preventable disease. We can do more to improve basic health and support AIDS education throughout Africa - as the Agency for International Development has done to support the Ugandan government's highly successful education programs. The President's request for an additional $100 million for AIDS programs will bolster this work. The Peace Corps now requires AIDS training for all of its 2,400 volunteers in Africa. And one of my priorities in the past two years has been to work with

African governments, in particular that of South Africa, to make sure protection of intellectual property rights remains fully compatible with access to essential medicines for HIV and AIDS. This will help ensure access for patients to today's HIV treatments, as it supports the research and development that could ultimately lead to a cure.

Debt is a problem neither international action nor domestic reform alone can solve; but which both together can address. Governments in countries committed to investing in their people should not be prevented from doing so by the need to divert large amounts of money to paying off misguided loans from the past. President Clinton has thus challenged our Congress and the world to forgive 100% of this debt when relief will help finance basic human needs. Already, under the enhanced Highly Indebted Poor Countries initiative, Uganda is expected to receive an additional $650 million in debt relief to invest in universal primary education and other basic priorities.

U.S. TRADE POLICY IN AFRICA

Trade is no different. The factors which limit Africa's participation in the world economy - high trade barriers at home, lack of regional integration, and obstacles to African exports - are rooted in policy. With commitments by African governments and the world, they can be solved through policy changes -- and this is clear in our own experience.

To choose an example, fifteen years ago, many countries in Central America and the Caribbean relied on coffee and oil for up to 60% of their exports. The Caribbean Basin Initiative, which we created in 1984 and enhanced last May, offered a series of duty-free programs and special access for textiles and apparel; and over fifteen years it has helped Central America and the Caribbean to create jobs and stabilize their economies and create jobs. Today, while oil and coffee remain important products for the region, they make up only 15% of regional exports, and are joined by much larger volumes of apparel, semiconductor, fishery and computer exports. Thus they are far less vulnerable to fluctuations in commodity prices; and this in turn has helped to create a framework for the success of democratization, the Central American peace process, and a virtuous circle of investment, development and growth.

Our African trade policies draw on these lessons, and also reflect the advice we have received from African governments, academics, and private sector organizations like the Federation of African Women Entrepreneurs. Their goal is to help African countries develop more open economies; promote regional integration and participation in the WTO; gain greater access to new technologies; and to remove barriers to African exports. To review the record:

We have devoted greater resources to Africa, for example through creating a separate Office of African Affairs at USTR; and through more frequent and higher-level policy dialogues with African trade partners. This has helped us complete agreements with leading African reformers -- Trade and Investment Framework Agreements with Ghana, Nigeria and South Africa, and a Bilateral Investment Treaty with Mozambique -- which are now proving their value as, for example, our TIFA with South Africa has been the principal forum for our work on AIDS and intellectual property rights.

We have supported Africa's integration into the WTO, through technical assistance forums; joint proposals for improving the system; and encouragement for increased participation in the most recent WTO agreements, where especially important steps include decisions by Uganda and Ghana to participate in the Basic Telecommunications Agreement, and by Cote d'Ivoire to join the Financial Services Agreement.

We have rethought and improved some of our assistance programs, to strengthen technical assistance in customs regimes, telecommunications regulation and similar fields, and to help Africans take advantage of modern technologies. A case in point is the Leland Program, which is helping 21 African nations develop telecommunications capabilities, gain access to the Internet, and take advantage of electronic commerce.

And we have made the U.S. market more fully open to African goods, by expanding duty-free preferences for the least developed countries by 1,770 tariff lines - including not only individual countries but Africa's three regional trade associations - the Southern African Development Community, the West African Economic and Monetary Union and the Tripartite Commission for East African Cooperation. In practical terms, this means that more than three-quarters of African exports to the U.S. are now duty-free.

Thus we now see a trade relationship more diversified and productive than ever before. If we set aside the volatile oil and precious metal sectors, African exports to the U.S. have grown by nearly $1 billion since the President's Partnership Initiative began, with exports of machinery and apparel doubling. We have also developed export markets in Africa, notably for such high-tech products as aircraft, computers and scientific equipment -- meaning a job creation and opportunity for Americans, and technology transfers that spark development in Africa. American investment in Africa has doubled, from $6.8 billion in 1996 to over $13 billion.

AFRICAN GROWTH AND OPPORTUNITY ACT

With this foundation, we are going much further. The passage of African Growth and Opportunity Act last May is a watershed, which will begin address each of our major policy priorities. It will:

- Open the U.S. market more fully to a wide range of African products: extending duty free and quota free access for essentially all African products; guaranteeing duty-free GSP benefits for eight years; lifting all existing quotas on textiles and apparel products from sub-Saharan Africa; and offering duty-free treatment to a wide array of apparel products.

- Provide technical assistance for economic reform and development.

- Institutionalize a long-term policy dialogue, building on the President's visit in 1998 and the US-Africa Ministerial last year.

- And strengthen assistance and debt relief programs.

We are now proceeding to implementation. In the months ahead, we will select the specific products the Act will cover, and designate the beneficiary countries. These decisions rest on expression of interest from African governments, and on good-faith progress in human rights, economic reform, poverty reduction, education, health and some other areas. While not rigid or restrictive, these criteria do recognize that if trade policy is to yield its full potential benefits, it must proceed together with appropriate domestic policies. At the same time, we are holding seminars on the Act for African businesses, officials and others interested in our trade relationship, to build awareness of the new opportunities it creates, the eligibility criteria, and the deadlines for product coverage proposals.

AT THE WORLD TRADE ORGANIZATION

And at the WTO we are both developing a mutually beneficial negotiating agenda, and reforming the institution so African countries can more fully participate and assert their rights.

1. Agriculture, Services & New Round

Most immediately, the WTO agreed in February to open negotiations on agriculture and services. The agricultural talks are an opportunity of extraordinary importance: of the world's 3 billion working men and women, 1.3 billion -- including 200 million Africans -- make their living on farms and ranches. Americans share an interest in comprehensive agricultural trade reform with these producers, who today are often unable to reach world markets due to tariffs and restrictive quotas; and even worse, find the prices they can get in their own countries depressed by developed country export subsidies. The proposal we introduced at the WTO last week takes these issues head on, across the full range of commodities.

The services negotiations have equally important though different benefits, as by opening these markets, African countries can acquire expertise and high-tech investment that spurs more rapid and stable development. We also can do more in other areas, such as manufacturing and trade facilitation. We are thus working to build consensus for a new, more broadly based Round that includes such issues.

2. Capacity-Building and Technical Assistance Initiative

At the same time, we are working toward institutional reforms that help Africans more fully assert their rights and interests, not only in negotiations but in dispute settlement and the day-to-day work of the trading system.

Last year we joined with Lesotho, Nigeria, Senegal and Zambia, as well as Bangladesh, to introduce a proposal to improve the technical assistance and capacity-building programs available from the WTO and other international institutions. We are also holding regular training sessions and workshops on the WTO -- most recently, a Ministerial forum here in Washington last May, and two more in South Africa and Nigeria just this month. These offer advice and assistance on WTO commitments, as well as our own market access programs, GSP regulations and phytosanitary rules, dispute settlement and other topics.

Although in a different field, this work has parallels to the Law and Advocacy program. It is designed to help build a core group of African officials with specialized legal and regulatory skills that will be of long-term value to Africa's legal, economic and social development. Through it we share our own experience, enable African partners to draw upon what they find valuable in it; and address shared concerns and ultimately achieve common goals.

CONCLUSION

This work requires patience and perseverance. We have a great deal of work ahead -- as we implement the African Growth and Opportunity Act, develop our bilateral relationships, and work with Africans at the WTO. But we are absolutely committed to do our part.

This is the promise President Clinton has made; as the overwhelming votes for the African Growth and Opportunity Act show, it is also the bipartisan commitment of Congress. It is a promise we will keep.

Thank you very much; and my congratulations once again to the Law and Advocacy for Women in

Africa Program.

TRADE POLICY IN THE U.S.-JAPAN RELATIONSHIP: 1993 TO 2000

Ambassador Charlene Barshefsky

U.S. Trade Representative

National Press Club

Tokyo, Japan

July 19, 2000

Thank you very much. I am very pleased to be here in Tokyo again. We have come with a full agenda, and had a productive visit so far.

We have agreed on two items in our bilateral agenda, covering telecommunications and new measures under our Enhanced Initiative on Deregulation and Competition Policy. We are reviewing options for the launch of a new Round of negotiations at the WTO; and briefing our Japanese colleagues on our historic Bilateral Commercial Agreement with Vietnam, progress toward permanent Normal Trade Relations for China, preparation for the APEC Leaders meeting in Brunei, and other areas of mutual concern. Before I turn to these issues, however, I would like to place them in context, with some more general thoughts on the place of trade in our relationship with Japan, and the work before us as we enter the new century.

THE US-JAPAN RELATIONSHIP IN THE 1990S

My first official visit to Japan was in preparation for the G-7 meeting in Tokyo in 1993. In the years between that event and this week's G-8 meeting, we may have devoted more time and resources to the relationship with Japan than to any other. That reflects the importance and magnitude of our trade relationship; the responsibility our two countries share for world prosperity; and the complexity and difficulty of the issues we confront.

In 1993, we came to Tokyo recognizing, first of all, that this was a relationship of central importance -- for Americans, for Japanese, and for all our Pacific neighbors. The end of the Cold War had, of course, brought us into a new era. But it remained true then as now than that every challenge before us -- keeping the peace in a changing Pacific region; protecting the environment; building prosperity in our two countries and the region we share -- will be more easily met with a close and enduring alliance between the United States and Japan: the world's two greatest economies, its leading technological powers, and the largest Pacific democracies.

Second, in this new era we would build on a strong foundation. We inherited a security alliance four decades old, which was and remains the foundation of peace and security in the Pacific. Our trade negotiations would deal with one of the world's largest and deepest economic relationships: in 1993, $180 billion in two-way goods and services trade, spanning aircraft, computers, satellites, agriculture and much more. And in trade as elsewhere, negotiations between governments would be only one element in the total relationship, with its deep and complex network of business associations, personal friendships, academic and cultural links, and family ties across the Pacific.

But third, trade policy would proceed in an environment marked by deeply rooted tension and disagreement. The 1980s had witnessed a sharply escalating series of disputes. Some - beef, semiconductors, autos, supercomputers - had been addressed with greater or lesser success in specific agreements; but neither country had seemed willing to make more basic reforms to place our trade relationship on a healthier foundation. The United States had not restored fiscal discipline. Japan remained a substantially more closed and highly regulated economy, sharply limiting imports and accepting virtually no foreign direct investment. And in removing a common threat, the end of the Cold War made these frustrations a more central part of our larger relationship.

THE NEGOTIATING RECORD

Our work ever since has proceeded based on awareness of these deeper realities, and commitment to address the more fundamental challenges to our trade relationship.

Our first major agreement - the Framework Agreement President Clinton and then-Prime Minister Miyazawa concluded before the G-7 meeting in Tokyo - recognized America's responsibilities, calling for sharp cuts in a budget deficit which had reached $290 billion in 1992. We fulfilled this pledge through the 1993 budget, which is largely responsible for not only eliminating our fiscal deficit but creating a $211 billion surplus.

Likewise, Japan agreed to negotiations -- covering a range of specific industrial sectors and cross-cutting structural issues of competition, transparency and investment -- to address questions about the Japanese economy that had given rise to tensions, to give Japanese consumers greater choice and better prices; create opportunities for exporters and ease imports into Japan, and ultimately to create a more open, competitive and stronger Japanese economy.

Since 1993 we have negotiated 39 market-opening agreements, in industries from cell phones and insurance to apples, semiconductors, harbor practices, civil aviation, and automobiles. We have worked equally hard with Japan, at all levels of government and in consultation with our private sectors, to ensure that these agreements are fully implemented.

Since 1997, we have supplemented our bilateral negotiations, and work in APEC and the WTO, with the Enhanced Initiative on Deregulation and Competition Policy. Through this we find ways to spark competition in Japan and thus reduce the cost of essential services and goods - telecommunications, housing, energy, financial services, pharmaceuticals and medical devices - and promote reform across the economy through stronger competition policy, distribution, transparency in regulatory procedures, and other measures. In doing so we create opportunities for American firms and new Japanese businesses; more efficiency and better growth prospects for Japan's economy as a whole; innovative products and better prices for Japanese families.

NEGOTIATING RESULTS

Much of the work has been to good effect.

Since 1992, despite Japan's long recession, the U.S. have enjoyed $15 billion in growth of goods and services exports to Japan. This has been especially strong in some sectors covered by our agreements, such as semiconductors and medical equipment. The growing ability of foreign businesses to invest in Japan is another indicator, with U.S. direct investment in Japan rising by $12 billion in 1999. And many of our agreements are making their proper contribution to a more competitive, less regulated and consumer-friendly Japanese economy:

- Cellular phone deregulation - a direct result of our 1994 bilateral agreement - has brought new products at better prices to Japan. As a result, two in five Japanese now own cell phones; private investment in mobile service is likely to reach $14 billion this year; and millions of families and hundreds of thousands of businesses enjoy greater convenience and efficiency.

- Electricity Deregulation: A competitive energy market means reduced costs for manufacturers, reduced expenses for households, and long-term economic health; and our Enhanced Initiative has helped shape

Japan's liberalization of the retail electricity market. Japan took its first major step last March, when it opened one-third of its energy market to competition, creating business opportunities for U.S. firms and lowering energy costs which are now the highest of any developed country.

- Our work on <u>housing</u> has led to adoption of performance-based standards which are reducing the cost and increasing the quality of new homes for Japanese families. We are now going on to other measures -- allowing construction of four-story, multi-family and mixed housing; revisions in the Land and House Lease Law -- which we estimate will increase housing starts near Tokyo by 17%.

We can cite similar examples of success in other fields: from deregulation of medical equipment and pharmaceuticals, which will speed the introduction of new medicine and medical devices, to better prices for apples in supermarkets and more efficient port practices. But these successes are balanced by areas where we must do more and do better.

CONTINUING CONCERNS

Some of our agreements have not reached their potential. Flat glass is one example, where market shares for Japan's three domestic producers have remained unchanged for nearly three decades; in the aftermath of our agreement, these firms appear to be using Japan's recession and the resulting tight credit market to strengthen control of distribution channels and therefore of sales. Other cases include construction and government procurement. These are sectors valued at many trillions of yen a year, with effects touching the entire Japanese economy; and in which restrictive policies continue to raise prices and tax burdens for Japanese citizens and firms; reduce quality and sometimes safety; weaken Japan's growth prospects and block imports.

Other agreements need new consideration. The auto agreement, for example, expires later this year. Its renewal will be a central task for us in the coming months. This sector, today as throughout the past decades, makes up the bulk of our trade imbalance. During the recession this has worsened, as foreign companies are losing sales year over year and at a rate that far exceeds declines for Japanese manufacturers - to the point where last year Japan exported about 1.5 million cars to the United States, and the U.S. about 50,000 to Japan. Continued restrictive practices in this sector are intolerable.

More broadly, the closed markets and over-regulation we encountered in 1993 are only partially addressed. The results are evident in Japan's long period of slow growth or recession, and also in our trade statistics - eight years ago, Japan made up a seventh of America's two-way trade. This has now shrunk to less than a tenth, with Japan's share of our exports dropping and its market share in the U.S. dropping as well. And this is not because Japan has turned elsewhere -- in fact, Japan relies more heavily today on the American market for exports than it did in 1992.

THE CURRENT AGENDA

These problems are not insoluble. But they do require full commitment by both sides. While many business leaders and intellectuals in Japan recognize the scope of these problems, our counterparts in the Japanese government have at times been reluctant to discuss these issues. This raises the prospect of more serious trade disputes between our countries; and also questions about Japan's ability to sustain a commitment to the reforms the economy so clearly needs.

A central item on our agenda this week - one directly related to the G-8 Summit's focus on information technology - is a perfect example. For the past few days, we have been conducting intensive negotiations over NTT's interconnection fees - a topic which may seem arcane, but has an immediate impact on individual Japanese and Japan's broader economic prospects. The future of any modern economy depends on bringing down the cost of sharing and transporting information, and developing innovative ways to bring people and companies into a networked economy. With the exception of the wireless sector, Japan has lagged in adapting to this reality. According to a recent survey, it ranks only 21st in readiness for e-commerce.

Contributing to this is NTT's special position in the market - the dominance in the wireline market it has always enjoyed. With all its competitors forced to use NTT lines to reach NTT's customers - that is, 98% of all wireline subscribers - NTT has been able to charge what it wants for access to its customers and thus restriction competition. The result is phone rates 2-5 times above those of its peers, which in turn means similar disparities in the retail price of phone calls and Internet access. With NTT collecting fees from 94% of Japan's fixed-line Internet traffic, rates for Internet access run 8-10 times above American levels.

These costs have kept millions of Japanese high-school and college students off the Net. They mean that hundreds of thousands of Japanese small businesses take less advantage of electronic commerce than their competitors elsewhere in the world. And they deprive Japanese exporters of the instantaneous contact with customers the modern world demands. Thus, and together with other restrictions in the telecommunications industry, they have put Japan behind much of the world in Internet access and the use of electronic commerce. This has great implications for Japan's technological and economic future - and it is only one example of a phenomenon all too common in many industries, from energy to housing, construction and more.

RESULTS OF NEGOTIATIONS

As we look ahead, restoration of demand-led growth at home remains essential, and sustained growth will require appropriate use of all economic policy tools. This includes macroeconomic policies, of course; and the issues we took up this week on structural change and market-opening deregulation also are, as in 1993, critical for broader economic revival in Japan as well as for trade.

1. NTT Interconnection Agreement

First, we have agreed on substantial reduction of NTT's interconnection fees. Under our agreement, fees for interconnecting with the NTT system on a regional level - of greatest importance to American carriers - will fall by 50% over the next two years, retroactive to April 2000. The bulk of the reduction comes this year. Over the same period, NTT will reduce local switching fees by 20%. These rate cuts will save competitive carriers - and thus Japan's schools and families, as well as foreign and domestic companies - over $2 billion in the next two years.

Then, by 2002, the Japanese government will conduct a thorough review of interconnection rates, which should result in substantial additional reductions, finally bringing Japan's rates into line with those of other competitive markets. Together with this, we agreed on a number of related reforms: the ability to lease subscriber lines on an "unbundled basis," to permit competitors to NTT to roll out high-speed Internet access; removal of restrictions on how new entrants structure their operations and build out their networks, permitting them to adapt more quickly to market demands; guaranteed access to NTT facilities where competitors need to install their own equipment; and more timely and cost-effective access to rights-of-ways companies need to build competing networks. As a package, this will help to create a market which is easier companies to enter, and alternate networks that are less expensive for Japanese businesses and families to use, thus stimulating the kind of innovation in areas such as the Internet which promote growth and technological advances throughout the economy.

2. Next Steps on Deregulation

Second, with completion of the Joint Status Report on the third year of the Enhanced Initiative, we are announcing a major new set of deregulatory measures. These will promote growth and reduce costs in critical services industries - energy, telecommunications, finance, law and others - at the heart of a modern high-tech economy, as they also create opportunities for American and Japanese businesses and help meet consumer needs. Highlights here include:

- <u>Energy</u>: Japan will work to reduce prices by implementing and enforcing rules that ensure non-discriminatory access to the electricity transmission grid; disclose information on development of transmission rates, eliminate the antitrust exemption for natural monopolies, and establish a non-discriminatory framework for access to the natural gas market in anticipation of liberalization next year.

- Medical equipment and pharmaceuticals: We have agreed on 25 specific measures to help meet the challenge of providing high-quality, affordable health care for an aging population. These include reducing approval processing time for new drugs from 18 to 12 months; creating an appeals process for unfavorable pricing decisions on new medical devices and pharmaceuticals; and eliminating unnecessary regulations on many vitamins and minerals, for example with respect to the shape of vitamin pills. This will make it cheaper and faster for foreign companies to bring innovative, life-saving drugs and medical devices into Japan.

- Financial services: Japan will build on its "Big Bang," creating efficiency and choice through, e.g., allowing financial services firms to compete in a larger range of industries through subsidiaries, and strengthening competition for pension fund business. It will also make oversight of these industries more transparent to the public and affected businesses, as the Financial Services Agency will create a system for responding to written inquiries, including published guidance and no-action letters.

- Insurance: Japan will help new and innovative products move more quickly to the market, make regulation more transparent as in the case of financial services, and ensure that all interested parties are able to comment on any plans to expand the state-owned postal insurance system. In parallel with this, noting the improvements our bilateral 1994 and 1996 deregulation agreements have made to the product approval process, availability of new products, and progress toward deregulation of the primary insurance sector, I informed Commissioner Hino today that provisions of these agreements restricting certain activities in the third sector will be lifted on January 1st, 2001. The insurance agreements remain in force now and after that date, and we expect full implementation of these provisions, including pro-active efforts to ensure that there is no inappropriate activity related to this sector before January 1st, 2001.

- Housing: Here, we will continue our work to make the housing market more competitive, and thus make houses more affordable for young families, by reducing restrictions against four-story wood-frame buildings, improving housing appraisals and making mortgage terms for resale housing more compatible with terms for new houses.

- Law: Japan will begin modernizing and reforming the legal system, creating a Judicial Reform Council to oversee the process; and taking some initial steps through lifting a ban on advertising by lawyers and increasing the number of successful applicants to the Bar Exam by an initial 1000 slots.

- Structural reform: In parallel with these reforms in specific industries, we have continued to move ahead with broader structural measures in distribution and competition policy, through strengthened Antimonopoly Law enforcement and other means.

3. Future Agenda

The Enhanced Initiative has been successful and important for both of us, helping create growth in Japan and promote competition, while improving access for foreign firms. Moreover, it has helped to channel potential disputes into a mutually beneficial, "win-win" framework. Its extension will go together admirably with Prime Minister Mori's plan for a second three-year deregulation plan. There are important issues to be addressed in Japan in the coming year which will be complemented by our joint work, such as natural gas deregulation, introduction of broadband technology, and pharmaceutical pricing reform. There is no better way for Japan to demonstrate its firm commitment to reform than to endorse a fourth year of the Initiative.

We are also discussing some more specific bilateral issues, including autos, flat glass, government procurement, insurance and others. And, of course, we will work with Japan on the agenda of the World Trade Organization as well. With the opening of WTO negotiations on agriculture and services, we have recently offered both a comprehensive proposal for agricultural trade reform and a plan for wide-ranging liberalization of services. We are now seeking consensus on broadening these into a new Round covering additional issues of mutual concern.

CONCLUSION

As in each step to date, the results will be of mutual benefit. They will help to stimulate trade and export opportunities; they will foster Japanese entrepreneurial development; and they will offer to Japan's public greater choice, lower prices and higher living standards.

This has been the goal of our trade negotiations not only this week but for the past seven years. Much has changed since 1993 - in our bilateral relationship, in the political landscape of the Pacific, and in both our countries. But the most important facts remain: the shared values and deep human ties that bring us together; the responsibilities we share as the world's economic leaders and as fellow democracies; the fact that today as then, a strong and enduring alliance will enable our two countries to face the challenges of the new century with greater confidence.

This was the responsibility before us when we came to Tokyo seven years ago; and it will remain our task as the leaders depart from Okinawa in the days ahead.

Thank you very much, and now let me take your questions.

Bridges to Peace: The US-Jordan Free Trade Agreement

And American Trade Policy in the Middle East

Ambassador Charlene Barshefsky

U.S. Trade Representative

Jordanian-American Business Association

Amman, Hashemite Kingdom of Jordan

July 31, 2000

Thank you very much. Ambassador Burns, Deputy Prime Minister Halaiqah and honored guests, it is my great pleasure to join you this afternoon.

We are here at a moment of great historic importance for our two countries, as we negotiate an historic US-Jordan Free Trade Agreement. We are also here at a moment of historic challenges for this region, from the continuing search for peace to the demands and opportunities of an increasingly integrated world economy.

At such a time, our Free Trade Agreement, while intended most immediately to create specific trade and investment opportunities for our countries, can have meaning beyond its economic consequence. A Free Trade Agreement is always a major economic step, requiring courage and leadership but also offering prospects of growth and greater long-term prosperity. But it also sets an example of the type of future to which the Middle East as a whole can aspire: one in which economic development and the growth of shared interests help to secure for the region's people a lasting peace and a prosperous place in the global economy.

U.S. TRADE POLICY PRINCIPLES AND THE MIDDLE EAST

These concepts have been central to American trade policy for over half a century. We can date them to the Administration of President Franklin Roosevelt, who set out our goals clearly as he spoke on the task of reconstruction after the Second World War:

"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."

Americans have acted upon this insight ever since, through ten Administrations of both parties. When the work began, the world was impoverished and fragmented -- by war; by the communist experiment in Russia, Eastern Europe and China; and by the trade barriers built up during the 1920s and 1930s by Europe and the United States.

Over fifty years of patient negotiations -- through eight rounds of multilateral negotiations in the GATT and now the World Trade Organization, hundreds of bilateral agreements, and more recently three full Free Trade Agreements with Israel, Canada, Mexico, we have removed many of these barriers. This has allowed world trade to grow fifteen-fold since the 1950s, and as this has happened, world economic production grown six-fold and per capita income nearly tripled.

The result has brought historically unprecedented social progress to much of the world: since the 1950s, world life expectancy has grown by twenty years and infant mortality dropped by two-thirds. And as different regions of the world participated more fully in the work - from Western Europe, to Southeast Asia, and more recently Latin America and Central Europe - slowly but steadily peace and stability have strengthened.

The Middle East, unfortunately, has not drawn the full benefit of this work. The nations which share the region are still in large part economically isolated from the outside world and from one another. Not only do the region's trade barriers remain high with respect to the outside world, there is less intra-regional trade in the Middle East than in than any other region. Throughout the past two decades, about 6% of Middle Eastern trade has been internal, compared to about 10% for Africa, 20% for Latin America and almost 40% for the developing countries of Asia.

As a whole, the Middle East today resembles something like a miniature version of the fragmented world economy of the 1930s - to borrow King Abdullah's phrase, a series of "isolated islands of production." Over time, this has blocked the development of economies of scale that could spur investment and technological progress. And it has caused the region to miss opportunities for economic diversification and growth.

The result is clear in our own trade statistics - the Middle East provided 7.3% of America's imports twenty years ago, and only 2.6% this year; the region's exports remain concentrated in natural resources, especially energy; and its share of American foreign investment has dropped, as companies have seen more stable political environments and stronger growth prospects elsewhere. And this in turn has political consequences - in frustration among ordinary people; lost opportunities for governments to find areas of common interest; and ultimately the persistence of political tensions and suspicion.

THE U.S. AND JORDAN: SHARED VISION

These circumstances, having arisen over decades, may not change easily. But they are not inevitable -- rather, in historic context, they are anomalous and unnatural.

As we can see at Petra, which once linked the Arabian peninsula with Europe and Asia with the Mediterranean, the Middle East has a natural role not as a theater for conflict, but as a center and a crossroads of culture and trade. It fulfilled this role admirably for most of its five millennia of history: a thousand years before Petra was built, the Middle East gave the world the alphabet; a thousand years later under the Abbasids, Arabic numerals and optical science - and with leadership, vision and perseverance, in the future it can do so once again.

Jordan's government sees this fact clearly. And just as Jordan has for many years been a leader in the peace process, Jordan is today setting an example for the Middle East in economic reform and opening to the world at home.

I know how hard your government and King Abdullah have worked to bring Jordan into in the World Trade Organization in such a short time. It has been an extraordinary effort, and the result is a remarkable set of reforms. Lower tariffs and other trade barriers will raise the standard of living for families and make manufacturing more competitive. Modern intellectual property laws and open services markets will promote technological progress and help to create investment opportunities -- as is already clear, for example in the recent $35 million partnership agreement linking a Jordanian firm and Schein Pharmaceuticals of New Jersey.

This has made Jordan one of the most progressive and modern economies in the Middle East. And as these policies serve the interest and needs of Jordan's people, they also offer a compelling vision of the region's future -- to borrow King Abdullah's words, one which can:

"turn the cradle of civilization in to a modern center of excellence and achievement [and] harness the available rich talent in the region with its enterprise, initiative and ingenuity, into a success venture of growth and prosperity for all."

This is a vision we share. And our trade policy in the Middle East aims towards just such a future, proceeding on two levels:

First, we encourage the nations of the region to open their economies to one another and the world, through participation in the World Trade Organization. By joining the WTO, on commercially meaningful grounds, countries can reform their own economies, create opportunities for entrepreneurs and job creation, attract investment and speed the acquisition of new technologies. They also gain the power to defend their rights and assert their interests as the world's trade agenda moves ahead. This process has recently accelerated, with Jordan's entry; imminent membership for Oman; and negotiations at various stages with Lebanon, Saudi Arabia, Algeria and Yemen.

Second, we are developing bilateral relationships and agreements throughout the region. The most ambitious has been our Free Trade Agreement with Israel, which over fifteen years has helped our bilateral trade quintuple, from $4 billion in 1985 to over $21 billion last year. More recently, we have completed Trade and Investment Framework Agreements with Egypt, Morocco and Turkey; and a Bilateral Investment Treaty with Bahrain. As the agreements create new export opportunities for Americans, they help the Middle East begin to diversify its exports to the United States, balancing energy with other manufactured goods and farm products.

THE US-JORDAN RELATIONSHIP AND QUALIFYING INDUSTRIAL ZONES

As these ties grow, our partnership with Jordan has become among our strongest in the Middle East.

The WTO accession is of course one example. We have also worked together in the completion of a Bilateral Investment Treaty, now up for approval before the United States Senate; and in Jordan's participation in the Internet for Economic Development Initiative. And in our "Qualifying Industrial Zone" project, we have launched a unique experiment in both bilateral free trade and regional economic integration.

Under this program, which then-Minister Mulki and I launched together with Israel's Natan Sharansky in 1998, the products created in five industrial projects receive duty-free treatment in the American market. The QIZ program is now more than two years old, and even a very brief look at the results shows that it is a resounding success.

The program is helping Jordan export: Jordan's apparel exports to the U.S. have grown from about $3 million in 1997 to $8.4 million in the first five months of this year; and Jordan's exports of suitcases have grown from zero in 1997 to 21,000 last year, and more than 100,000, with a value of over a million dollars, so far this year.

In real life, these numbers mean jobs and hope for families. To look at a specific example, the first Qualifying Industrial Zone -- the Irbid Park -- employed about 1100 people, at eight factories making clothing, watches, telecommunications equipment and other goods. We predicted at the time that employment might ultimately grow to 1700 workers -- but within a year the park had outgrown its original boundaries to include more than fifty factories, including some with a direct American stake. And today, the Irbid Park has created jobs for over 6,000 men and women.

US-JORDAN FREE TRADE AGREEMENT

The success of the QIZ program, in turn, is a very good sign for the much more ambitious project we have now begun: the US-Jordan Free Trade Agreement. While we continue to work on the text and its final terms and timetables, you can expect a result along the following lines:

Free trade in goods: Both countries will remove tariffs on all goods, and eliminate non-tariff barriers such as quotas. It will also give Jordan a competitive advantage in agriculture, where Jordan is already succeeding this year in exports of products such as dates and olives. Likewise, by reducing its own barriers Jordan will reduce the cost of new technologies for businesses, and of consumer goods for families in the market.

Open markets for services: Removing barriers to the services industries, ranging from telecommunications to finance, the professions and others, will help create incentives for high-tech industries such as telecommunications to see Jordan as a good market and a regional base of operations. As Dr. Halaiqah has noted, this field is of great importance for technology transfer, the development of modern management techniques, and other essentials.

High technology: Here, Jordan will ensure strong policies on protection of intellectual property rights, development of electronic commerce and the Internet, and other fields that will encourage high-tech investment as well as local technological innovation.

Labor and Environment: Here, we will ensure that our work is fully consistent with our shared commitment to respect internationally recognized core labor standards, and complement the work Jordan is doing to protect the Kingdom's natural heritage.

LOOKING AHEAD

This agreement is a step of great importance for both of us. The United States does not enter Free Trade Agreements lightly: the US-Jordan agreement will be only the fourth we have signed with any country, and the first we have concluded in eight years. Our negotiations this week thus show the importance we attach to our relationship with Jordan, and our confidence in the economic policies Jordan has implemented in the past two years.

And they are a sign of our hopes for the wider region as well. The search for peace in the Middle East remains among the most difficult tasks confronting the world today, as we saw so clearly when the summit at Camp David did not reach a conclusion. But while difficult, neither we nor the participants believe it is impossible; and the proof of that is in the progress - albeit sometimes uncertain and often marked by reversals and disappointed hopes -- that we have seen consistently in the past decade.

Our agreement, while meant immediately for shared economic benefit, can also make a modest contribution to this work. As we negotiate its terms and bring it into force in the coming years, it will bring new opportunities to both countries: ensuring that Jordan is seen as a center for commerce and investment in the Middle East, as it creates new export opportunities for Americans and Jordanians alike. And it can be a step toward the creation of a future Middle East which is peaceful, prosperous, and open to the world; whose nations work together for the common good; and whose people have hope and opportunity.

This is the goal our two countries have always sought. And as so often in the history of the modern Middle East, in this trade agreement, as Jordan act for the benefit of its own people; it also sets an example of vision and leadership for the region. We are very proud to work in partnership with you in an initiative of such historic consequence for all of us.

Thank you very much.

THE TURNING POINT: THE CARIBBEAN BASIN INITIATIVE AND THE FREE TRADE AREA OF THE AMERICAS IN 2000

Ambassador Charlene Barshefsky
U.S. Trade Representative

Inter-American Development Bank
Washington, DC

September 11, 2000

Thank you. I am pleased to join you at this very timely conference, and let me thank President Iglesias and the Inter-American Development Bank for hosting us today.

This is an especially appropriate time for us to meet. The months ahead will mark a turning point in the relationship between the United States and the Caribbean region. This is true in the most direct terms, as we implement a newly strengthened trade and investment relationship. And it is true in a larger sense, as we prepare for a fundamental change in the economic environment of the entire Western hemisphere – as, in accord with our mandate from the Summits of the Americas, we complete a first draft of the agreement creating the Free Trade Area of the Americas.

This morning, we have an opportunity to reflect and share ideas on the work ahead. As we do so, we can begin with the simple proposition at the foundation of the CBI, and of our broader economic policies in the Caribbean Region: that is, we have no more critical a set of relationships than those with our closest neighbors.

US-CARIBBEAN BASIN RELATIONSHIP

Even the most superficial glance at the ties linking the United States with Central America and the Caribbean islands shows this plainly. We see it in the personal and family ties that join millions of Americans with the region; we see it in the region's extraordinary influence on the arts and popular culture in the U.S.; and we see it in the political ideals of democratic government and the open society which all of the region's diverse nations have come to share.

The fundamental importance of our relationship is equally evident, of course, in economic life. Taken as a whole, the Caribbean Basin is a larger market for our goods than such large and more industrialized countries as France, Brazil or China. It is estimated to be the world's third-largest market for American services exports. Likewise, the United States is the region's natural market, taking 80% of its exports and providing nearly $50 billion in foreign direct investment. These exchanges have grown rapidly throughout past decade; and today provide jobs and opportunities for millions of people in every part of the region we share.

As we consider the challenges of a new decade, therefore, we begin with the foundation of a deep and successful relationship. It is one which contributes to hopes for growth, jobs and opportunity throughout the region and in the United States; and one which helps all of us achieve our hopes for a peaceful, democratic and prosperous environment.

CBI RECORD

For this, the Caribbean Basin Initiative deserves substantial credit. If we look back to the enactment of the CBI in the early 1980s, we see an environment markedly different from the present. These were years of violence and upheaval. This of course stemmed from a number of different causes; but almost all observers and governments agreed that they had many of their roots in the economic realities of the era.

The U.S. economy was then less open to the world; the economies of the region were likewise more closed to one another and the outside world than they are today. As a result, two commodities alone -- oil and coffee -- at times made up nearly 60% of the region's exports to the U.S.. This left the Caribbean Basin with few job opportunities for a growing population, and also made national economies highly vulnerable to fluctuations in commodity prices; and such a situation is a natural breeding ground for frustration and discontent.

These were facts both the region's governments and the United States recognized. The result of the discussions of that era, the Caribbean Basin Initiative, has been the centerpiece of our economic relationship ever since. And fifteen years later, and together with the steady development of such regional initiatives as CARICOM and the Central American Common Market, the CBI has fully proven its value.

By offering greater market access for a wider array of the region's industries, it has helped the nations of the region diversify and stabilize their economies, balancing commodity exports with manufacturing and a broader range of agricultural products. Minister Weymann of Guatemala will follow me, and his country offers compelling testimony to this -- in 1984, Guatemala relied on coffee and sugar for 60% of its exports to the U.S.. Today, the proportion is 15%, with Guatemala's exports now dominated by apparel.

Almost every country participating in the CBI program has shared in these benefits. In Jamaica, for example, in 1984 aluminum ores made up 70% of exports to the U.S.; today, while Jamaica's total exports have more than doubled, ores are less than 10% of its total exports, balanced by much larger levels of apparel and value-added aluminum products. Looking at the region as a whole, the dominant products of 1985 -- oil and coffee -- together now make up only about 15% of a much larger total of Caribbean exports to the U.S., and are joined by semiconductors, apparel, shrimp, computers and many other products.

This indicates a shift of profoundly important consequence. It shows us a more developed regional economy with greater long-term growth prospects; and lessened short-term vulnerability for national economies to swings in commodity prices. It implies larger tax bases which enable governments to support education, environmental protection and health. It means new hope for workers and families, as the children of campesinos become students, skilled factory workers, and entrepreneurs. Ultimately, it is a framework of growth and development which complements the work of democratization and political reconciliation; and we see this today in the success of the Central American peace process.

And we in the United States benefit broadly from the region's economic development and political stabilization. This is true, of course, in practical economic terms – U.S. exports to the region have more than tripled since the CBI's creation, from $6.5 billion in 1984 to a projected $23 billion this year – but still more so in the inestimable value of a stable peace in the nations which are America's closest neighbors.

CBI ENHANCEMENT: NEW BENEFITS AND ELIGIBILITY CRITERIA

Policy must, of course, advance as time passes and circumstances change. That is now under way, as – drawing on our experience over the CBI's first fifteen years, and looking ahead to a more integrated hemisphere – we deepen and enhance the program. To review the results briefly, the new CBI program will have two substantial changes.

- First, it will include more products. New additions to the current set of eligible goods include footwear, canned tuna, petroleum products, watches and watch parts – which will be eligible for treatment equivalent to that offered to Mexican goods under the North American Free Trade Agreement, and together amount to well over $1 billion worth of the Caribbean's current manufactured and agricultural exports.

- Second, it will give the countries of the region substantially greater market access for apparel. This will include duty-free and quota-free treatment for apparel made from U.S. fabrics and yarns, as well as handcrafted and folklore articles, and a number of types of apparel made from regional fabric.

The new program has also set some criteria for eligibility. These criteria are not meant to be exclusive or inflexible, but to encourage policies that promote sustainable growth and job creation. Under these criteria, we are examining issues related to participation in the broader work of hemispheric integration, internationally recognized worker rights and child labor, protection of intellectual property rights, and implementation of other WTO commitments. In recent weeks, we have had constructive discussions on these issues with governments in the region; we are now considering our recommendations to the President, who will of course make the final decisions. Again, our goal is not to limit participation in the enhanced CBI benefits, but to ensure that they bring about their full potential.

TOWARD THE FTAA

Both of these benefits – the new market access opportunities CBI enhancement will provide, and the encouragement it will provide for economic reform and liberalization at home – are especially important in the context of the larger integration project now underway: the Free Trade Area of the Americas.

The FTAA represents a dream two centuries old but never yet fulfilled – an integrated western hemisphere, united in democratic ideals and shared prosperity. This was the goal of the first Pan-American Congress held 170 years ago in Panama. And a renewed commitment to it – , drawing ideas from and building on the success of CBI together with NAFTA, Mercosur, CARICOM and the Central American Common Market – was President Clinton's central aim in convening the first Summit of the Americas in Miami six years ago.

The negotiations are now well underway, having begun in earnest at the Santiago Summit of in 1998. Since then, the work has proceeded methodically and on the timetable set by the elected leaders, with a deadline for completion in 2005. Each phase has included substantial participation from the Caribbean Basin. This fall, in fact, the Bahamas, Barbados, Costa Rica, Guatemala, and Trinidad and Tobago are all serving as Chair or Vice Chair of one or more negotiating groups or committees.

To review our progress to date, by the end of 1999, we outlined the nine principal chapters that will make up the FTAA: market access; competition policy; subsidies, anti-dumping and countervailing duties; intellectual property; government procurement; investment; agriculture; services; and dispute settlement. And we are on track to complete a first draft of those chapters by the end of this year. Thus, by the New Year, we will have completed the preparatory stages, and clear the way for the next meeting of the hemisphere's elected leaders next April in Quebec to begin the work of negotiating a final text.

For all of us, the result will mean new challenges. For Caribbean Basin economies, these will include a more competitive environment in the U.S. as, over time, other nations in the Western Hemisphere begin to receive comparable access to the U.S. market. Here the CBI enhancement will have been especially valuable, by providing early incentives for investment in the region, and encouraging domestic reform and liberalization policies that build the capacity for smaller economies to compete and meet FTAA obligations.

But we can also expect that the principal effects for the Caribbean Basin of the FTAA itself will be very positive. The region's economies will not only have still greater market access in the United States, but find new opportunities in major regional economies such as Brazil, Canada and Mexico. Over time, all of us will benefit from a generally stronger hemispheric economy that will increase opportunities for trade, investment and tourism throughout the region; and this is particularly evident for the Caribbean region as the natural bridge between the Americas.

CONCLUSION

And in fact the benefits that will flow from this transformation of the hemisphere are clear to us already. They are more than theory; they are effects we have seen in practice throughout the past decade – as Caribbean Basin economies diversified and developed; as conflict faded into the past; as hope and opportunity blossomed.

To this the trade policies developed in partnership over the past twenty years have made an important contribution. Today, as we widen and strengthen our Caribbean Basin Initiative, and work toward the prosperous, open and democratic hemispheric community embodied in the Free Trade Area of the Americas, we are drawing on the lessons of this remarkable era; building upon its achievements; and then moving on to transcend them.

These are noble and inspiring projects. It is my great pleasure to be here with you as they unfold. Thank you very much.

THE U.S.-VIETNAM BILATERAL TRADE AGREEMENT

Testimony of Ambassador Charlene Barshefsky
U.S. Trade Representative

House Subcommittee on Asian and Pacific Affairs
House Subcommittee on International Economic Policy and Trade
Washington, DC

September 19th, 2000

Chairman Bereuter, Chairwoman Ros-Lehtinen, Congressmen Lantos and Menendez, Members of the Subcommittees, thank you very much for inviting me to testify on the conclusion of our Bilateral Commercial Agreement with Vietnam, and our support for extension of Normal Trade Relations.

This July, after nearly four years of negotiation, we signed a Bilateral Trade Agreement with Vietnam. Under the Jackson-Vanik Amendment, such an agreement is necessary, together with certification of freedom of emigration, for the United States to maintain conditional Normal Trade Relations with non-market economies. This is the most comprehensive such agreement ever negotiated, covering all the major trade issues on our agenda and, when approved by Congress through extension of annually renewable Normal Trade Relations, bringing about over time significant reforms in Vietnam's trade and economic policies. As it does so, the agreement will fully normalize our trade relationship with Vietnam, contributing to a broader process of normalization with both great symbolic and strategic importance for the United States.

U..S.-VIETNAM TRADE AGREEMENT AND U.S. REGIONAL POLICY GOALS

Let me begin my testimony by placing the agreement in the context of our broader relationship with and policy toward Vietnam and its neighbors.

Our first priority, like that of previous Administrations, has been a full accounting for American service personnel listed as Missing in Action in the aftermath of the Vietnam War. As Ambassador Peterson noted in testimony before the Ways and Means Committee earlier this year, this work is proceeding with full cooperation from Vietnam, through joint field activities and review of material evidence.

With this continuing, we believe normalized ties between the United States and Vietnam, Cambodia and Laos, together with their full engagement in ASEAN and the broader Pacific economy, serves American goals in several ways.

– First, integrating these countries into U.S.-Pacific trade contributes to American strategic goals in Asia. A stable and cohesive Southeast Asia is a major contribution to peace and security in the broader Asia-Pacific region. The entry of Vietnam, Laos and Cambodia into ASEAN has already made a major contribution to this goal. A growing trade and investment relationship with the United States, together with greater economic integration within Southeast Asia as the Indochinese nations participate in the ASEAN Free Trade Area, will continue and strengthen this trend.

– Second, we can help create substantial new trade opportunities for American businesses, farmers and working people in a region of 100 million people. Vietnam in particular, as ASEAN's second-largest country and the fourth-largest nation in Asia, has the potential to develop into a rapidly growing economy with significant demand for our products.

– Finally, our trade agreements make a contribution to economic reform and the rule of law in commercial areas in these countries. In doing so, they tend over time to reduce arbitrary state power, offer individuals greater economic opportunities and more freedom to determine their own future, complementing (although in no way substituting for) our human rights initiatives.

REGIONAL TRADE POLICY

Thus, since the mid-1990s and beginning with the lifting of post-Vietnam War trade embargoes, we have been working toward full normalization of our trade relationships with each country. Though the three economies are quite different – Vietnam being a larger and relatively more industrialized country – each presented some similar issues:

– All had non-market economies and highly closed trade regimes;

– In the aftermath of the Cold War, all were interested in moving toward varying degrees of domestic economic reform and opening economic relations with the United States; and

-- All three, as non-market economies, were ineligible for Normal Trade Relations without negotiation of a Bilateral Commercial Agreement (BCA).

Our goal, therefore, was to negotiate agreements with each country that would lead to significantly more open markets, contribute to domestic reform and liberalization, and (assuming success in freedom of emigration in the Vietnamese case) allow us to endorse Normal Trade Relations. As with other transitional economies in Europe and Asia, we will not move on to requests for permanent NTR until Vietnam joins the WTO, a number of years from now.

CAMBODIA AND LAOS

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

With respect to Laos, we completed a Bilateral Commercial Agreement in 1997. This agreement, using the completion of the Uruguay Round as a foundation, is more comprehensive, covering market access for goods and services, and intellectual property rights. It has not yet come into force, however, as Laos has not yet been granted NTR by Congress. The Administration will continue to work with Members to find an appropriate vehicle and time for its implementation.

CONTEMPORARY U.S. TRADE RELATIONSHIP WITH VIETNAM

Vietnam, with nearly 80 million of the region's approximately 100 million people, is by far the largest of the three countries. Our work here has proceeded step-by-step, beginning with President Clinton's decision to authorize resumed international lending and allow US firms to join in development projects in 1993, and continuing through the lifting the economic embargo in 1994, and the opening of normal diplomatic relations in 1995. These in turn build upon earlier decisions in 1991 and 1992 to open organized travel, allow commercial sales to Vietnam for basic human needs and open telecommunications links.

These steps have enabled us to begin the development of a trade and investment relationship with Vietnam. Vietnam has become our sixth largest trading partner in Southeast Asia -- in 1999, we exported approximately $300 million worth of goods to Vietnam, with the major U.S. exports being industrial machinery, fertilizers and semiconductors; and our imports from Vietnam totalled approximately $600 million, most of this in crude oil, footwear, shrimp and coffee. A number of American firms have invested in Vietnam as well, with approximately $183 million worth of investment at the end of 1998.

Two factors have severely limited the growth of this relationship, however. First, Vietnam remains one of the very few countries which do not enjoy Normal Trade Relations Status. (These are Vietnam, Laos, Cuba, North Korea, Afghanistan and Serbia.) As a result, imports from Vietnam face Smoot-Hawley tariff levels averaging 40% – more than ten times our current applied tariff levels for countries with NTR.

Second, economic reform within Vietnam has progressed slowly, weakening the economy's overall potential and creating obstacles for American exporters. Vietnam had made a degree of progress on reform in the early 1990s. However, this has been slowed by the effects of the Asian financial crisis, as Vietnam's exports to and investment from East Asia have both dropped. Vietnam's rates of economic growth, high in the early 1990s, have slowed to 4.0 - 4.5% per year since the financial crisis.

As this occurred, the momentum of domestic reform slowed as well. This has left Vietnam with a series of policy challenges: state enterprises make up approximately 30% of GDP and are in many cases in a financially weak position, highly protectionist policies in many sectors, and non-transparent administration.

THE U.S.-VIETNAM BILATERAL TRADE AGREEMENT

Our Bilateral Commercial Agreement addresses many of these issues as it also takes up the major trade issues and sectors of concern to Americans. It thus it marks a major shift of economic policy direction for Vietnam, setting a course for greater openness to the outside world; promoting economic reform and market principles, transparency in law and regulatory policy, and helping Vietnam to both integrate itself into the Pacific regional economy and build a foundation for future entry into the World Trade Organization.

The agreement is divided into six chapters: (1) market access for industrial goods and farm products; (2) intellectual property; (3) trade in services; (4) investment; (5)business facilitation; and (6) transparency. In each case, it sets clear and specific commitments and timetables, which will go into effect after the agreement is implemented through a Congressional decision to extend Normal Trade Relations to Vietnam.

The details of the agreement are as follows.

Chapter 1. Market Access for Goods

In goods, Vietnam has committed to general trade principles consistent with WTO practices, including reducing tariffs and abolishing non-tariff restrictions such as quotas, ensuring trading rights for foreign and Vietnamese businesses, and others. Some of the major commitments include:

Trading Rights: Vietnam will grant, for the first time, rights for both Vietnamese and foreign businesses to import and export, generally phased in over 3-6 years.

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

Tariffs -- Vietnam will guarantee MFN-level tariffs for U.S. goods, and cut tariffs on a wide range of agricultural and manufactured goods of interest to American exporters from most cases by a third to a half, from current levels averaging approximately 20%.

Non-tariff Measures: Vietnam has agreed to eliminate all quantitative restrictions on a range of industrial and agricultural products (e.g., auto parts, citrus, beef), over a period of 3-7 years, depending on the product.

Import Licensing: Vietnam will eliminate all discretionary import licensing, in accordance with the WTO agreement.

Customs Valuation and Customs Fees. Vietnam will comply with WTO rules – using transactions value for customs valuation, and limiting customs fees to cost of services rendered – in 2 years.

Technical Standards and Sanitary and Phytosanitary Measures: In accordance with WTO standards, technical regulations and sanitary and phytosanitary measures will be applied on a national treatment basis, to the extent necessary to fulfill legitimate objectives (e.g., to protect human, animal or plant life or health).

State Trading: State trading will be carried out in accordance with WTO rules (e.g., state trading enterprises make any sales and purchases only in accordance with commercial considerations).

Chapter 2. Intellectual Property Rights

Vietnam will implement WTO-level patent and trademark protection within one year, and copyright and trade secret protection within 18 months. It will also take further measures to strengthen intellectual property protection in other areas, for example protection of encrypted satellite signals.

Chapter 3. Trade in Services

Vietnam will accept the rules of the WTO's General Agreement on Trade in Services, guarantees protection for the existing rights of all foreign service providers in Vietnam, and making specific commitments in a range of sectors. Some of the major areas include:

Telecommunications – Vietnam will accept the principles of the WTO's Basic Telecommunications Reference Paper, requiring a pro-competitive regulatory regime and cost-based interconnection fees. It will also make commitments to liberalize the basic and value-added telecommunications markets, as follows:

Basic Telecom (including mobile cellular and satellite) – Vietnam will allow U.S. firms to form joint ventures four years after implementation of the agreement, with a 49% US equity limit.

Value-added Telecom – U.S. firms will be allowed to form joint ventures two years after implementation of the agreement (3 years for Internet services), with a 50% limit on US equity.

Voice Telephone services – U.S. firms will be allowed to form joint ventures after six years, with a 49% equity limit.

In all these fields, Vietnam and the U.S. will discuss a potential increase in the level of U.S. equity participation when the agreement is reviewed in three years.

Financial Services – Vietnam agreed to the General Agreement on Trade in Services financial annex, and made the following specific commitments:

Insurance: In life and other "non-mandatory" sectors, U.S. firms will be able to form joint ventures with a 50% equity limit after three years, and to hold 100% equity after five years. In "mandatory" sectors such as motor vehicle and construction insurance, U.S. firms will be able to hold 100% equity after six years.

Banking and related financial services – Vietnam has also agreed to:

Non-bank and leasing company providers: Joint ventures will be allowed on implementation of the agreement; after three years, Vietnam will permit 100% US equity shares.

Banks – US banks will be allowed to open branches in Vietnam. U.S. banks will be able to form joint ventures with equity between 30% and 49%; after 9 years, 100% US subsidiary banks will be allowed. Vietnam will also allow U.S. banks to hold equity shares in privatized Vietnamese banks at the same level as allowed Vietnamese investors. Over time, Vietnam will also allow U.S. banks to offer such services as deposits in local currency, credit cards, ATM machines and others.

Securities-related services – U.S. securities firms will be allowed to open representative offices in Vietnam.

Professional: Vietnam has made specific commitments across the range of professional services industries. These include:

Legal – Vietnam will allow 100% US equity in legal firms, including branches. Law firms opening branches in Vietnam will receive 5-year, renewable licenses, and may consult on Vietnamese laws.

Accounting – U.S. accounting firms will be able to hold 100% equity. Vietnam will grant licenses to U.S. accounting firms on a case-by-case basis for three years, with no limits afterwards. U.S. firms will be able to provide services to foreign invested firms for the first two years, and to Vietnamese firms afterwards.

Architectural -- U.S. architectural firms will be able to hold 100% equity. U.S. firms will be able to provide services to foreign invested firms for the first two years, and to Vietnamese firms afterwards.

Engineering – U.S. engineering firms will be able to hold 100% equity. U.S. firms will be able to provide services to foreign invested firms for the first two years, and to Vietnamese firms afterwards.

Audio Visual – U.S. firms will be able to form joint ventures with 49% equity on implementation of the agreement; the equity limit will rise to 51% after five years. Services opened under this commitment include film production and distribution, and motion picture projection services.

Distribution – For wholesale distribution, U.S. firms will be able to form joint ventures after three years with a 49% equity limit; this equity limit will be eliminated after six years. All U.S. retailers wishing to participate in the Vietnam market will be allowed to open one outlet, with further approvals on a case-by-case basis.

Other – Vietnam has also made specific commitments in a wide range of other services fields, including computer services, advertising, market research, management consulting, construction, distribution, private education, health services such as hospital and clinics, and the travel and tourism sector.

Chapter 4. Investment

Vietnam will make a series of commitments that will ease investment, reduce paperwork and in almost all cases ensure national treatment for foreign investors. These include protection against expropriation of U.S. investments in Vietnam, and rights to repatriate profits and conduct other financial transfers on a national treatment basis; phasing out such measures as local content requirements and export performance requirements within 5 years; ending almost all investment screening and discriminatory pricing; and reducing government controls and screening requirements for joint ventures.

Chapter 5: Business Facilitation

Vietnam will guarantee the right for U.S. persons to conduct routine business practices, such as setting up offices, advertise, and conduct market studies.

Chapter 6: Transparency and Right to Appeal

This chapter of the agreement is as significant as any in the agreement. Under its provisions, Vietnam will make an extensive set of commitments to transparency. In sharp contrast to past practices and a major reform of administrative policies, Vietnam will now provide advance notice of all laws, regulations and other administrative procedures relating to any matter covered in the agreement; publish all laws and regulations; and inform the public of effective dates and government contact points. Specific commitments include:

– All laws governing issues covered in the agreement must be made public and readily available.

– Vietnam will designate an official journal in which all such measures will be published.

– Vietnam will commit to uniform, impartial and reasonable application of all laws, regulations and administrative procedures.

– Vietnam will form administrative or judicial tribunals for review and correction (at the request of an affected person) of all matters covered in the agreement, and afford the right to appeal the relevant decision. Notice of decisions upon appeal and reasons for decisions appealed will be provided in writing.

CONCLUSION

Taken as a whole, this agreement is an historic step forward in our economic relationship with Vietnam – bringing U.S.-Vietnam trade onto the same terms we afford nearly every other country in the world, and marking an important turning point in Vietnam's domestic economic policies. Over time, it will help speed Vietnam's integration into the world and Pacific economies, and move it toward ultimate membership in the World Trade Organization.

As it promotes this transformation of our economic relationship, the U.S.-Vietnam Trade Agreement thus serves each of our major goals in Southeast Asia. Completion of this agreement, and approval of annual NTR for Vietnam, will open significant new opportunities for Americans. More important still, it will contribute to aspirations for economic liberalization and the rule of law in these countries; complement the work we are pursuing in human rights; and advance our long-term vision of a peaceful, stable Asia.

Finally, of course, this agreement marks a decisive moment in our normalization with Vietnam and its neighbors. This process, over the past decade, has contributed to the end of the Cambodian conflict; an accounting for Americans missing in action during the Indochina wars; and the reopening of hope for millions of the region's people; and Congressional approval will mark the final step in this process. When the agreement is submitted to Congress, we look forward to working with you to ensure its approval.

Thank you very much.

TRADE POLICY 1992 - 2000:
THE CLINTON RECORD AND THE ROAD AHEAD

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Los Angeles, California

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Thank you very much.

We are here at one of a few genuinely historic moments in American trade policy. With the Senate's passage of permanent Normal Trade Relations for China last week, we close the book on perhaps the central issue in American trade policy in this decade. I am not going to dwell on the PNTR debate today -- we have probably all heard enough about it for the time being -- but I begin here because it gives us a point of departure for a broader discussion.

Think back on the themes we saw play out in Congress over the past eight months during the China debate – the economic opportunities a more open Chinese economy would offer to Americans on the job and on the farm; the implications, both economic and political, of China's opening of its telecommunications markets and the Internet; the insecurities of the world economy and the interplay between trade policy and other values; ultimately, the central place the WTO accession and PNTR took in the broader American relationship with China, with its implications for American foreign policy and Pacific security.

These are, in microcosm, the themes of America's broader trade debates across the past eight years. From the beginning of the Clinton Administration, trade policy had a central place in America's response to the great questions: prosperity at home; the technological revolution; social justice and the quality of life; the quest for peace in the aftermath of the Cold War. And today I would like to look back on these years, and then give you some thoughts on the challenges of the moment and the tasks of the new decade.

PRINCIPLES OF U.S. TRADE POLICY

Much of my remarks today will be a story of change – from the physical growth of trade and international investment as part of our economy, to the adaptation of policy to a new era. But let me begin with a set of principles: a philosophy advanced anew by the Clinton Administration, but first articulated in the era of Franklin Roosevelt.

American postwar trade policy, stated simply, has aimed to build a world of open markets under the rule of law. This commitment rests on clear economic logic. Open markets abroad enable us to export, and exports are essential to a strong domestic economy: giving producers wider market opportunities and helping working people specialize in high-skill, high-wage jobs. Open markets at home are equally important, as imports create the choice, price and competition that raise family living standards -- for all families, but most especially the poor, dampen inflation, and create the competition and efficiency that mean long-term growth. But our approach also relies, as much as on logic and theory, on practical experience with the alternative.

HOOVER AND ROOSEVELT

Our modern views on trade policy can be traced, appropriately enough in this election season, to the debate between Roosevelt and Herbert Hoover in the Presidential campaign of 1932.

President Hoover's trade policy had rested on the belief that -- as Hoover himself put it, calling on Congress in 1929 to pass the Smoot-Hawley Tariff Act, that America, with its high standard of living, "cannot successfully compete against foreign producers because of lower foreign wages and a lower cost of production." This is an argument which appeals to very powerful fears -- today just as then. To date they have not prevailed, but in 1929 and 1930 they did, and the result is still remembered today: a cycle of tariff hikes and retaliation which, spreading around the world under the pressure of financial crisis, cut trade by 70% between 1930 and 1933. The result deepened and lengthened the Depression, intensified the political tensions of the era and, in the view of our postwar leaders, contributed to the outbreak of war.

Roosevelt proposed a more generous, confident and also more sustainable philosophy, which we have maintained ever since – a commitment to reopen world markets with the twin goals of rebuilding prosperity and restoring peace and stability. As he wrote in his last message to Congress, as the end of the Second World War approached:

> "The point in history at which we stand is full of promise and danger. The world will either move toward unity and widely shared prosperity, or it will move apart... We have a chance, we citizens of the United States, to use our influence in favor of a more united and cooperating world. Whether we do so will determine, as far as it is in our power, the kind of lives our grandchildren will live."

This message called for the opening of the negotiations which led in 1947 to the creation of the global trading system, then called the GATT and now known as the World Trade Organization -- in 1947. Roosevelt called the GATT initiative a chance to "lay the economic basis for the secure and peaceful world we all desire;" and when we step back for a moment, we see that he was correct.

Since that first GATT agreement, trade has expanded fifteen-fold; the world economy grown six-fold; and per capita income nearly tripled. Together with this, and of course also owing much to the accelerating progress of science and medicine, the past decades have seen an unprecedented era of social progress. Since the 1950s, world life expectancy has grown by twenty years; infant mortality dropped by two-thirds; and famine receded from all but the most remote, war-torn or misgoverned corners of the world. And in political terms, trade policy has helped us address questions central to world peace: postwar reconstruction and the reintegration through the GATT of Germany and Japan in the 1950s; and the contemporary challenge of supporting economic reform and integration with the world for nearly 30 nations breaking with communist central planning.

THE CLINTON ERA AND THE CHALLENGE OF 1992

The Clinton Administration embraced this philosophy and its underlying premises – optimism about America's ability to succeed in a demanding and rapidly changing world; appreciation of the contribution open markets and the rule of law can make to prosperity, justice and peace – but applied them to an entirely new economic and political landscape. In setting out his trade agenda at American University, a few weeks after his inauguration in 1993, the President observed that trade policy would have to be fundamentally reshaped, for a world fundamentally changed:

- America's economic leadership was under greater question than ever before, with a sharp recession, persistent fiscal deficits, and a perhaps subjective but clear waning of the public's confidence in America's economic future.
- The revolution in science and technology was changing commerce, work and daily life before our eyes; trade policy would have to change with it.
- The domestic debate on trade policy was growing more intense as trade became more important to the economy, meaning that all our initiatives would proceed under much more intense scrutiny than at any time perhaps since the era of Roosevelt and Truman.
- The world's political landscape had been irrevocably transformed, as the end of the Cold War, in lessening political and military tension, placed economics and trade more clearly at the center of relationships between nations.

These were a new set of challenges; this was a different world; and it required new thinking. As in the early days of the postwar era, it was a moment at which the world could unite or drift apart. And thus the President asked more of trade policy, and set a more ambitious agenda, than any Administration perhaps since those of Roosevelt and Truman.

Our work has proceeded continuously from those very first days to the present. It has spanned the negotiation by the United States of 300 separate trade agreements since 1992, eight of them of historic nature – NAFTA, the Uruguay Round, the global 21st-century agreements to open markets for information technology goods, financial services, basic telecommunications; duty-free cyberspace; more recently the landmark bilateral market access agreements with China and Vietnam. We have launched more than 100 enforcement actions. Together with the Congress, we have passed five major pieces of trade legislation. And when we compare the challenges of 1992 to the realities of today, we see how central a place this work had in our country's contemporary history.

I. BUILDING PROSPERITY AT HOME

First, over the past eight years America regained its economic strength; and the expansion of trade, together with fiscal discipline and strengthened support for education, deserves substantial credit for this.

Today's world economy is more open, and in a more open world Americans have succeeded. Since 1992, our trade negotiations have cut world tariffs by more than a third, and virtually eliminated them on information technology goods, pharmaceuticals and other high-value products; placed industrial quotas on the road to elimination; imposed stricter checks on foreign subsidies; opened markets in areas of special competitive importance to the United States; and, through NAFTA, cemented our economic relationship with our closest neighbors and largest trading partners.

Thus American businesses, farmers and working people can sell their goods and services overseas more freely than ever before. We see this as, over eight years, U.S. exports have expanded by 74%, or nearly $500 billion. In practice, this means tangible new opportunities for people on the job and on the farm throughout the United States:

- Until this year, California's orange growers were barred from selling their crops in China. As a result of the Agricultural Cooperation Agreement we negotiated with China in 1999, China bought over 6 million kilos of U.S. oranges in the first six months of 2000.
- In 1993 American photographic film and paper companies sold just over $100 million worth of their goods to Mexico. With NAFTA in effect and Mexican tariffs on these products on the road to elimination, U.S. exports of film and photographic paper more than tripled to $342 million by 1999, and may approach $500 million this year.
- In the early 1990s, California's semiconductor firms found Japan one of the world's most difficult markets to reach; today, as foreign market share has doubled in the aftermath of our semiconductor agreement, they are Japan's market leaders.

On a national scale, this export growth has made up one fifth of America's overall growth since 1992. At the local level, it has helped Americans find better and higher-paying jobs, as jobs related to goods exports pay on average 13-16% higher than other jobs. Thus, as America has created jobs, the opening of trade has helped make sure Americans also have better jobs.

Equally important, though less often recognized, are the benefits we have drawn from a more fully open domestic economy. The work of the past eight years has also reformed our own trade regime: for example, we have nearly eliminated our non-tariff barriers like industrial quotas, and abolished tariffs on over two thousand types of goods. This has helped make businesses more efficient;

kept inflation low as the longest continuous economic expansion in our history continues; broadened consumer choice and raised living standards, especially for America's poorest families.

Altogether, trade has played an irreplaceable role in America's prosperity. – and we are all familiar with the overall economic record: 21 million new jobs since 1992; the lowest peacetime unemployment rates since the 1950s; a $400 billion expansion in American manufacturing; the longest era of economic expansion in our history.

II. THE 21ST-CENTURY ECONOMY

As the opening of the contemporary world economy helped us build prosperity at home, we initiated a new set of agreements -- unique in postwar trade policy -- that eliminate barriers in specific sectors worldwide, and in doing so develop the framework of rules that will serve America's 21st-century economy. These are the issues and approaches of the New Economy, and the Clinton Administration took them up as no previous Administration had done:

- We strengthened worldwide protection of intellectual property rights, giving American scientists, artists and inventors stronger incentives for research and development. Through the Uruguay Round negotiations, dispute settlement cases, our domestic law and a host of bilateral IPR agreements, well over 100 countries have adopted modern copyright, patent and trademark laws.

- We have opened broader markets for American high-tech manufacturers that create economies of scale and promote investment: Over eight years, beginning with bilateral market-opening agreements ranging from semiconductors to cell phones, medical equipment and technology, computers, pharmaceuticals and other advanced products and then conclusion of the global Information Technology Agreement in1996, we have virtually eliminated world tariffs on the high-tech manufactured goods at the heart of the globe's information infrastructure.

- We have begun the opening of the services industries critical to the world's 21st-century economy: beginning with the global agreement on Basic Telecommunications services in early 1997, we brought the pro-competitive regulatory principles and open markets that spark investment and competition in America's telecommunications sector to the world. We then did the same for another industry through the global Financial Services agreement later in that same year – the largest market-opening trade agreement by value ever concluded, covering nearly $60 trillion in banking, securities and insurance.

- Then the Internet, as in 1998 -- in association with our opening of a very broad electronic commerce initiative -- we won commitment from all WTO members to duty-free cyber-space, preserving the Internet as a duty-free zone.

And we are now taking the next steps. At the WTO, we have tabled a comprehensive proposal to reform trade in agriculture -- still a highly protected sector, especially in Europe. We have done the same in the services industries, moving on to such industries as distribution, the newly emerging services created by the Internet, as well as telecommunications, financial services, architectural design and much more. And we will soon announce a major "networked economy" initiative to move our trading partners toward the flexible, sophisticated New Economy principles of America's network of telecommunications, information technologies and services industries. Altogether, as the technological revolution accelerates, we will have the advantage of a framework of law and open markets that enables Americans to take full advantage of our greatest strengths.

III. THE DOMESTIC DEBATE AND THE QUALITY OF LIFE

Altogether, an aggressive trade agenda helped to propel a remarkable transformation in America's economic life. This is evident in the sheer physical growth of trade – since President Clinton spoke at American University in 1993, our trade with the world has doubled, from under $1.3 trillion to over $2.5 trillion a year. And as he then predicted, this in turn brought greater attention to trade and intensified the public debate on trade policy.

This has required us to make some changes in the way trade policy is conducted; and anticipating this, early in the Administration, we made a number of reforms in our domestic policy processes to strengthen the government's public outreach and encourage public participation as we form new policies and negotiate major agreements. We are now broadening this internationally through our call for greater transparency at the WTO, and the creation of a unique "Committee on Civil Society" in the Free Trade Area of the Americas talks. But an intensifying debate also means more substantive questions and concerns that must be met.

Some of these concerns reflect insecurities at home; and they are quite valid, though not uniquely associated with trade. Some parts of American society have not drawn the full benefits of our modern prosperity: inner cities and Indian reservations; those with less education and training; much of rural America. Government has a responsibility to accompany rapid technological change and an open trade policy with a full range of domestic policy measures including a commitment to the education, job training, and adjustment necessary to ensure that all of us can take full advantage of newly emerging opportunities; and a safety net that will assist those in need.

Other concerns are more directly linked with trade: an example is the debate, playing out in the Congress and sometimes on TV, on the relationship between trade, environmental protection, and worker rights. The most basic fears it embodies – that an opening world economy will force us to weaken standards or face the loss of exports, investment and overall prosperity – are not borne out by experience. Far from weakening standards under the pressure of competition, we have strengthened them, with the Family and Medical Leave Act, the minimum wage increase and the new Safe Drinking Water Act; new and stronger clean air rules; signature of the Kyoto Convention on climate change; the protection of nearly 100 million acres of wild lands; and as we have done so America became more competitive rather than less. But the critics of trade raise genuine and reasonable concerns: sweatshops and child labor are real global problems; the climate change, loss of habitat, depletion of fisheries and cross-border pollution all present real challenges; and while domestic policies must be the central means of solving them, trade can play a part.

This has been the Administration's commitment from the beginning. We now require full environmental assessments of major trade agreements before their completion; we have identified and proposed the elimination of barriers to trade in environmentally beneficial goods and services, and also environmentally damaging subsidies, for example in the agriculture and fishery sector. Likewise we have led the debate on labor rights at the WTO, and found specific opportunities such as our textile agreement with Cambodia, offering greater access to the U.S. market in exchange for labor rights improvements in Cambodia's garment sector. Our free trade agreement with Jordan, currently under negotiation as part of the Middle East peace process, will take this to a new level, as the first trade agreement ever to include labor and environmental provisions. In so doing, it will fully demonstrate the compatibility of open markets and free trade with our ethical and humanitarian responsibilities for the environment and social justice.

III. AN INTEGRATED WORLD AND A STRONGER PEACE

This agenda has made a contribution of central importance to our economic goals: from export opportunities and rising living standards in the present, to the technological issues of new economy, and to opportunities for worldwide development, equity and social justice as well. The trade agenda has done something else as well: consistent with the philosophical goals and practical example set by Roosevelt and Truman in the postwar era, trade agreements and economic integration have taken a central place as we work toward a political architecture that will help us keep the peace in the world after the Cold War.

This is a goal evident throughout the Administration's most ambitious initiatives. The reformed and strengthened trading system embodied by the WTO is itself an example, providing the world with stronger rules that -- as we saw in the two years of the Asian financial crisis -- help to prevent political instability by giving troubled countries access to the world markets necessary for recovery in difficult times. The Administration's regional initiatives in each part of the world are also examples -- the Asia-Pacific Economic Cooperation (APEC) forum; the Transatlantic Economic Partnership with the European Union; the new trade and investment relationship with Africa; regional integration in the Middle East; and most ambitious among them, the growing hemispheric community and its potential to fulfill a 200-year old dream, uniting the 34 democracies of the Western Hemisphere in a Free Trade Area of the Americas.

And nowhere is this more nowhere more evident than in our response to a challenge as profound as any the world has seen in half a century: reintegrating China, Russia, and nearly 30 other nations in transition from communist planning practices to the market into a global trading system and a world trading economy. This is, in a sense, the modern equivalent of the reintegration of Germany and Japan in the postwar era; and looking back over eight years, we can see a decisive advance.

For the new democracies of Europe and Asia, in the years since the fall of the Berlin Wall trade policy has helped to cement internal domestic economic reform, strengthen political stability and support long-term growth. The negotiation of WTO accession agreements, on the basis of substantial market-opening, and the acceptance of global rules by the applicants, has helped build market economies, promote the rule of law and spur longer-term and more sustainable growth in nine new democracies – Albania, Bulgaria, Croatia, Estonia, Georgia, Kyrgyzstan, Latvia, Mongolia and Slovenia – and more are to come, as WTO talks move ahead with Russia, Ukraine, Armenia and others.

Much further east, we have taken the decisive steps toward normalized trade with the nations of Indochina. We have concluded major trade agreements with Cambodia and Laos; and put the capstone in place with last July's landmark bilateral US-Vietnam market access agreement. And this will close the book on the Vietnam War era, in a fashion that both cements peace and reconciliation with these nations, and contributes to greater economic freedom and opportunity for their people.

And finally, we return to our point of departure.

China's WTO accession, together with PNTR, constituted up perhaps the most important American trade and foreign policy debate of the past decade. It is a landmark achievement in concrete terms: a comprehensive agreement covering virtually every part of China's economy; and a Congressional debate ending in the full normalization of our trade relationship. And it is also a symbolic achievement, as the world's largest nation -- for so long a challenger to the vision of open markets, mutual benefit and integration American trade policy has served -- returns to the trading system it helped to create in the years before the communist revolution.

Over the coming years, this agreement will open China's economy to the world more fully than at any time in the modern era, and launch China's most important domestic economic reforms in more than two decades. In doing so, over time, it will strengthen the rule of law throughout China, and give China and its people far greater contacts with the outside world, complementing our work in the cause of human rights. And it will serve America's fundamental strategic interest as it integrates China more fully into the Pacific regional and world economies, complementing our Asian alliances and diplomacy to strengthen the chance of peace.

CONCLUSION

That brings us to the present; and from here we can survey the challenges of the new decade.

The strategic opportunities and general outlines of policy are already clear: the further opening and reform agricultural and services trade; Russia's integration into the trading system; the framework of rules for the emerging networked world economy; the extraordinary opportunity of a community of open trade throughout the Western hemisphere.

This will be an agenda as demanding as that we began in 1993. But Americans will take it up with some advantages we did not have then: a healthier economy, a more confident public, and a stronger and more secure nation. We have these blessings in part because Americans, at a moment of promise and danger, once again made the more courageous, more generous and wiser choice. And let me close with that.

Thank you very much.

FROM THE COLD WAR TO THE WIRED WORLD: TRADE POLICY IN THE CLINTON ERA

Ambassador Charlene Barshefsky
U.S. Trade Representative

The National Press Club
Washington, DC

October 19, 2000

Thank you very much.

We are here at one of a few genuinely historic moments in American trade policy. With the President's signature of the legislation on permanent Normal Trade Relations for China, and as China enters the final stages of the WTO accession process, we are nearing the close of perhaps the central debate in American trade policy over the past decade.

PNTR, of course, is not the end of the work. I have just returned from Beijing, where we crystallized for the Chinese the issues remaining in Geneva among all of China's principal trading partners. The United States will proceed, as at each earlier stage, on the basis of an enforceable, commercially meaningful agreement. The timetable for entry, and implementation of PNTR under the law, depends on China's ability to conclude the multilateral process consistent with this requirement.

I am not going to dwell on China today – we have probably all heard enough about it for the time being. But I use it as a point of departure. Think about the themes we saw play out in Congress in the past months – the economic opportunities of trade with China; the implications of opening markets in information technologies; the relationship between trade and other deeply held values; ultimately, the place of the WTO accession and PNTR in our broader relationship with China, with all its profound importance for peace and security in the Pacific. These are, in microcosm, the themes of America's broader trade debates of the past eight years.

Throughout President Clinton's two terms, trade policy has had a central place as America considered the great questions: prosperity at home; the technological revolution; the quality of life; the quest for a more stable, peaceful world. And that is my topic today – the challenges the Administration's trade policy addressed, the changes it brought to the world, and the questions before us as a new decade begins.

PRINCIPLES AND RECORD OF U.S. TRADE POLICY

Much of my remarks today will be a story of change – from the fundamental importance of trade in our economy, to the adaptation of policy to a new era. But it begins with a set of principles: a philosophy advanced anew by President Clinton and Vice President Gore in 1993, but first articulated in the era of Franklin Roosevelt.

American postwar trade policy, stated simply, has aimed to build a world of open markets under the rule of law. This commitment rests on clear economic logic. Open markets abroad enable us to export, and exports are essential to a strong domestic economy: giving producers wider market opportunities and helping working people specialize in high-skill, high-wage jobs. Open markets at home are equally important; imports create the choice, price and competition that raise living standards -- for all families, but most especially the poor, dampen inflation, and create the competition and efficiency that mean long-term growth.

But our approach relies, as much as on logic and theory, on practical experience with the alternative. It can be traced, appropriately enough in this election season, to the debate between Roosevelt and Herbert Hoover in the Presidential campaign of 1932.

President Hoover's trade policy rested on the belief that – as Hoover himself put it, calling on Congress in the spring of 1929 to pass the Smoot-Hawley Tariff Act – America, with its high standard of living, "cannot successfully compete against foreign producers because of lower foreign wages and a lower cost of production." This argument appeals to powerful fears, now as then. In 1929 and 1930 it prevailed, and the result is still remembered today: a cycle of tariff hikes and retaliation which, spreading worldwide under the pressure of financial crisis, cut trade by 70% between 1930 and 1933. The result deepened and lengthened the Depression, intensified the era's political tensions, and, in the view of our postwar leaders, contributed to the outbreak of war.

Roosevelt proposed the more generous, confident and also more sustainable philosophy we have maintained ever since – a commitment to open markets with the twin goals of rebuilding prosperity and restoring peace and stability. As he wrote in his last message to Congress, calling in the spring of 1945 for the negotiations which led to the first GATT agreement two years later:

> "The point in history at which we stand is full of promise and danger. The world will either move toward unity and widely shared prosperity, or it will move apart."

The resulting GATT agreement joined NATO, the Rio Treaty and our Pacific alliances; the World Bank and the IMF; the United Nations and the Universal Declaration of Human Rights; as a basic institution of postwar internationalism. Roosevelt called the initiative a chance to "lay the economic basis for the secure and peaceful world we all desire," and he was correct.

Over fifty years, an opening world economy has allowed global trade to expand fifteen-fold; in turn sparking a six-fold increase in world economic production and a tripling of per capita income. This contributed, together with the advance of science and medicine, to unprecedented social progress:

world life expectancy has grown by twenty years; infant mortality fallen by two-thirds; and famine receded from all but the most remote, war-torn or misgoverned corners of the earth. And in political terms, trade policy helped us address questions central to world peace: from postwar reconstruction, to the reintegration through the GATT of Germany and Japan in the 1950s, and up to the present.

THE CHALLENGE OF 1992 AND THE CLINTON ERA

The Clinton Administration embraced Roosevelt's philosophy and its corollaries: optimism about America's ability to succeed in a changing world; appreciation of the contribution open trade can make to prosperity, peace and the rule of law; commitment to American leadership. But we applied them to an entirely new economic and political landscape.

As the President observed in setting out his trade agenda at American University a few weeks after his inauguration in 1993, trade policy would have to be fundamentally rethought for a world fundamentally changed.

- America's economic leadership was in question with a sharp recession, growing deficits, and a perhaps subjective but clear waning of public confidence.
- The revolution in science and technology was changing economic life before our eyes.
- The domestic debate on trade policy was growing more intense, as trade became more important to the economy and our own trade barriers diminished.
- The world's political landscape was irrevocably transformed; the end of the Cold War, in lessening political and military tensions, placed economics and trade more clearly at the center of relationships between nations.

The President's response to these challenges asked more of trade policy, and set a more ambitious agenda, than had any President perhaps since the era of Roosevelt and Truman. Over eight years, it has led us to conclude 300 separate trade agreements; pass, together with Congress, five major pieces of trade legislation; launch over 100 enforcement actions; and reach a series of signal achievements which have changed the world's trade environment.

These include historic agreements: NAFTA, the Uruguay Round that expanded global rules and opened world markets, the Framework Agreement with Japan and later the Enhanced Initiative on Deregulation; the 21st-century agreements of the second term on information technology, financial services, basic telecommunications and duty-free cyberspace; more recently, this spring's trade bill on Africa and the Caribbean Basin; the market-opening trade agreement with Vietnam; the China agreement and PNTR; soon a Free Trade Agreement with Jordan, as part of the Middle East peace process. Together with these, we have created new institutions: the WTO itself; the annual APEC Leaders forum and substantive work toward free and open trade in the Pacific; the Transatlantic Economic Partnership with Europe; the Summits of the Americas which envisioned and then launched the negotiations towards a Free Trade Area of the Americas.

And when we compare the challenges of 1992 to the realities of today, we see some remarkable things.

I. BUILDING PROSPERITY AT HOME

First, America regained its economic strength; and trade policy, together with fiscal discipline and support for education, had a central role in this.

The achievements of the past eight years created a far more open world economy. Since 1992, we have cut world tariffs more than a third, and virtually eliminated them on information technology goods, pharmaceuticals and other high-value products. We placed industrial quotas on the road to elimination; imposed stricter checks on foreign subsidies; opened markets in areas of special competitive importance to the United States; and, through NAFTA and the more recent expansion of the Caribbean Basin Initiative, cemented our economic relationship with our closest neighbors and largest trading partners.

As a result, American businesses, farmers and working people can sell their goods and services overseas more freely than ever before. We see this in the 74% increase in U.S. exports over eight years – amounting to total growth of nearly $500 billion, with exports topping $1 trillion this year for the first time in our history. This growth means tangible new opportunities for people on the job and on the farm throughout the United States. To cite just a few examples:

- Until this year, orange growers in California and Florida were barred from selling their crops in China. As a result of the Agricultural Cooperation Agreement we negotiated with China in 1999, China bought 7.6 million kilos of U.S. oranges in the first seven months of this year.

- In 1993, American photographic film companies sold just over $100 million of their goods to Mexico. By 1999, with NAFTA phasing out high Mexican tariffs on these goods, U.S. exports of film and photographic paper more than tripled; the figure should approach $500 million this year.

- In the early 1990s, American semiconductor and medical technology firms found Japan one of the world's most difficult markets to penetrate; today, as foreign market share has more than doubled in the aftermath of our agreements, our companies are Japan's market leaders.

On a national scale, this export growth has made up over a fifth of America's overall economic growth since 1992 -- and a third of our growth until the Asian financial crisis. More locally, as America created nearly 22 million jobs, the opening of trade helped make sure Americans also have better jobs, as jobs related to goods exports pay on average 13-16% more than non-export related jobs.

Market-opening also reformed our own trade regime – we abolished tariffs on over two thousand types of goods, and nearly eliminated our non-tariff barriers like industrial quotas. And this too contributes to our economic strength. It has helped make businesses more efficient; kept inflation low as the longest continuous economic expansion in our history continues; broadened consumer choice and stretched the value of a dollar for each of us.

II. THE 21^{ST}-CENTURY ECONOMY

Second, as the opening of today's world economy helped us build prosperity at home, we turned to the negotiation of a series of high-tech trade agreements – unique in postwar trade policy – that eliminate barriers across specific sectors worldwide. These make up the policy framework for an era in which trade takes place in the borderless world of cyberspace and concerns weightless products that arrive by wire or satellite beam as much as tangible goods that travel by plane or boat; and for an economy dominated by knowledge rather than physical labor.

- We strengthened worldwide protection of intellectual property rights, facilitating research, investment and technological progress. The Uruguay Round, vigorous use of WTO dispute settlement, U.S. law and 28 bilateral IPR agreements, led well over 100 countries to adopt modern copyright, patent and trademark laws; and radically improve enforcement.

- We opened markets for high-tech goods. In eight years, with bilateral market-opening agreements from semiconductors to medical equipment and technology, computers, pharmaceuticals, cell phones and other advanced products, and then the global Information Technology Agreement in 1996, we virtually eliminated world tariffs and other barriers to trade in the high-tech manufactured goods at the heart of the globe's information infrastructure.

- We spearheaded the opening of services industries critical to the 21^{st}-century economy. With the WTO's General Agreement on Trade and Services, we set a framework of rules for services trade. Then, through the global market-opening agreement on Basic Telecommunications services in 1997, we brought the pro-competitive regulatory principles and open markets that spark investment and competition in America's telecommunications sector to the world. We did the same in another industry later that year with the global Financial Services agreement – the largest market-opening trade agreement by value ever concluded, covering nearly $60 trillion in banking, securities and insurance assets.

- Then the Internet, as in 1998, in association with the development of a broad e-commerce policy, we won commitment from all WTO members to duty-free cyber-space, preserving the duty-free status of electronic transmissions over the Internet.

We are now taking the next steps. At the WTO we have proposed comprehensive reform of trade in agriculture – still highly protected, especially in Europe – and attention to the new issues of biotechnology. We have done the same in services, addressing both familiar industries and newly emerging services created by the Internet. And we will soon inaugurate a major "networked economy" initiative – easing trade in the high-tech manufactures and services at the heart of the world information infrastructure, and addressing related topics such as intellectual property protection in the digital environment and capacity-building to address concerns about an international digital divide. In doing so, as it opens up export opportunities it will help move our trading partners toward the flexible, sophisticated New Economy we have entered at home.

III. THE DOMESTIC DEBATE AND THE QUALITY OF LIFE

Our intense negotiating agenda, and the adaptation of trade policy to the information age, asked us to be more ambitious, and to think about trade in new and creative ways. In a different sense, this was also true of our third challenge – the intensifying trade debate at home.

Its sources are evident in the sheer physical growth of trade – since 1993, our two-way trade with the world has doubled, from under $1.3 trillion to over $2.5 trillion a year. This has brought more scrutiny and new perspectives to trade – as we saw in the rancorous debates on fast track and the Seattle Ministerial Conference – with particular emphasis on the relationship of core labor standards and environmental protection to trade.

We have proceeded on two bases. First, open trade and economic growth can go together with high labor standards and strong environmental protection. Fears that an opening economy will force us to weaken labor and environmental standards or risk slower growth at home are unfounded. Experience shows this in practice: far from weakening standards, we strengthened them as we pursued expanded trade – from the Family and Medical Leave Act and the minimum wage increase, to a new Safe Drinking Water Act and the protection of 100 million acres of wild lands – and America became more competitive rather than less, gaining a greater share of both world exports and global investment.

But second, the strains of development and growth are real. Sweatshops and child labor are global problems; climate change, depletion of fisheries and cross-border pollution present complex challenges. And while domestic policies must be the central means of solving them, we must recognize that trade policy can play a part.

That has been the Administration's commitment from the beginning, in the NAFTA side agreements on labor and the environment, through our proposals to eliminate barriers to trade in environmental goods and services at the WTO; the President's Executive Order requiring environmental reviews of major trade agreements, and the development of innovative means of encouraging worker protections such as our textile agreement with Cambodia, offering greater access to the U.S. market in exchange for labor improvements in Cambodia's garment sector. Very soon, this will be capped by a free trade agreement with Jordan – the first ever to include specific labor and environmental provisions – which will join open markets and free trade with other public responsibilities. And all this goes together with commitments to transparency – reforming policy processes at home, and strengthening public access to international institutions.

IV. AN INTEGRATED WORLD AND A STRONGER PEACE

And so we come to the fourth challenge: as trade agreements and a new era of economic integration helped us achieve prosperity and a higher quality of life at home, they also became central pillars of the political architecture that has replaced the world of the Cold War, promoting the economic integration, mutual benefit and shared destiny that help to strengthen peace.

The reformed and strengthened trading system embodied by the WTO is a case in point, providing stronger rules that – as we saw during the Asian financial crisis – help to keep world markets open and prevent cycles of protection and retaliation like those of the 1930s.

Our regional initiatives are also examples: the APEC forum in the Pacific; the Transatlantic Economic Partnership with the European Union; our new trade relationship with sub-Saharan Africa; the beginnings of regional integration in the Middle East. Most ambitious of all, the negotiations begun at the Summits of the Americas, creating a community of freedom, prosperity and shared destiny – the Free Trade Area of the Americas – that will unite the 34 democracies of the Western Hemisphere.

And when we think of the contemporary challenges of peace and stability, we think above all of one as profound as any in half a century: that of the reintegration of China, Russia, and nearly 30 other nations into the world economy, as they make the transition from communist central planning to the market. This is the modern equivalent of the reintegration through the GATT of Germany and Japan in the postwar era; and over eight years we see a decisive advance.

For the new democracies of Europe and Asia, in the years since the fall of the Berlin Wall trade policy has helped to cement their internal domestic economic reform, strengthen political stability and support long-term growth. Our 29 agreements on accession first to the GATT and more recently the WTO include no less than ten with the new democracies – Albania, Bulgaria, Croatia, Estonia, Georgia, Kyrgyzstan, Latvia, Mongolia, Slovenia and now Lithuania – and more are to come, as we move ahead with Russia, Moldova, Ukraine, Armenia and others.

Much further east, we have taken the decisive steps toward normalized trade with the nations of Indochina, concluding major trade agreements with Cambodia and Laos and putting the capstone in place with last July's landmark bilateral US-Vietnam agreement. With the Cambodia agreement already in effect, implementation by Congress of the Laos and Vietnam agreements next year will restore a fully normal relationship with the entire region – helping to close the book on the Vietnam War era, in a fashion that both cements peace and reconciliation with these nations, and contributes to greater economic freedom and opportunity for their people.

Finally, with China, we return to the point at which we began. China's WTO accession, together with PNTR, was perhaps the most important American trade and foreign policy debate of the past decade. It is a landmark achievement in concrete terms: a comprehensive market-opening agreement covering virtually every part of China's economy; and a Congressional debate ending in the full normalization of our trade relationship. It is also a symbolic achievement, as the world's largest nation – for decades one of the great challengers to the vision of open markets, mutual benefit and integration American trade policy represents – returns to the trading system it helped to create before the communist revolution; and thus brings us closer to the fulfillment of the vision of economic integration, growing stability and strengthening peace that animated Roosevelt and his successors.

CONCLUSION

Where to from here?

The strategic opportunities and general outlines of policy are already clear. This is the case whether the next Administration pursues fast track or other procedural means of reaching the goal.

They include the further opening and reform of global agricultural and services trade, and in that connection building consensus for a Round – a process that has already begun.

Russia's integration into the trading system.

The framework of rules for the emerging networked world economy.

The extraordinary opportunity of a community of open trade throughout the Western hemisphere through the FTAA; and regional economic opening through further initiatives in particular Asia, Europe and the Middle East.

And at home, expanded public participation and a strengthened consensus for open trade.

Ultimately, this agenda, building on the Clinton record, will complete our journey from the divisions of the Cold War to the integrated and wired world of the 21st century. It will be as demanding as the agenda we began in 1993. But the next Administration will take it up with a healthier economy, a more confident public, and a stronger and more secure nation.

We have these blessings in part because Americans, as under Roosevelt and Truman, faced a moment of promise and danger; and once again in this rapidly changing world, made the more courageous, the more generous and the wiser choice.

Let me close with that; and I thank you very much.

THE NETWORKED WORLD INITIATIVE: TRADE POLICY ENTERS A NEW ERA

Ambassador Charlene Barshefsky
U.S. Trade Representative

Federal Communications Bar Association
Washington, DC

October 23, 2000

Thank you very much.

We have had a busy year in trade. We have moved from successful legislation on Africa and the Caribbean, to an equally successful Congressional debate on U.S. participation in the World Trade Organization, to the central question of our trade relationship with China culminating in approval of Permanent Normal Trade relations for China, and very soon the completion of a Free Trade Agreement with Jordan.

Altogether, it has been an extraordinary year for trade policy, and any of these topics would give us the material for a full discussion. But today I will take up an entirely different subject: that is, the adjustment of trade policy to the emergence of a new world of science and technology.

TRADE AND THE TECHNOLOGICAL REVOLUTION

At the turn of the next century, it may be that for our great-grandchildren, the prosperity of the 1990s will be a dim memory; the end of the Cold War a subject for high school history classes. What will strike them with great force – as the development of mass production, the airplane and the radio a hundred years ago does for us – will be the technological revolution: the publication of the human genetic code; the machines rolling across the Martian desert; the wiring of America and the creation of the borderless world of cyberspace.

The historians of the next century will trace profound transformations in society, politics and culture to the microchip, the satellite and the fiber-optic cable: innovation and creativity in the arts; new synergies in scientific inquiry; the expansion of freedom of speech and debate, as political censorship becomes less and less feasible, and citizens find new ways to share ideas across borders.

These changes are also coming to economic life. We see the seeds of the 22nd-century economy in the explosive growth of the Internet, with three million users in 1995 and today reaching half of all American homes; the creation of electronic commerce, valued at $200 billion last year and $700 billion this year; and the basic changes underway in the way we conduct business and trade.

If this reaches its full potential, the networked economy of the new century will make firms and national economies more efficient, as computers enable businesses to cut inventories, provide better and more timely customer service, and meet consumer demand efficiently. It will enable governments to use tax money more efficiently than ever before, particularly in the case of government procurement. It will make trade and international business easier than ever before, enabling not only large firms but small businesses and new entrepreneurs in disadvantaged regions to find customers cheaply and easily. And it will raise living standards as consumers gain new power to compare price and quality among vendors all over the world.

THE POLICY CHALLENGE

Much of this depends, however, on an appropriate framework of policy: one which facilitates creativity and technological progress; one which also enables governments to fulfill their core responsibilities for public safety, consumer protection and national security. Each area of government must respond to a different set of challenges in both of these regards. But trade policy, I think, faces a set of challenges that are especially interesting; and in which the consequences of the decisions we make today will be especially great.

American trade policy has sought, generally speaking, to create a world of open markets under the rule of law. This has typically involved policies affecting goods we can see crossing the border – beef, steel, semiconductors, cars, bottles of wine. Our agreements have sought to remove tariffs, or surcharges on goods; eliminate quotas which distort the working of markets and resource allocation; make customs procedures fair, transparent and efficient; or to harmonize technical standards so a semiconductor chip built in Costa Rica and a hard drive assembled in Southeast Asia can operate a computer designed in Northern Virginia.

The development of a networked world adds to these a set of new and in some ways entirely different issues. We face the challenge of anticipating and preventing the creation of new types of barriers, as well as removing those barriers which exist today; we address weightless products that flow instantaneously around the world by wire or satellite beam, as well as visible goods that travel by plane or boat. And we work, in some ways, for higher stakes: the agreements and rules we develop now will be the framework for the world economy of the coming decades. As such they can create incentives for creativity, growth and development; or they can widen technological divides among nations and limit progress everywhere.

Recognizing this fact, and the fluidity of the contemporary environment, the Administration has approached its responsibilities with a few cautionary principles in mind:

- The technological world changes rapidly: so we should carefully think through our actions in these early years of e-commerce and the Internet, to ensure that our actions today do not bring unwanted consequences later.

- The best policies arrive through consensus: while government, in the high-tech field as anywhere else, retains core responsibilities of enforcing laws and protecting consumers, policy will be most effective if it arises effectively through cooperation and discussion among governments, industry and others affected by electronic commerce.
- The Internet has no natural borders: domestic policies must proceed together with international policies, as the Internet is by definition an international system and policy changes overseas will affect the high-tech economy here and worldwide.

HIGH-TECH TRADE POLICY TO DATE

So we have proceeded deliberately, but also conscious of challenges that will not wait: from the loss of potential opportunities if barriers begin to arise, to the dangers of an emerging international digital divide. And taken as a whole, this has been one of the most productive fields of our trade policy. Looking back over the course of the Administration, we can cite five principal accomplishments.

1. Intellectual Property Rights

First, we have strengthened respect, worldwide, for intellectual property rights. This is central to technological progress – Mark Twain once wrote that a country without intellectual property laws is "just a crab, and cannot travel any way but sideways or backward."

Creative and innovative products that rely on intellectual property protection, such as computer programs and motion pictures, are typically costly to develop but cheap to copy. Ten years ago, few of the world's developing countries even had intellectual property laws; which both harmed direct American interests and limited their ability to attract investment and technology. Over the past decade, our use of the "Special 301" law and the negotiation of the Uruguay Round's TRIPS agreement has helped to ensure that the vast majority of our trading partners have passed modern intellectual property laws and are improving their enforcement of these laws. We are now monitoring WTO members' implementation of their TRIPS Agreement obligations and will enforce these commitments in the most effective way. We also are implementing campaigns against worldwide piracy of new optical media technologies, and end-user piracy of software. And we are working to ensure global ratification of two key treaties concluded in 1998 under the World Intellectual Property Organization covering phonograms and copyright, designed specifically to safeguard intellectual property in the digital age.

2. Information Technology Agreement

Second, we have removed barriers to trade in the high-tech manufactured products, where the keystone is the Information Technology Agreement of 1996.

This agreement, building on our earlier Semiconductor Agreement with Japan, has virtually eliminated tariffs on semiconductors, computers, computer equipment, integrated circuits, telecommunications equipment and many related manufactured goods. It now covers 95% of world production of these products, $600 billion in world trade, and a quarter of American exports. We are now seeking consensus on expanding this agreement – "ITA II" – to include more products; and new members of the WTO are joining the current ITA. China is an example; in a country where our exports of integrated circuits have quadrupled since 1997, we have full commitments to eliminate tariffs by 2004. Taiwan, already our fifth largest market in the world for semiconductors, is another.

For high-tech manufacturers, this means ability to sell to wider markets, develop new economies of scale and grow. This is clear in a few statistics – last year, we produced $13 billion in semiconductor manufacturing equipment, and exported $8 billion of it; we likewise export nearly half of all the semiconductor chips we make. For consumers overseas, removal of tariffs is equally important, reducing the cost of equipment and inputs businesses need to make factories more productive, reach the Internet, find customers and work in real time with overseas partners.

2. Basic Telecommunications Agreement

Third, we have opened trade in telecommunications services.

Here the central achievement is the WTO Agreement on Basic Telecommunications, which came into force in February, 1998. This opened up 95% of the world telecommunications market to competition, promoting pro-competitive regulatory principles in all participants and covering the vast majority of nearly $1 trillion in telecommunications trade. The contribution of this agreement to competition in global telecommunications markets is clear.

Over just two years, the ability of dominant carriers overseas to keep rates artificially high and depress demand for telecommunications services and electronic commerce has sharply eroded, helping cut rates to levels as low as 10 to 20 cents per minute for calls between the United States and some of our most common telephone destinations. With the broader market access and increased investor stability provided by WTO commitments, new investment in undersea fiber optic cables may spark a fifty-fold increase in capacity by the end of 2001, compared to mid-1999. Future growth prospects are even greater, as in the last five years, traffic flowing over telecom networks has increased ten-fold, and the rate of growth is rising, with Internet traffic now doubling every 100 days.

Again, however, much work lies ahead. We are reviewing implementation of the Agreement very carefully, and have placed a great deal of pressure on Japan and Mexico to ensure that the local dominant carriers, NTT and Telmex, do not attempt to evade their responsibilities. And as with the ITA, we encourage both current and new WTO members to participate in the Basic Telecom Agreement. Again, China's commitments, including ending investment bans, implementing pro-competitive regulatory principles and the immediate opening up of paging and value-added services like the Internet are a case in point.

4. Trade in Services

Fourth, we have begun the work of opening the services industries more generally. This both takes advantage of and helps to develop the telecommunications network worldwide. An open telecom network creates a virtuous cycle: it enables entrepreneurs to market existing services and creates incentives to develop new ones; and the resulting increased demand for services itself sparks greater investment in the network.

Specifically here, with the completion of the Uruguay Round, the WTO's General Agreement on Trade in Services (GATS) created a set of rules and precedents for market access commitments. The agreements in 1997 on Financial Services brought us further, with commitments to market access and national treatment covering nearly $60 trillion in banking, insurance and securities transactions each year. And this is an accomplishment we can match across dozens of industries through the services negotiations which opened at the WTO in February: from energy services, environmental, audiovisual, express delivery, the professions, private education and training, private healthcare, travel and tourism, and other sectors. The electronic services that underpin e-commerce – advertising, computer and information services, distribution, financial services, telecommunications and other areas – will also be a major focus of the talks.

5. Electronic Commerce

Finally, we began the development of rules for electronic commerce and the Internet.

Here, with the foundational commitment we won from the WTO members in 1998 on the principle of "duty-free cyberspace" – that is, ensuring that electronic transmissions over the Internet remain free from tariffs – we are moving on to a longer-term work program. Its goals include ensuring that our trading partners avoid measures that unduly restrict development of electronic commerce; ensuring that WTO rules do not discriminate against new technologies and methods of trade; according proper application of WTO rules to trade in digital products; and ensuring full protection of intellectual property rights on the Net. At the same time, we are working with individual trading partners on a series of related questions – for example on privacy issues, where we have worked closely with the European Union to create a model that both protects consumer privacy and prevents unnecessary barriers to transatlantic electronic commerce.

NEXT STEPS: TOWARD THE NETWORKED ECONOMY

To sum up, in the past five years we have laid a foundation in policy and tangible achievement involving intellectual property, open trade in the hardware of information infrastructure, the liberalization of services trade with a focus on telecommunications services, and the principles guiding trade over the Internet. We are now moving on to the second generation of high-tech trade policy, through the "networked world" initiative we will advance in the balance of the year at the WTO, the APEC

Leaders meeting and elsewhere.

This new initiative will create a lasting set of rules and agreements which help to ensure that the trading system provides for electronic business the same guarantees of freedom, fair competition, respect for intellectual property rights and access to markets that more conventional commerce enjoys. In doing so, it will bring to the world the flexible, sophisticated New Economy principles – integrating open and competitive markets, consumer protection and incentives for innovation – that have been at the foundation of America's prosperity and growth in the last decade.

Our new networked world initiative will involve six major features, as follows.

1. General Principles

First, we will seek global consensus on a set of general principles that encourage technological advance: technological neutrality, the proper treatment of digital products under WTO rules, and regulatory forbearance.

More specifically, by technology neutrality we mean guarantees that basic WTO concepts of non-discrimination, national treatment and most-favored nation status apply to electronic commerce, and that current agreements on intellectual property, technical standards, services and goods trade, government procurement and so forth do so as well.

The treatment of digital products embodies a similar principle. The WTO, correctly, has not yet reached a conclusion on whether it should classify products delivered in digital form as services, goods, or something new altogether. Whatever the ultimate decision may be, however, it should not place digital products at a disadvantage in comparison to identical physically delivered products: for example, a software program downloaded from a web-site is the same program as one bought on a CD in a store, and should be subject to no greater trade restrictions.

Finally, as governments conduct regulatory and oversight policies to meet appropriate social goals, they should also avoid measures that would constitute trade barriers. The first option should thus be market-based self-regulation. This is not always possible: governments will always have to enforce laws and protect consumers. But the rapid pace of change in technology also means that effective pursuit of legitimate government responsibilities depends on working closely with the private sector.

2. Liberalization of Services

The second goal of our networked world initiative is a far more open world for services trade. This includes both liberalization of trade rules for existing services, and ensuring proper treatment of evolving and newly emerging industries.

Through the WTO, as well as some of our regional initiatives, we will seek the broadest possible cross-border market access in services -- building on the financial services and basic telecom agreements, and moving on to the professions, distribution, and much more -- to realize the potential for firms to offer a full range of services over the telecommunications network. And as the Internet speeds the evolution of the services sector – through the development of on-line auctions, web-hosting, remote monitoring and so on – the WTO's services agreement must keep pace, integrating them into existing disciplines, reducing existing trade barriers and preventing the creation of new ones.

3. High-Tech Goods

Third, we will seek to further ease trade in high-tech goods.

This will include continued progress towards elimination of tariffs, encouraging countries to invest in high-tech infrastructure and lower the cost for businesses and consumers of participating in the networked economy. It will involve a program of trade facilitation, ensuring that customs regimes are able to meet the need to move high-tech products quickly, and enable countries to take advantage of new technologies as they emerge. And it will encourage the use of market-based technical standards, developed by the private sector and adopted internationally, when appropriate, through international standards organizations rather than government imposition, which often tends to favor the interests of large "national champions."

4. Measures to Encourage High-tech Investment

Fourth, encouragement for high-tech investment. The broadband revolution in the United States – bringing high-speed Internet access to the general public and with it an array of new services – is a phenomenon our trade policies should help foster worldwide. We will propose WTO-disciplined investment and regulatory regimes that encourage development of the broadest range of infrastructure platforms (cable, wireline, fiber-optic, satellite, wireless) to create competition among technologies and services, and deployment of maximum bandwidth – the keys to lowering costs and finding new and efficient ways to access networks.

5. Intellectual Property in the Digital Era

Fifth, we will work toward the adaption of intellectual property policies to the 21st century and the digital era. Here, we will encourage robust protection of intellectual property rights through application of IPR agreements, including the TRIPs agreement and the WIPO Treaties, and development of new standards necessary for the on-line environment.

PREVENTING INTERNATIONAL DIGITAL DIVIDES

Finally, as this new policy initiative proceeds, we will complement it with practical work, with special focus on prevention of an international digital divide.

We are, for example, encouraging governments to be early adopters of information technology. This will help spread information technology skills and usage throughout their economies. Examples can include facilitation of trade through greater use of electronic networks for customs clearance, licensing, government procurement and dissemination of regulations.

And we are using technical assistance and capacity-building programs, such as the Internet for Economic Development program and the Leland Initiative in Africa, to help developing countries gain expertise in information technology skills, establish Internet service providers, and otherwise take advantage of the opportunities the networked world offers.

CONCLUSION

Let me conclude with one final thought.

The technological revolution is in its infancy. We have the luck to be present at the creation of something very new; and with that comes with the great responsibility to act with caution, good sense, and vision of what the future can bring.

We have laid a foundation in the past four years. And through the networked world initiative I have just outlined, we will develop a careful, sustained policy for the information industries that combines access to computers and related goods with low-cost access to telecom services, and support for innovation.

This will be an achievement at the heart of the open, equitable and progressive networked economy of the new century. And it will do more than almost any initiative to reach the central goals of trade policy itself: broadening opportunity, sparking technological progress and raising living standards. We are very lucky to be here as the work begins.

Thank you very much.

TOWARDS THE PACIFIC COMMUNITY: AMERICAN TRADE RELATIONS WITH ASIA 1993-2000

Ambassador Charlene Barshefsky
U.S. Trade Representative

Pacific Basin Economic Committee
Republic of Singapore

November 11, 2000

Good afternoon. Let me thank the Pacific Basin Economic Council and our sponsors for bringing us together today.

It is always a pleasure to visit Singapore for any occasion; and especially so now. We are looking back on an active and productive year for American trade policy - from our debate on permanent Normal Trade Relations for China; to our bilateral trade agreement with Vietnam; the launch of a global Networked World initiative, legislation to further open our markets to Africa and the Caribbean, and a free trade agreement with Jordan. And we are looking ahead to the Brunei APEC meetings, where the APEC leaders will consider the questions of the New Economy; and to a genuinely historic occasion in the President's visit to Vietnam. Today, however, I would like to speak more generally, placing this agenda in the context of our broader relationship with Asia, its development over the past eight years, and the challenges ahead.

AMERICAN PACIFIC STRATEGY

As we think about the remarkable and historic political circumstances in Washington today, and what their ultimate resolution might mean for Asia, we can begin by remembering that any American Administration must begin its approach to Asia with the permanent realities: we are a Pacific nation; and we have a vital interest in the region's stability, prosperity and security. When Asia is at peace, America is more secure; when Asian economies grow and Asian families join the middle class, the prospects of American farmers and businesses brighten. The Clinton Administration's Asia policies, like those of our predecessors for a century, reflected these realities fully, in:

- Our unshakable commitment to peace and security - embodied in our military presence; a strengthened alliance with Japan; alliances with Korea, Thailand, the Philippines and Australia; our engagement with China; our participation in and support for the ASEAN Regional Forum; and of course a close and growing security relationship with Singapore.

- Our principled support for the values of human rights, freedom and the rule of law; which we believe are the strongest guarantees of long-term political stability and social order.

- Our belief in development through education - with 4,000 of Singapore's young men and women among 240,000 Asian students at American universities this year.

- And our economic and strategic interest in Asia's development and prosperity, reflected in part in trade policies based on open markets at home and abroad, and marked by over 100 separate trade agreements with Asia-Pacific nations since 1992.

THE CHALLENGES OF 1992

But as President Clinton maintained these enduring foundations of Asian policy, he also recognized that he had come to office at a moment of profound and radical change; one in which policies had to be adapted to fit new realities.

Decades of American economic leadership were in question, as a sharp recession, perceptions of lagging competitiveness, and rising budget deficits left Americans and Asians alike skeptical of America's long-term prospects;

At the same time, Asia, after decades of rapid growth, had taken its rightful place as an industrial power and shaper of the world trading system.

The technological revolution was changing business, popular culture and daily life before our eyes; and policies on both sides of the Pacific would have to adapt to it.

And the end of the Cold War had profoundly and irrevocably changed the political landscape in which policy would proceed - removing sources of tension and ideological conflict among the great powers; but also eroding the assumptions beneath long-standing alliances and security arrangements throughout the region.

THE VISION OF PACIFIC COMMUNITY

President Clinton believed, and argued in his first address on trade policy in February of 1993, that these trends together had presented the United States with an historic moment of choice. It was a moment at which the absence of a common threat could prompt nations to turn inward, towards a darkening future marked by nationalism, political isolationism and mercantilist trade rivalries; but also one in which we could shape a new era of internationalism and common interest, capitalizing on the waning of ideological conflict and the integration of the world economy through trade, technology and communications.

This analysis has been at the heart of our trade policies as a whole - at the WTO, in our relationships with our Latin American neighbors, in the regional initiatives we have begun with Europe, Africa and the Middle East, in our negotiation of 300 trade agreements worldwide since 1992 - and its conclusions are embodied in the vision the President presented to the inaugural APEC Summit in 1993. At that historic occasion - the first meeting of Pacific leaders in nearly thirty years and the most inclusive ever held - the President spoke of a "Pacific

Community," which, while recognizing the diversity of the region, could unite us in pursuit of things we share: the hope of prosperity; the aspiration for education and scientific progress; the quest for peace.

This was an ambitious vision; but one not impossible to realize, and one which in fact parallels many of the assumptions and goals of ASEAN itself for Southeast Asia. It required us to sustain but also to rethink and strengthen our security alliances, notably through the new U.S.-Japan Defense Guidelines; to heal over time political divisions inherited from the Cold War, evident in our support for inter-Korean dialogue and our nearly complete normalization of relations with Vietnam, Cambodia and Laos; to address the transnational challenges of crime, corruption and environmental degradation; and to build the framework of an open regional economy, from which all can draw strength and opportunity.

Here, three separate types of policies complement one another. First, at the WTO, we worked to lower world trade barriers and strengthen the rule of law - through completion of the Uruguay Round in 1994; and the more recent global high-tech agreements on Information Technology, Basic Telecommunications, Financial Services and duty-free cyberspace. Second, we strengthened our own commitment to open markets at home, as we abolished tariffs on over 2000 types of goods, phased out our industrial quotas, and liberalized trade in services through domestic laws such as the 1996 Telecommunications Act and multilateral commitments in financial services, telecommunications and the Internet, travel and tourism, the professions, management and consulting and other fields. And third of course was a continuous and intense Asia-Pacific negotiating agenda, within which we can count five separate major initiatives

- The work of APEC: A reinvigorated Asia-Pacific Economic Cooperation Forum, and the historic 1993 Leaders Meeting led both to a permanent high-level forum and an unprecedented series of tangible trade accomplishments: a spur to completion of the Uruguay Round; the WTO's Information Technology Agreement, virtually eliminating world tariffs on semiconductors, computers and telecommunications equipment; a stronger trans-Pacific business-government dialogue and common approaches to the emerging issues of electronic commerce and trade facilitation; and a commitment by the region as a whole to the long-term vision, formally adopted the following year in Bogor, of "free and open trade in the Pacific."

- Our program of market-opening and deregulation in Japan, our largest Pacific trading partner and Asia's industrial giant. Since our negotiation of the Framework Agreement in 1993, we have concluded 39 separate market-opening agreements - from cell phones and semiconductors to cars, apples, and most recently telephone and Internet services - and joined them with an innovative Enhanced Initiative on Deregulation and Competition Policy, now in its fourth year, which has found mutually beneficial ways to create competition and promote reform in housing, pharmaceuticals, telecommunications, energy and other sectors.

- Our progress toward normalization of trade with Asia's transitional economies: bilateral trade agreements with Cambodia and Laos and permanent Normal Trade Relations for Cambodia in 1997; agreement on WTO membership and PNTR for Mongolia in 1998; most recently, our landmark bilateral trade agreement with Vietnam, paving the way for the historic Presidential visit next week.

- Our negotiations with major trading partners throughout the region on a very wide range of issues - which has led to the conclusion of twenty-two separate agreements with the members of the Association of Southeast Asian Nations, covering intellectual property, agricultural trade and other topics as the U.S.-ASEAN trade relationship has grown from under $70 billion to nearly $150 billion a year; to thirteen agreements with South Korea, from automobiles to beef, steel and telecommunications; cooperation with Australia and New Zealand, in particular toward reform of worldwide agricultural trade; and a new trade dialogue with India, with very substantial agreements regarding non-tariff barriers and textile trade and developing common interests in the information industries.

- And the capstone of our Asian trade policies in the negotiations with China, beginning with landmark agreements on intellectual property and agricultural trade, and culminating in the bilateral agreement on China's accession to the WTO. The benefits of this agreement, when China enters the WTO, will extend throughout the Pacific: deepening and accelerating China's own economic reforms; creating a vast array of new export opportunities for China's trading partners; strengthening the world trading system; and, in the aftermath of the Congressional debate on PNTR, also further strengthening the public consensus in the United States for engagement and open trade.

THE RESULTS: TRANS-PACIFIC TRADE AND INVESTMENT TODAY

The agenda has been intense and demanding. But in its cumulative effect - and of course together with initiatives developed within the region, including the ASEAN Free Trade Area and President Kim's liberalization program in South Korea - it has created a more open Pacific region, in which trade barriers are lower, economies more closely integrated, and economic ties across the Pacific broader and deeper.

Our trade relationship with Asia has nearly doubled since 1992, rising from just over $400 billion to a likely $800 billion this year. Asia's exports, benefitting from America's steady growth and a more fully open U.S. market, have grown to the point at which in a typical month we import six million cameras from China, 42 million kilos of Australian beef, thousands of hours of on-line computer tech support services from the Philippines, 38,000 cars from South Korea and 10 million kilos of shrimp from Thailand. American goods and services exports across the Pacific have likewise grown by well over $100 billion since 1992, with results ranging from high-technology goods, to business consulting services, agricultural commodities and more.

America's investment stake in Asia has risen with equal speed and equally important implications for the future. Our direct investment stock has risen from $78 billion in 1992 to $186 billion last year, including over $20 billion here in Singapore. This integrates American companies more closely into industries from autos and computers to finance and telecommunications; and in doing so, creates long-term export opportunities for Americans; jobs and development for Asia; and ultimately a more prosperous region, to the benefit of all.

Altogether, when we look at the landscape of Pacific trade and investment - recognizing the traumas remaining from the financial crisis, understanding that there are areas in which we can do more and do better - we can take some satisfaction in our work. The agreements we have reached, and the trade and investment statistics that flow from them, show new opportunities and broadening horizons for individuals: Japanese college graduates choosing new entrepreneurial ventures over traditional careers in the bureaucracy; young Chinese men and women signing up with joint ventures in Shanghai or Tianjin; American cattle ranchers and wired workers living out their own dreams. And - subtly, incrementally, not irreversibly - they also show a region strengthening the bonds of common interest, shared prosperity, security, and peace.

THE COMING CHALLENGES

But as we acknowledge these advances, we must also note new challenges and causes for concern.

The policy agenda of the years ahead will be demanding: implementation of China's WTO commitments; consensus on the WTO agenda and a new WTO Round; the continuing work of market-opening and deregulation in Japan; Russia's accession to the WTO; the deepening of economic reform and restructuring in Korea and Southeast Asia; the legislative agenda in the United States - which will proceed in an extraordinarily complicated political environment and span issues from approval of the U.S.-Jordan Free Trade Agreement to the Andean Trade Preferences Act; and of particular interest in Asia, our implementation through grants of Normal Trade Relations of the trade agreements with Vietnam and Laos.

And another set of questions - let me mention just three - poses longer-term, more conceptual, and perhaps therefore even more difficult challenges.

1. The Framework for Free and Open Pacific Trade

First, it is now time to consider the formal means of implementing the Bogor vision of free and open trade across the Pacific.

Our work over the past eight years has lowered trade barriers throughout the region, and - ultimately by bringing China and Chinese Taipei into the WTO, approving PNTR for China, normalizing trade between the United States and Vietnam, and expanding ASEAN to Vietnam, Cambodia and Laos - removed some of the more evident trade policy anomalies of the early 1990s.

But an equally challenging task lies ahead, in the development of the formal rules and agreements that will create a genuinely liberalized and open region. Singapore deserves great credit for beginning the work with proposals for Free Trade Agreements with other Asian countries and across the Pacific. It is my hope that in the years ahead, we will be able to work together on this project, through an agreement realizing the "Pacific-5," thus joining the United States with Singapore, Australia, New Zealand and Chile in a first major step toward the Bogor vision. We should also strengthen the U.S.-ASEAN trade dialogue, perhaps including links between NAFTA and the ASEAN Free Trade Area. All of this in turn can provide a rigorous framework of open trade, which others can join and build upon.

2. Toward the Networked World

Second, trade policy must accelerate to keep pace with the technological revolution.

The first APEC meeting in 1993 took up the classical problems that have preoccupied businesses, customs agents and Trade Ministers for many decades: reduction of trade barriers at national borders; more broadly, policies that affect tangible goods arriving by boat or plane. The intervening years have joined to these a series of new and in some ways entirely different questions, aptly symbolized by the New Economy focus of the APEC Leaders Meeting in Brunei. These are the development of trade policies appropriate for weightless goods that arrive by wire or satellite beam, and transactions in the naturally borderless world of cyberspace, where no trade barriers have yet arisen.

Here, we have recently announced, and will advance in Brunei and at the WTO, a new "Networked World" proposal. Building upon the WTO's four high-tech agreements - on Information Technology, Basic Telecommunications, Financial Services and duty-free cyberspace - it will help adapt the trading system to this new era. Our initiative calls for progress across a six-point agenda:

- Consensus that the WTO principles that apply to conventional forms of business - non-discrimination and least-restrictive treatment, as well as technology neutrality - also apply to electronic commerce.
- Eliminating tariffs on information technology goods, building on the existing Information Technology Agreement to add new products and take account of the growing convergence of information technology products;
- Updating intellectual property policy to the digital environment, through wide ratification of the World Intellectual Property Organization's so-called "Internet Treaties" on digital copyrights and phonograms;
- Further liberalization of telecommunications markets, opening markets to innovative services and encouraging investment in a variety of types of infrastructure suitable for high-speed Internet access;
- Broad market access commitments in services especially suited to trade over the Internet, such as the professions, computer and consultation, financial services and others; and
- Technical assistance and other measures to address concerns about a digital divide that might accentuate rather than bridge technological gaps between and within nations.

This is the logical next step for high-tech trade. As the Networked World initiative creates new opportunities for companies and entrepreneurs, it will ease access for nations to the technologies necessary for development in the 21st century. More broadly, it will promote throughout the world the principles of open markets, consumer protection, incentives for research and development, flexible and pro-competitive regulation that have helped the United States and Singapore succeed in the New Economy; helping us to build a 21st-century world economy more dynamic, more conducive to development, and more responsive to the rule of law.

3. The Strengthening of Public Consensus

Finally, the challenge of consensus at home.

Trade policy is a means to an end: we pursue open markets to realize a larger vision of common interest, mutual benefit and shared destiny. This is the right vision: we see this very clearly not only when we assess the positive benefits we draw from economic integration, but when we contemplate the diverging fates of Burma and Thailand, or contrast the confidence and success of South Korea with the tragedy of North Korea. Experience tells us that no nation can succeed if it shuts its economy off from the world; and that all of us gain - in prosperity, in opportunity, in long-term security - when we are open to one another.

But we also know that public concerns and anxieties about open markets are real and cannot be ignored. These are evident in the United States, where rancorous debates over trade can often serve as a proxy for more general concerns about the pace of economic and technological change. And they are present on the western shore of the Pacific as well; both through the types of traditional concerns that have slowed progress on APEC's early voluntary sectoral liberalization program, and as Asians reflect on the experience and lessons of the financial crisis.

Governments cannot simply ignore these fears. We must be willing to rebut unfounded concerns directly, and this is certainly as important for American Administrations as for Asian governments. But we must also be willing to strengthen transparency and conduct open dialogues both within and among nations, and to accompany the opening of markets with progress on issues that will not wait.

These include appropriate attention to the relationship between the opening of markets, protection for the environment, and the concerns of workers. Here our recently signed Free Trade Agreement with Jordan gives us an option, as a rigorous free-trade agreement which eliminates tariffs and non-tariff barriers for industrial goods and agriculture, liberalizes services industries, addresses electronic commerce, and also has as a cornerstone in its treatment of labor and environmental issues the principle that nations should enforce their own laws and cooperate multilaterally in such fields.

Equally important, progress towards open markets must be accompanied by the range of domestic policies - a reliable rule of law; sound financial policies; safety nets for the unemployed and the elderly; universal education for children - that are equally essential to long-term growth and development.

CONCLUSION: TOWARDS THE PACIFIC COMMUNITY

These are not simple challenges. They are difficult enough for any one nation to meet; and the result we seek requires an effort sustained over years and coordinated across the largest and most diverse region in the world.

But we ought to approach them with some confidence; and we can see the reasons for that not only as we look back across the record of the past eight years, but ahead to the events of the coming days.

In the seventh APEC Leaders meeting in Brunei, we see something remarkable. This is a permanent and regular dialogue joining the world's largest and most sophisticated economies with newly industrial economies, high-tech city-states and nations in transition from planning to the market; which joins governments representing 2.4 billion people who speak nearly half the world's languages, practice all the world's great religions, and draw upon cultural and philosophical traditions as varied as the classics of India and imperial China, the European Enlightenment and the modern immigrant experience; and through which all of these nations and people find ways to achieve the goals that all can share.

And in the President's visit to Vietnam, we see something equally remarkable: nations transcending old divisions; finding common ground; and looking ahead to a future of shared destiny and the common good.

It is a fitting conclusion to the Clinton era in Asian policy; and the ideal foundation for an era of hope, achievement and progress towards the vision of Pacific Community in the years to come.

I thank you very much.