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Luncheon Address of Ambassador Richard Fisher

**Industry-American Society of Mechanical Engineers Summit
on Global Standards and Commerce**

April 15, 1998

The role of international trade has played in our economic expansion cannot be overstated. Today, the United States is the world's largest exporter of both goods and commercial services. Since 1992, exports have accounted for more than one third of U.S. economic growth. By comparison, in 1970 exports of goods and commercial services accounted for only 5 percent of our Gross Domestic Product; by last year the share had more than doubled to 11.5 percent. Exports account for 1 in 6 new jobs, and 1 in 5 manufacturing jobs. U.S. exports now support just over 12 million jobs.

Trade is no longer the arcane purview of a limited few. The majority of Americans now depend on trade for their financial security, whether or not they work for exporters or importers. Over 65 million Americans have tied their financial security to their ownership of America's companies through equity mutual funds. In order to grow, these companies need to expand their businesses and increase their sales. And that requires expanding markets and expanding the volume of exports of goods and services to maintain and increase the prosperity and financial security our citizens require.

The importance of trade is underscored by our shrinking share of the world's population. Americans now comprise only 4% of the world's population, and the world's population is growing more rapidly than our own. The power of an emerging global middle class made up of consumers with the ability to shift their consumption patterns have become a critical factor driving markets. In India and China, for example, there will be just over 300 million new members of the middle class by 2005. These new middle class consumers around the world represent a booming potential market for our goods, services, and agriculture.

Whether we capture this export potential will determine whether the U.S. economy remains on top of the world in the next century. Our success depends on a vision that sees the future of the United States in the 96 percent of global consumers that live outside our borders. We need vision that demands an active trade agenda to open new markets and reduce barriers. Vision that insists that other countries live up to their obligations just as we live up to ours. Vision that recognizes that our ability to compete in a changing global environment, including a meaningful safety net here, will be critical to our children's future. This is the vision that underlies the Clinton Administration's efforts to expand and preserve open access to overseas markets.

We are more prosperous today than at any time in our history, and much credit is due to increased U.S. trade, facilitated by the bilateral, regional and multilateral trade agreements we

have negotiated over the years -- the most significant of which are the World Trade Organization agreements.

These agreements significantly reduce the level of discriminatory duties and taxes, quotas, regulations, and unfair subsidies that limit our exports, and it extends market-opening disciplines of the GATT to new subject areas -- trade in Services, in Agriculture, in Intellectual Property protection, and in Electronic Commerce -- that are of vital importance to the American economy.

Our task today is more complex than simply reducing tariffs, although there is surely more to do in this area. Our trade policy agenda has a broad focus. It seeks to strengthen global free trade rules under the WTO system, ensure that countries comply with the agreements that they have signed, and expand trade opportunities for U.S. exporters through bilateral or regional agreements, or through broad sectoral agreements. Let me give you just a few examples:

- ▶ When the Uruguay Round was completed in 1995, we knew that there was unfinished business. That's why we insisted on a so-called "***built-in agenda***" of work for the WTO. More open markets for agriculture, services, intellectual property rights, and government procurement are all part of the built-in agenda. Multilateral trade negotiations in agriculture, for example, are set to begin in 1999. In addition, new areas of focus for the GATT system must include developing a global response to competition policy and bribery and corruption to ensure that markets operate as efficiently as possible.
- ▶ We are working to expand the global trading system to bring China, Russia, and 29 other nations wishing to join the ***WTO*** under terms that open their markets for U.S. workers and companies and breathe the oxygen of free and unfettered trade into the global body politic. We are taking a leadership role in all these negotiations, making sure that all these accessions are concluded on commercially meaningful terms.
- ▶ We have launched a trade agenda in the ***Asia Pacific Economic Cooperation*** forum to eliminate tariffs and expand trade across \$1.5 trillion in global trade, including medical equipment, environmental services and technology, energy equipment and services, natural resource products and telecommunications. We will use the WTO to multilateralize and lock in the benefits of these sectoral agreements.
- ▶ Our exports to Latin America continue to grow more than twice as fast as our exports to the rest of the world. The ***Free Trade Agreement of the Americas*** (FTAA) provides the means for establishing hemisphere-wide rules that substantially expand opportunities and promote non-discrimination among all 34 FTAA countries. Three weeks ago, as a result of the San Jose Ministeria, real negotiations will be launched by the Leaders in Santiago on April 18-19. We have established a structure with leadership determined through the end of negotiations in 2005; nine negotiating groups with chairs set for the first 18 months; and a Committee on Electronic Commerce, comprised of both government and private sector experts, to make recommendations on how to increase and broaden the

benefits to be derived from the electronic marketplace.

- ▶ In **Africa**, President Clinton's launching of the Partnership for Economic Growth and Opportunity initiative is a comprehensive program aimed at promoting sustained, stable economic growth by focusing on those countries that are successfully implementing economic reform programs. The President is working to open African markets to foreign trade and investment, and create new opportunities for growing African nations. We will also pursue efforts to assist in Africa's integration in the global community of trading nations.
- ▶ The **U.S.-EU** alliance will be further strengthened as we look to expand areas of cooperation and achieve further market opening under the Transatlantic Agenda initiated in 1995.
- ▶ In the **Middle East**, in addition to bringing countries in the region more fully into the multilateral trading system, we are attempting to increase the level of economic integration in the Middle East. This will enhance productivity, allow individual countries to be more competitive in global markets, and foster the type of economic cooperation that is central to the peace process.
- ▶ In the case of **China**, U.S. trade policy has been geared to encourage the rule of law, open the Chinese economy to imports and investment, and reform its trading regime pursuant to the rules and obligations of the World Trade Organization. We have pursued a complementary policy with China that combines bilateral, regional (APEC) and multilateral trade initiatives. Embedded in our bilateral agreements -- in particular a hallmark of the intellectual property rights agreements -- are broader international norms to which China has committed: transparency of laws and procedures, access to administrative and judicial decision making, and curbs on the arbitrary exercise of administrative discretion. Each of our ongoing negotiations -- in the context of the WTO and bilaterally, on services, market access and IPR -- is also grounded in international norms and practices and in the necessity of adherence to a rules-based regime.
- ▶ Separately and independently, we recently reached a comprehensive market opening agreement with **Taiwan** which will dramatically open Taiwan's markets to U.S. agricultural products, services, and industrial goods. U.S. exporters of industrial products will achieve levels of market access comparable to those available in other developed economies. And, Taiwan will provide broad access for the full range of services, including financial and telecommunications services. Once all members of the WTO have completed their bilateral market access negotiations with Taiwan, multilateral negotiations will ensue to work out the full range of rules-related commitments Taiwan must make to formally enter the WTO.
- ▶ The international effort to restore economic and financial stability in the Asia region is an

important trade policy objective we can have. It offers an unparalleled opportunity to push with renewed vigor for much-needed and long-delayed fundamental economic reforms -- reforms that can lead to improved economic performance and economies more open to imports. The stabilization programs in Asia spear-headed by the International Monetary Fund are heavily focused on structural reforms, some of which have been happening for over 20 years. Such reforms include measures to strengthen the financial sector, rationalize business-government linkages, improve transparency and open markets to foreign investment and reduce trade barriers. If effectively implemented, these programs will complement and reinforce our trade policy goals.

- ▶ One cannot talk about Asia without talking about Japan. In this context, while our goals in *Japan* remain the same -- to open Japan's market and spur domestic demand in Japan -- they have taken on new importance. A critically important goal this year is to see implementation of the Enhanced Initiative on Deregulation and Competition Policy announced last year. This affects critical areas of the Japanese economy -- financial services, telecommunications, housing, medical equipment and pharmaceuticals -- where we are aiming for decisive action on the part of the Japanese government.

We look to Japan, the world's second largest economy, to play a central role in resolving the crisis in Asia. We see the need for action in three areas. First, we see the need for fiscal stimulus to support Japan's economy and to make it a potential source of confidence for the region. Second, it is crucial for Japan to act clearly and decisively to strengthen its financial system with radical deregulation under the aegis of "Big Bang." Third, "big bang" is needed for the entire Japanese economy. It is important for Japan to deregulate and open up the Japanese economy for several reasons: (a) politically, the U.S. cannot be the only engine of global growth or the sole buyer of goods to absorb the tremendous productive capacity of the Asian region; (b) Japan must stimulate demand for imports from Asia; and (c) we believe Japan must deregulate and increase efficiency in its economy in order to induce Japanese consumers to spend money and get Japanese growth moving again. It is the only way for the second biggest economy in the world to wake up from its economic slumber -- seven years of recession -- and once again play a leading role in the post-Cold War world.

The Clinton Administration has spent the past five years focusing considerable attention on the Asian markets: the substantial barriers to market access for U.S. and foreign goods and services, the lack of pro-competitive mechanisms, and the need for comprehensive deregulation and greater transparency. Systemic reform of the Asian economies through the implementation of the IMF structural measures and by Japanese initiatives will intensify the benefits of an already aggressive trade policy.

WTO AGREEMENT ON TECHNICAL BARRIERS TO TRADE

Having given you a tour of the horizon of overall trade policy, let me turn to technical

barriers to trade, a subject dear to ASME hearts. Increasingly, as traditional barriers imposed at the border such as tariffs have declined, standards and technical regulations have been used as barriers.

Clear, effective and reasonable rules covering standards are essential in today's global economy. As standards become more important to our economies, some would have us choose between regulatory protection or open markets. That is a no win proposition. Our goal is to pursue both goals simultaneously -- by working with regulatory agencies and the private sector in developing policy approaches so that trade can expand. We have been aggressive in our pursuit of these goals in a variety of fora.

The main body of international rules governing standards is the WTO Agreement on Technical Barriers to Trade, or TBT. Building on the GATT and WTO agreement, we have made standards a prominent feature of our bilateral agreements such as NAFTA, and in our bilateral and regional cooperation initiatives in APEC, FTAA, and of course the EU.

The WTO's TBT Agreement explicitly recognizes that governments and the private sector have a legitimate need for standards and technical regulations. The WTO neither demands a system of uniform regulation nor deters the absolute right of governments to establish a particular set of regulatory norms. But, we are bound in the WTO to ensure that these regulations are not discriminatory, arbitrary, or disguised barriers to trade. That's the central point of the Agreement.

Just recently, the WTO Committee that oversees the Agreement undertook an important review and identified practical issues that need more work: regulatory policy, international standards and conformity assessment procedures were among the priority issues identified. As the *The Simpsons* TV show would call these issues "no brainers," or "no duh"-mies.

The fact is, internationally, we still have to persuade countries that in establishing their trade regimes and setting out regulatory policy, they need to have domestic procedures to ensure the development of "quality regulations." Which is shorthand for common sense. Has there been an open process to develop the standard; have all alternatives been explored; is the regulation really necessary; can it be implemented fairly? We see the difficulty with this concept not only with some long-standing WTO members like Japan, but particularly from acceding countries like our friends in Eastern Europe.

Similarly, there continues to be substantial confusion about international standards. For those who don't have open procedures to develop standards, it is hard to argue that all of us should have these standards imposed upon us, particularly when we aren't part of the process for developing the standards. We need to work further on this basic problem which I know is a big concern for your Association. The International Standards Organization is an important actor in the development of standards. But, it is not the only organization that is doing important work in this area, and that's a message we will continue to give our European

counterparts, and others. ASME standards development, because of the procedures utilized, including participation of foreign technical experts, is producing and developing international standards. That seems pretty clear to us and we will continue to make your case.

And finally, we need to respond to industry calls for greater efficiency and the need to streamline unnecessary and redundant costs associated with demonstrating product conformity for multiple markets. We think we can be practical and find solutions.

I wouldn't be telling tales out of school if I told you that work in the standards area involve numerous regulatory agencies, all of whom are concerned that in pursuit of standards that don't restrict trade, governments will give short shrift to legitimate regulatory objectives like consumer safety or environmental protection. This is clearly not what the Agreement is all about. There is no supranational structure that imposes standards. Each government has the right to decide what is appropriate. The battleground is in determining what's appropriate. To me, that's where ASME and other organizations like yours come in. I know that ASME is concerned about many of these issues. Please be assured that we want to work with you in addressing these problems so that the Agreement works to our strengths and advantage.

Later today you will have an opportunity to get into the details of the review and consult with our experts. I'm not a standards expert, but the basic American values of transparency, openness, due process and non-discrimination are at the heart of our trade policy. We're here to be your advocates and to work with you.

FUTURE CHALLENGES

The GATT celebrates its 50th anniversary this year. As we move forward, we must fashion an international trading system that can accommodate the tremendous technological changes that is sweeping the global economy. We are looking to foster a trading system that is transparent and genuinely pro-competitive; a trading system where bribery and corruption no longer sap economic vigor from economies; a trading system that develops effective instruments to address the social dimension of trade, including respect for workers and the environment.

We need to integrate fully all nations into the global trading system. We need to ask how, over decades, some countries have been members of the GATT system, while maintaining home markets essentially hostile to competition. The WTO must address structural barriers which will otherwise reduce or negate the value of trade concessions made.

Let me say in conclusion, we must devote considerable resources to explaining to the public the benefits of increased trade. Preparing American workers is only half the battle; American workers must see a personal opportunity in the prosperity that increased trade holds out for our country. This is a real challenge because Americans do not see the opportunity as tangibly as they see the threat. Americans see imports, but do not see exports. All U.S. exports -- computers, airplanes, wheat, software, chemicals, soy beans -- end up abroad.

Supporters of trade must work harder than ever before as the focus on trade has intensified. With trade representing almost one third of our GDP, imports exceeding a trillion dollars last year for the first time ever; and exports likely to exceed a trillion dollars this year, it is no wonder that more people are engaged and consumed by the debate. You must help shape that debate.

Ambassador Richard W. Fisher
Speech to the
Inter-American Dialogue
May 1, 1998

“From the Labyrinth to the Summit”

Good afternoon. As a former member of the Dialogue and the Executive Committee, it feels good to be back among friends. I am especially thankful to you, especially, Peter (Hakim) and to Alejandro (Foxley) and Peter Bell, for inviting me to speak today, knowing as they do, that the clarity of my thoughts and expressions may be questionable given that I have just stepped off the plane from negotiating with both the Mexican government the Japanese in Paris! But, those who know me, like the two Peters and Alejandro, know of my ardor for perfecting U.S.-Latin American relations. I simply could not say no to your kind invitation to speak to you today.

I want to say a special word about Abe Lowenthal, who I see sitting over there. Abe has been my life-long friend and mentor. When I was a senior at Harvard, he somehow found me and arranged for me to find a job working for the Financera Dominicana in Santo Domingo. From that moment onward, he has constantly been at my side, guiding me through my experiences in Latin America, helping me to develop the Institute of the Americas in San Diego, keeping me briefed on developments in the hemisphere while I ran my businesses in Texas, involving me in the Council on Foreign Relations and the Inter-American Dialogue and the Pacific Council, never imposing his own philosophy upon me, but always demanding of me that I develop my own and that I grow beyond just being a money maker. My wife refers to Abe as my rabbi; I consider him my brother. I have been looking for an occasion to say this publicly and this is a perfect opportunity. Thank you, Abe, for being Abe Lowenthal. Like so many, I owe you much. (Which is a long way of saying that if you don't like what I am about to say, don't blame me, blame Abe.)

On April 19th, Octavio Paz, the Nobel laureate author of The Labyrinth of Solitude, died in Mexico City. On that very day, the 34 democratically elected leaders of the Western Hemisphere signed the Declaration of Santiago at the Summit of the Americas. One need only reflect on the different worlds described by these two documents to appreciate how dramatically the Americas has changed in recent years.

- In 1950, Octavio Paz wrote that Mexico's people---and, by extension, all Latin Americans: "...have been expelled from the center of the world and are condemned to search for it through jungles and deserts or in the underground mazes of the labyrinth".
- At the Santiago Summit, the Leaders committed to a very different journey, involving collective efforts to promote and strengthen democracy and the respect for human rights; to eradicate poverty and discrimination; and to promote the overall development of the countries of the Hemisphere.
- In his opening statement to the Summit, President Clinton described that common

endeavor as “the new partnership for a new century... to grow in freedom and opportunity and cooperation...[so that] the Americas can be a model for all the world in the 21st century. That is, after all, the spirit of the Summit of the Americas and the promise of Santiago.”

In more narrow economic terms, one sees equally striking contrasts between the labyrinth and the summit:

- In 1950, Octavio Paz described U.S. economic policies toward Latin America as bound to result in economic dependence and political interference in Latin America’s domestic affairs.
- The Leaders at Santiago, on the other hand, described the overall course in the Americas as “one of faster economic growth, lower inflation, expanded opportunities, and confidence in facing the global marketplace”. This cause is to be pursued as a genuine partnership, not at the behest of the sole proprietorship of the United States.

These comments are not meant as criticism of Octavio Paz’s view of the human condition in Latin America or as criticism of his economics (which, incidentally, changed over time, to the point that he strongly endorsed the NAFTA). Rather, these contrasts highlight the remarkable change in our hemisphere, especially since the Miami Summit of the Americas. One could develop this theme in a number of the areas. But I will concentrate on the area of my new responsibilities, namely, economic integration and free trade, and specifically, the Free Trade Area of the Americas.

- But let me first note a further irony of the Summit, namely, that the unanimous decision of the 24 Leaders to begin negotiations for a hemispheric free trade zone occurred in Santiago, the very city that was the cradle of “dependencia” economic theory, which viewed the international trading system as condemning the “periphery” -- Latin America and other developing countries -- to enduring poverty and exploitation.
- Leaders at the Summit, in contrast, spoke of “economic integration, investment, and free trade [as] ... Key factors for raising standards of living, improving the working conditions of the people of the America, and better protecting the environment.”

VISIONS OF HEMISPHERIC INTEGRATION

Even if one puts aside the analytical framework of Raul Prebisch and his “dependencia” economic theory, negotiations on a hemispheric free trade zone would have been inconceivable ten years ago -- for political, economic, and social reasons.

That is not because our predecessors lacked the imagination for such a project. In fact, visions of hemispheric integration date to the early days of Latin America’s liberation from Spain.

The first American leader to propose a hemispheric conference was Simon Bolivar. Benito Juarez proposed a free trade agreement between the United States and Mexico in the 1850s. And in 1889, U.S. Secretary of State James Blaine actually convened a hemispheric conference in Washington, the goal of which was hemispheric free trade.

But despite the inspirational leadership of Bolivar, the integrity and determination of Juarez, and the diplomatic skills of Blaine, none of these visions of integration came to fruition. Few even made a serious start.

THE NEW CONSENSUS

Why do we now feel that our partnership with Latin American nations can succeed when the efforts of our predecessor failed?

The conclusion of the Free Trade Area of the Americas (the FTAA, or ALCA in its Spanish acronym) is within our grasp for two reasons. First, the dramatic changes in the hemisphere's politics in the aftermath of the Cold War and economics in the age of global markets. And second, an unprecedented convergence of views that has emerged throughout the hemisphere.

Throughout the hemisphere, three principles now form the foundation of modern government:

- **Democracy.** Thirty-four of the thirty-five nations in the hemisphere now believe that democracy, backed by freedom of the press, fair and regular elections, and the rule of law, is the most moral form of government; and also the form of government most likely to remove violence from politics and promote economic development.
- **Markets.** The same thirty-four nations believe that the free market is the most effective means of developing economies and reducing poverty.
- **Civil society.** And the same thirty-four countries believe in the essential role of civil society -- citizen associations, business organizations, labor organizations, academics, environmental groups, local governments, non-governmental organizations or NGOs -- in forming the policies of modern democracies.

This convergence began fifteen years ago. In the United States, it has been expressed by the Caribbean Basin Initiative, the U.S.-Canada Free Trade Agreement, the NAFTA, and the Enterprise for the Americas. And as the Cold War ended, the convergence of views became a consensus, culminating four years ago at the Miami Summit of the Americas.

- The vision of Miami was one of:

- A permanent association of democracies;
- A hemispheric free trade zone;
- A commitment to work with one another on education, environmental protection, and scientific and technological advance; and
- The inclusion of civil society in the decisions of nations.

THE FREE TRADE AREA OF THE AMERICAS

Two weeks ago in Santiago, the Leaders initiated the detailed, practical negotiations that will make the Miami vision of a Free Trade Area of the Americas a reality. Let me just highlight the most significant elements of the negotiating plan for the Free Trade Area of the Americas developed by the Trade Ministers at the San Jose Trade Ministerial and then approved by the Leaders at Santiago.

- The negotiations will start this summer under the Chairmanship of Canada (until the end of 1999). The 34-nation Trade Negotiations Committee (TNC) will hold its initial meeting in Buenos Aires before the end of June, when I and my Vice Ministerial colleagues will begin the work plan agreed to at the San Jose Ministerial meeting of March 18, 1998.
- The chairmanship responsibilities for the negotiations are set for the full period of negotiations, culminating in the last two years with the co-chairmanship of Brazil and the United States.
 - This co-chairmanship arrangement for the conclusion of the negotiations commits the two biggest economies in the hemisphere to the success of the FTAA negotiations. It provides an opportunity for two nations which are sometimes at odds with each other on trade policy to work together towards a common cause.
- Nine Negotiating Groups have been established to cover all of the areas of trade identified at the Miami Summit as constituting a comprehensive free trade agreement. They cover everything from market access (both industrial and agricultural goods) to services, intellectual property, product standards, to competition policy, government procurement and investment.
 - Each Negotiating Group will hold its initial session in Miami (the site of the negotiations and administrative secretariat for the first three years) by the end of this September, initiating work based on the operational roadmap charted by the Vice Ministers in June.
 - One of the most important characteristics of the negotiating organization we have established is that the entire region will share responsibilities. For example, Colombia will initially chair the Market Access group, Nicaragua will chair Services, with Barbados as the Vice Chair. Agriculture will be chaired by

Argentina. The United States will chair Government Procurement, while Costa Rica chairs Investment. This expresses the full vesting of the 34 countries in the success of the FTAA.

- The FTAA will provide a single set of rules throughout the hemisphere. In other words, the FTAA must not simply add an additional set of rules and procedures for business to cope with. The FTAA must make it simpler and more predictable to do business in our hemisphere.
 - We recognize that some countries may pursue integration with their neighbors in areas that go beyond the FTAA (e.g., monetary union), but there should be no doubt that the FTAA disciplines will become the single set of rules in the areas covered by the final agreement.
- The Leaders made clear that they expect the negotiations to make “concrete progress by the end of the century”, and to “agree on specific business facilitation to be adopted before the end of the century.” These measures could include agreements on transparency and due process in government procurement; customs procedures for express shipments; or mutual recognition agreements in the licensed professions.
 - The Trade Ministers will meet in Canada before the end of 1999 to evaluate the progress and to give further guidance to the negotiations.

BROADER SIGNIFICANCE OF THE FTAA

Now let me put these talks in some broader context. The FTAA is a trade agreement, which each participating nation, including our own, sees as an economic benefit. But it is also a means to bolster the broader process of integration, development and growth, not only in economics but also in politics and daily life throughout the Americas.

- Democracy. The hallmark of the Summit process in political terms is to strengthen the historic commitment to democracy in the hemisphere. The FTAA will create more diversified and dynamic economies throughout the region, which contributes to a more supportive political environment for democracy. This is especially clear in Central America, whose nations until very recently were wracked by devastating civil wars, but which now are taking impressive strides in establishing democratic governments and market-based economies.
- Education. The Leaders' emphasis on eliminating illiteracy, expanding educational opportunities and improving the quality of education throughout the hemisphere will create new economic opportunities for people and empower them to participate in their countries' politics. The FTAA will expand the realm in which newly educated people can secure their economic well-being and that of their families.

- Human Rights and the Quality of Life. The Summit devoted much of its work to the welfare and rights of children, women, and workers and to protection of the environment. The Trade Ministers at San Jose established a committee of government officials from all the countries of the FTAA to listen to all of civil society---including labor, business, environment, consumers, academics and others--and present their advice to the Trade Ministers. This "civil society" committee is unprecedented in an international trade negotiations.
- Science, Technology and the Future. Finally, the Summit, looking to the future, sought to incorporate new technologies in its initiatives, particularly in education, but also in the FTAA. For example, a principal objective of the FTAA is to improve on existing WTO disciplines wherever possible and appropriate. And we recognized explicitly that our negotiations must take into account new technologies in international commerce. Thus, the Trade Ministers also agreed to set up a joint private sector-public sector committee of experts (initially chaired by Barbados) to provide guidance on the implications of electronic commerce for the FTAA. Once again, this is an innovation in international trade negotiations. And a fitting one, when one considers that the fastest growth of Internet connections in the world is occurring in Latin America.

CONCLUSIONS

Altogether, then, the agenda of the Summit of the Americas goes beyond trade. Faithfully pursued, it will increase prosperity. Support democracy. Reduce poverty. Improve the quality of life. And it will lead us toward the genuine, permanent partnership with our sister republics that the wisest leaders have sought for so long.

As the 34 democratic nations of our hemisphere look out on the new millennium, we share a fundamental consensus on the basic principles of modern nations: genuine democracy, open markets, and participatory civil society. In the sphere of trade and economics alone, this offers us an opportunity that many have dreamt about, but none have yet been able to realize.

And in the larger sense, just as the poetic vision of Octavio Paz brightened in the last decades of his life, it offers us a metaphor for transformed relations with Latin America. Once a disparate group of "ciegos" wandering through the labyrinth, the nations of the hemisphere have now "seen the light" and embarked on a directed, uplifting journey to the summit of prosperity, guided by the bright prospect of peace, democracy and vibrant, open markets.

Ambassador Richard Fisher
"Can Japan be Asia's Locomotive?"
National Press Club
May 4, 1998

Thank you. I am very pleased to be here at the National Press Club today to speak about the future of Asia. This is a subject that has been a focus of attention in many circles in recent months, and it certainly has the attention of the world's leaders. In fact, measures to bring Asia out of its current economic predicament was a core subject at the OECD meeting last week and will be a focal point for discussion during the G-7 meeting to be held in Birmingham later this month.

Introduction

Can Japan be Asia's locomotive? The answer is yes. Japan not only **can** but **must** be the primary engine in Asia, or "Asia's locomotive" if you will, igniting growth and kindling stability in the region, thereby helping to bring Asia out of crisis and back into a period of strong economic performance and prosperity.

While certainly the major responsibility for overcoming the economic crisis in Asia rests with the affected countries themselves, all major industrialized nations have a responsibility to promote balanced growth in their own economies to support the return of financial stability globally and to help accommodate transitional trade imbalances in crisis-affected countries. All members of the OECD agreed at their meeting last week in Paris, that they should contribute to the Asian recovery with policies that sustain growth and domestic demand, and further open markets.

U.S. Interests

Over the last several years, the policies pursued by the United States have produced lower budget deficits, lower interest rates, low inflation, and strong growth. Abroad, we have been a champion of a stronger world commitment to free trade. All of these efforts have contributed significantly to world economic growth.

Recent U.S. prosperity is, in part, a direct result of our growing number of exports around the world. As measured in imports and exports, trade in 1970 was valued at about 13 percent of the U.S. GDP. In 1998, the estimated value of our trade has reached a value of more than 30 percent of the United States' economic activity. Export-related jobs currently employ an estimated 12.1 million Americans. Exports not only expand our economy and employ Americans, but create better paying jobs. Estimates put wages of employment supported by goods exports at a rate of 13-16 percent higher than the U.S. national average wage.

Moreover, as more and more Americans invest their savings and retirement funds in equity mutual funds -- there are some 65 and a half million Americans invested in them today -- the financial security of the typical American household is increasingly tied to ever-expanding markets

for the output of American goods and services. 65 and a half million Americans have invested their 401K, IRA, and other retirement funds in mutual funds investing in stocks, with the expectation that their profits will grow. To grow those profits, markets must continue to expand.

The Asian market includes half of the world's population and, until very recently, some of its fastest-growing economies. We export more to Asia than we do to Europe, and in 1997, exports to Asia accounted for 28 percent of total U.S. exports. To some U.S. states, such as California, Oregon, and Washington where more than 50 percent of exports are to Asia, trade with the region is a very key part of economic prosperity.

By these statistics alone, it is obvious that the stability and prosperity of Asian economies is vital to the security of our own. While, to date the Asian financial crisis' impact on our country has been moderate and manageable, a deepening of this crisis could have profound effects in the U.S. as well as the rest of the world. Equally importantly, failure to get these economies back on their feet could have a serious destabilizing effect in the region.

While critical U.S. economic and national security interests are integrally tied to a stable and economically vital Asia, the U.S. cannot be the only engine of global growth or the sole buyer of goods that Asian countries need to help revive their economies.

The Role of Japan

As, the second largest economy in the world, Asia's biggest market and largest source of capital, and the key U.S. military ally in the region, Japan has a critical role to play as a driving force for an economic turn-around in the Asian region. Japan, itself, also has much to gain by guiding Asia back to a prosperous future. Certainly a weak Japan poses a danger for spreading further weakness in the region and beyond. A strong Japan, however, will provide fuel for Asian economies as well as strength for the rest of the world.

World leaders look to Japan for quick, decisive action in this time of crisis. It has become increasingly obvious over recent months that it is imperative that Japan undertake immediate measures to stimulate its economy and promote demand-led growth to provide a viable market for goods coming from surrounding countries.

We must not forget, however, that it is equally important that Japanese leaders put comparable effort into meaningful structural changes to bring about a long-term solution to the problems that have besieged Asia, and Japan in particular, in recent months.

In sum, Japan must undertake significant measures to resolve its financial problems, strengthen domestic demand, and deregulate its economy and open up its economy to imports.

The Japanese Economy

With Japan in its 7th year of recession, some have voiced serious concerns that the Japanese economy is not up to the task of supporting Asian economies in an attempt to regain their strength. Japan's real GDP grew at less than 1% in 1997, and during the first quarter of this year, most forecasters predicted near zero to negative growth for the Japanese economy in 1998. The current unemployment rate represents a post-war high for Japan.

At the same time, Japan's current account surplus rose sharply last year to \$95 billion -- 2.3 percent of Japan's GDP -- a 30 percent increase over the year before. The surplus is expected to rise again this year, although more slowly due to dampened Asian demand.

Bilaterally, the U.S. trade deficit with Japan is also noticeably widening. The trade deficit, which totaled \$48 billion in 1996, climbed to \$56 billion in 1998. According to the most recent U.S. government figures available, the U.S. trade deficit with Japan over the first two months of this year reached \$9.6 billion -- up 12.8 percent over the same period a year ago. Over this time period, U.S. exports to Japan dropped 7.6 percent. It is expected that this trend will continue. This will likely bring increased scrutiny of our trade relationship with Japan within the U.S. and could lead to unfortunate, protectionist political action if left unaddressed.

Despite this "bad news," there is tremendous confidence both within Japan and around the world that, with the proper measures, Japan can overcome these problems and be the main engine of growth in the region.

An April 22nd poll conducted by CNBC Business News Network in conjunction with the Hong Kong-based weekly Far Eastern Economic Review showed that 83 percent of Asian businessmen believe that Japan could do more to revive its sluggish economy. More significantly, the number of Japanese business leaders supporting that view was a whopping 96 percent.

I think that Japan has now begun to get the message that more radical, meaningful measures are needed to stimulate not only Japan's own economy, but reestablish confidence, stability, and growth in Asia as well as the global economy.

The New Japanese Fiscal Stimulus Package

A little over a week ago, Prime Minister Hashimoto announced a new fiscal stimulus package totaling more than \$130 billion -- the largest in Japanese history. About 28 percent of the package consists of tax cuts. And while the plan does not include permanent tax cuts, it does repeat a promise to cut corporate taxes and leaves open the possibility of a permanent income tax cut.

Forty six percent of the total package will go toward public works projects. While the preliminary plan announced a few weeks ago called for a public works spending boost of 6 trillion

yen, the final package announced by the Prime Minister goes even further, calling for a total of 7.7 trillion yen.

Further, of note, the package includes a meaningful plan to encourage securitization and sale of bad bank loans. In addition, the package indicates that the Fiscal Reconstruction law will be revised and, as a result, the target year for reduction of the Japanese Government debt to 3 percent of GDP will move from Fiscal Year 2003 to 2005.

Immediately after the stimulus package was released, Economic Planning Agency Minister Koji Omi asserted that the package will boost GDP by 2 percent in Fiscal Year 1998. Others predictions were not as optimistic but were somewhat higher than their previous forecasts of near zero growth.

We, and I am speaking not only for USTR, but the U.S. Government generally, believe that this represents a positive step forward for Japan, and we urge the Japanese Government to move forward quickly to put these new measures into place.

But to reiterate a point that USTR, the U.S. Treasury and President Clinton have been making for a long time, fiscal stimulus is not enough. Japan must complement this with more significant and meaningful measures to deregulate and open up its economy. The Clinton Administration believes that fiscal stimulus is a necessary but insufficient condition for Japanese recovery: it will only succeed in stimulating healthy growth if it is accompanied hand-in-glove with deregulation and effective market-opening measures.

Need For Deregulation

In a January editorial, Japan's Ambassador to the United States, Kunihiko Saito, wrote:

"We recognize that the old ways that achieved so much since the war are incapable of taking us further. The world has changed and so must we. Japan genuinely wants an economy open to imports. This isn't something to do grudgingly under pressure. As 1998 dawns, we realize it is the only way to survive in a global economy."

A new approach to market opening is what Japan needs; it is what we need; and it is what Japan's Asian neighbors need in this year of crisis.

Not only do we hope to see an equal contribution from Japan to Asia's economic recovery and a Japan more open to American goods and services, as well as Asian exports, we also hope -- indeed, we need -- to enter the next century with a strong, prosperous, dynamic Japan as a strategic partner.

Deregulation is a key part of each of those goals. First and foremost, it is the key to our

hope for a strong Japanese economy that can lead Asia out of crisis. In the recently released 1998 World Competitiveness Yearbook, which assesses and ranks how well countries support an environment which promotes competitive enterprise within their borders, Japan ranked only 18th for overall competitiveness -- a 9-place drop from last year. This is even more remarkable since, just five years ago, the Yearbook ranked Japan second only to the U.S. in world competitiveness. The 1998 report cites the "complete disarray" of the Japanese economy for the significant drop from last year. Over-regulation is one key factor in this evaluation. In fact, the 1996 Competitiveness report ranked Japan 35th globally in terms of bureaucratic interference and government obstruction in the market place.

Other similar reports by highly respected international organizations also clearly show the need for change in Japan. This January, for example, the WTO conducted a comprehensive review of Japan's trade policies. Again, one of the key themes highlighted in this review was that Japan should undertake urgent and meaningful deregulation of its economy and implement structural reform.

To give a couple of concrete examples of the kinds of reform we are talking about:

- Telecommunications rates in Japan are up to 74 percent higher than the OECD average.
- Electric power rates in Japan are more than 20 percent higher than those in the U.S. and other industrialized nations in Western Europe.
- In food processing and textiles, Japanese productivity is only about one-third of US levels.

Japan's Economic Planning Agency estimates that deregulation in eight key sectors, including finance, telecommunications, transportation, distribution, energy, housing, health, and labor, could add 0.9 percent annually to Japan's GNP over the coming five years. And the Ministry of International Trade and Industry (MITI) estimates that deregulation in five key sectors could generate 39 trillion yen in fresh investment and increase the real income of consumers by 370,000 yen per household over the same period.

At the very top level of government, Prime Minister Hashimoto has repeatedly stressed the importance of deregulation. Early this year, he stated:

"At a time when the overall administration is experiencing systemic fatigue, it is vitally important to carry out reform by easing and lifting regulations."

So our policy goals, for the Asian crisis and for bilateral trade, are consistent with those of Japan's opinion leaders and Japan's government. And our experience at home shows that the agenda we and Japan have put forward is realistic and will get results.

The U.S. Experience

The U.S. economy has enjoyed significant economic growth and low unemployment, inflation, interest rates for an extended period of time. We believe that is, in part, due to deregulatory measures taken in the past.

A 1997 study by two noted regulatory economists clearly document the historical benefits of deregulation in the U.S. Their analysis of five major network industries that have undergone deregulation in the U.S. (natural gas, telecommunications, airlines, trucking, and railroads) shows that within the first two years of deregulation, prices fell by 4-15 percent. Within 10 years, prices were at least 25 percent lower, and sometimes close to half their earlier prices. At the same time, overall, service quality improved. Reform generated genuine gains for consumers and society as a whole, and customers were presented with more choices.

Deregulation has provided substantial benefits to the U.S. economy and it can do the same for Japan.

Deregulation Initiative

That is the background of our bilateral deregulation initiative with Japan. In June of last year, President Clinton and Prime Minister Hashimoto jointly committed to the "U.S.-Japan Enhanced Initiative on Deregulation and Competition Policy," or the so-called "Enhanced Initiative."

Its broad objectives are to enhance consumers' choices, lower prices, increase efficiency and promote economic activity. Over the past year we have acted through five working groups: housing, financial services, telecommunications, deregulation and competition policy. And their progress since last June will be a focus of bilateral discussions between President Clinton and Prime Minister Hashimoto at next month's G-7 meeting in Birmingham, England.

Success in these areas will help fulfil Prime Minister Hashimoto's stated objective of fundamentally restructuring the Japanese economy.

Japan's New Deregulation Program

We have made some headway towards this important goal. In March of this year, the Government of Japan announced a new 3-year deregulation program. This new program included many issues we have discussed under the Enhanced Initiative -- telecommunications, housing, financial services, medical devices and pharmaceuticals, competition policy, distribution, legal services, and regulatory transparency.

Yet despite some positive initial steps, the newly-announced deregulation program fell short of U.S. expectations in several key areas. Let me give you a couple of specific examples:

- In telecommunications, Japan needs to lower the high rates NTT charges competitors for access to its network--rates three to five times higher than those in more competitive overseas markets.
- In the housing realm, in order to improve quality, affordability, and availability Japan needs to eliminate tariffs on wood product imports, resolve issues that impede American style 2x4 construction in Japan, and consult with international experts to ensure that the Building Standards Law is user-friendly and consistent with international practices.
- In terms of medical devices and pharmaceuticals, Japan should expedite the new drug application approval process and provide appropriate incentives for introducing new drugs allowing Japanese patients quick access to new, safe, and life-saving medical devices and medicines.
- I would also like to add that aggressive enforcement of the Anti-Monopoly Law (or "AML") is a critical complement to deregulation. As markets deregulate, firms often try to "reregulate" by engaging in anticompetitive practices to thwart new competition. AML enforcement in Japan severely lags behind the United States and we are pressing them to modernize it.
- Further, our deregulation experience shows that the process needs to be open to public scrutiny. Those affected by regulatory changes need the opportunity to provide input. This is what is meant by "transparency;" we believe increased transparency in Japanese procedures and rule-setting will assist greatly in opening up the Japanese market.

Japanese Views

The U.S. Government is not by any means alone in its reservations; nor in its hopes that the Government of Japan can undertake more radical deregulation in a shorter period of time. In fact, the voices from within Japan --including Diet members, bureaucrats, academics, and journalists --have often, in recent months, been louder and more insistent than ours.

The Tokyo Shimbun, for example, has opined that:

"We can hardly say that what the government has done is sufficient. It will now be necessary to broaden the scope of deregulation more than ever and promote deregulatory measures."

Likewise, a Nikkei editorial urged the Government of Japan to make the new 3-year plan more productive and beneficial for the citizens of Japan. And Economic Planning Agency head, Koji Omi, has stated that:

"bold deregulation is urgently needed for creating new demand and expanding

employment... (as such) the main role of government should be to provide a more flexible and freer system for private business activities and to promote competition through deregulation.

Lead up to Birmingham

I recently returned from a trip to Paris where I met with my Japanese counterparts to discuss deregulation and pushing for a more meaningful set of measures for President Clinton and Prime Minister Hashimoto to discuss at the G-7 summit later this month.

We made some progress at that meeting. In Paris, Japan committed to shorten the approval processing period for new drug applications in order to speed the introduction of innovative new pharmaceuticals, particularly for priority drugs, and to take measures to facilitate acceptance of foreign clinical test data for foreign medical devices and pharmaceuticals.

We also made progress on housing issues, such that Japan will take measures to allow engineered wood products greater access to the Japanese market.

Still, there are a number of key deregulation items which need resolution prior to the Birmingham summit. In particular, we are seeking additional measures from Japan to address interconnection rates for telecommunications, the system for pricing of pharmaceuticals, and greater transparency in reform of regulations of Japan's retail distribution sector.

We understand that there is a deep-seated fear in Japan that deregulation, if undertaken too quickly and too completely, will destabilize some unique features of Japanese society, such as life-time employment, which brought Japan much stability in the post-war era.

While there are social costs to deregulation as inefficient companies are streamlined and new industries are born, the U.S. knows from firsthand experience that deregulation can and will also promote long-term growth. And the cost of delay --in bilateral trade disputes, in Japan's own economic future, and in the potential for worsening the Asian financial crisis--is too high to pay. Overall, aggressive deregulation will serve as a catalyst for Asia's economic recovery by encouraging domestic industries and service providers to become more efficient as well as fueling domestic growth.

Conclusion

In closing, I would like to say that both the U.S. and Japan have a significant stake in the result of this crisis with which we are faced. Both countries also have a key role to play in bringing about a desirable outcome.

The U.S. Government will continue to pursue an aggressive agenda for U.S. engagement in Asia through the two-fold strategy of financial stabilization and broad, structural market-

opening reforms. We know that deregulation, transparency, and true competition must be pursued with equal vigor as we seek financial stabilization in the region.

I believe that Japan's adoption of effective measures to resolve its financial problems, strengthen domestic demand, and deregulate its economy, will provide a win-win-win opportunity for Japan, the U.S. and the global economy. By reforming its own economy, Japan will once again play the role re expect of the world's second largest economy asnan engine for Asian economic growth.

**SPEECH OF AMBASSADOR RICHARD W. FISHER, DEPUTY UNITED STATES
TRADE REPRESENTATIVE, AT THE CENTRAL BANK OF ARGENTINA**

October 5, 1998

Following is the text of the speech of Ambassador Richard W. Fisher, Deputy United States Trade Representative, as prepared for delivery:

Good afternoon. Thank you all very much.

Es un gran honor para mí dirigir la palabra a este foro tan distinguido. Y espero no solamente hablarles, sino también escuchar sus inquietudes, sus preguntas y sus consejos.

THE ALCA IN PERSPECTIVE

He venido aquí esta tarde para hablarles de nuestros planes sobre el Area de Libre Comercio de las Américas. Ahora que los nueve Grupos de Negociación estipulados por el ALCA han terminado su primer mes de trabajo en Miami, oirán y leerán los detalles: acerca de las inferencias del liderazgo de Argentina en las negociaciones del ALCA, a nivel del grupo de negociación y el comité de negociaciones comerciales; acerca de las fechas límites de negociación; acerca del debate sobre la autoridad de vía rápida en los Estados Unidos, y todo lo demás. Pero como las negociaciones siguen en su etapa inicial, me gustaría situar el proceso en una perspectiva más amplia: su historia, su justificación, sus consecuencias para la crisis financiera que ha afectado a todos nuestros países y su significado para la próxima generación.

The conceptual case for free trade in the hemisphere, of course, rests on the most elementary points of geography and national interest. We are neighbors; we will always be neighbors; and it is plainly in our interest to have the best possible trade and economic relationships with each other.

But in the past, this reality has never been enough to bring us together. The ALCA is now possible not only because of geography and national interest, but because of shared values and ideals: each member of the ALCA is a democracy, respectful of the rule of law and with increasingly liberalized markets and honest and transparent governance.

THE REVOLUTIONARY TRANSFORMATION

This reflects a profound, perhaps revolutionary, transformation: the convergence of the entire hemisphere on a common set of ideals.

Throughout our hemisphere, we share the ideal of peace: in the tiny space of a decade, the guns have fallen silent in Central America, the soldiers have returned to quarters in the Southern Cone, and the blunt tool of the *golpe* has faded into the history books.

Throughout our hemisphere, we share the ideals of freedom and opportunity: modern concepts of freedom for the entrepreneur and universal education for the child have replaced the sterile, traditional battle between statist right and statist left.

And throughout our hemisphere, we share the ideals of democracy and civil society: the right of the citizen to take part in elections and in the decisions of nations on policy have won almost universal acceptance.

This is the work of an exceptional generation of leaders, in all parts of the hemisphere — of Arias and Zedillo; Gaviria and Cardoso; Aylwin and Frei; Alfonsín and Menem. Still more it is the work of ordinary citizens willing to stand up at great risk against arbitrary privilege and for human rights and the rule of law: the Argentine grandmothers of the Plaza de Mayo; the courage and sacrifice of men and women who volunteered in the plebiscite which returned democracy to Chile; the Colombian journalist Diana Turbay; the elected mayors of small Peruvian towns standing up against terrorism; or in daily life, the perseverance and hard work of the millions of informal workers and entrepreneurs of whom Hernando de Soto wrote in his book “El Otro Sendero” (“The Other Path”).

It has taken extraordinary vision.

It has taken courage.

And fittingly for a movement dedicated to the most romantic of visions -- the vision of the rights and freedoms of the citizen -- its most evident results are in the daily lives of our people.

We see it through the medium of business: Latin America is our fastest-growing export market, and we are yours.

We feel it through a cultural exchange which deepens by the year. Latin Americans and North Americans know each other better today than ever before. For example, between 1991 and 1996, the number of minutes for telephone calls from the United States to South America tripled. Every day, the Norteamericanos are gaining exposure to Latin America through the novels of Cortázar and Amado, the poems of Neruda and the essays of Octavio Paz; they take tango lessons and eat at the churrascúrias that have proliferated in our cities. Those of elevated temperament can see Julio Bocca tour with the American Ballet Theater and watch “Kiss of the Spider Woman” on television.

The arts, dance and music, cuisine, even our language in the United States, are

becoming increasingly Latinized, even more so as the "Hispanic States" of California and Texas and Florida assume greater and greater prominence in domestic politics. (With the next census at the end of the century, Texas is forecast to surpass New York in population, with Florida coming close behind. We apportion our Congress accordingly.) All of this allows us to see the possibility of a new, enduring and equal partnership of interlaced culture and commerce. As the President of the United States said in his opening statement to the Summit of the Americas last April in Santiago, we can create a:

"new partnership for a new century... to grow in freedom and opportunity and cooperation...[so that] the Americas can be a model for all the world in the 21st century."

THE LABYRINTH

Of course, we should not and must not underestimate the difficulty of converting this vision of partnership into reality. Because we are not the first to have such dreams.

The leaders of the independence movement in South America -- San Martin, O'Higgins, Bolivar -- believed in the liberal vision of open trade and hemispheric integration. In fact, Bolivar himself was the first American leader to propose a hemispheric trade conference. Benito Juarez proposed a free trade agreement between the United States and Mexico in the 1850s. In 1889--110 years ago--- U.S. Secretary of State James Blaine actually convened a hemispheric conference in Washington, whose goal was hemispheric free trade.

But none of these hopes were realized. One is reminded, reading about these proposals, of the motif of the labyrinth in the writings of Jorge Luis Borges -- a palace whose gates are always closed, a library with an indecipherable catalog, or a prison with vast winding corridors that ultimately reach no destination. The early dreamers of hemispheric trade integration shared the fate of the searcher after truth in this passage from the story *La Muerte y la Brujula (Death and the Compass)*:

"Cruzó antecámaras y galerías para salir a patios gemelos; se reflejó infinitamente en espejos opuestos; comenzó a cansarse de abrir o medio abrir ventanas que daban al mismo jardín desolado afuera, desde varias alturas y ángulos."

Despite the inspirational leadership of Bolivar, the integrity and determination of Juarez, and the diplomatic skills of Blaine, none of these visions of integration came to fruition. More recent efforts -- Franklin Roosevelt's Good Neighbor Policy, John Kennedy's Alliance for Progress, even the Rio Treaty -- left far less of an imprint than their authors had hoped. Most of these efforts led, somehow, first to disillusion and then to mutual recrimination: to the duplicate patio, the endless corridor, the desolate garden.

Why do I believe we can now find the exit from the labyrinth, when our predecessors with all their immense talents could not?

The answer must begin with the reason they failed. It was not for want of imagination, nor for any technical reason. In fact, it would have been much easier to negotiate a free trade area in 1889 -- when tariffs on goods were the only issue -- than it is in 1998, when an agreement must cover financial services, copyrights and patents, agricultural inspections, electronic commerce, and the like. Rather, the explanation lies in the world of psychology, perceptions and ideas. As Jose Marti said, commenting in 1890 on Blaine's conference: "Las barreras de ideas son mucho mas fuertes que las barricadas de piedra" -- "the barriers of ideas are stronger than barricades of stone".

On one side was the perception many Latin Americans held of the United States. The prevalent view was exemplified by the lament of Mexico's President Porfirio Diaz, regarding his country's distance from God and proximity to the United States: "pobre Mexico-- tan lejos de Dios y tan cerca de los Estados Unidos." Many regarded the United States as an inevitable, paternalistic source of monopolization, intervention, interference and all the rest. It was preferable, according to this perception, for Yanquis to go home and stay home.

On the other side, many in the United States viewed Latin America as a welter of caudillos and dictators. Of communist guerrillas. Of opportunistic nationalist politicians denouncing the *norteamericanos* to mask inefficiency and corruption at home. In this perception, many regarded our neighbors as, essentially, a source of trouble, or worse, as a region which could not be taken seriously as either a competitor or a partner in a common destiny. Small wonder that the celebrated writer for the New York Times, Scotty Reston, used to quip that the people of the United States would "do anything for Latin America but think and read about it."

Together, I believe, these destructive perceptions made success impossible. The ALCA can succeed today, however, because -- to a great extent -- these malicious perceptions have faded. Mind you, they are not gone -- witness the emotional opposition of both right and left to the North American Free Trade Agreement. They are clearly reflected in our public debate over the ALCA generally, and in particular over fast track negotiating authority -- which we hope to win from Congress early next year. But day by day, as U.S. entrepreneurs invest and sell into or import from Latin America, as U.S. students meet their Latin counterparts, as popular culture grows closer and commerce more interlinked, we are getting there. Day by day, the better angels are ascending -- "los mejores angeles ascienden". And the achievement of hemispheric integration is made all the more plausible. With the commitment of both Argentina and the United States, if we hold to our vision, we will not fail in our effort to create a hemisphere-wide free trade area.

THE FINANCIAL CRISIS

Still, we face obstacles. Traditional fears about trade liberalization may well intensify in both our countries in the face of the world's current financial crisis. This could tempt us to retreat; but that would be the worst mistake imaginable.

In the past year -- first in Asia and in Russia, then in Mexico, Canada and South America, and now in the United States, in a financial equivalent of spontaneous combustion -- we have seen turbulent financial markets and investor anxiety. Each of us is feeling its effects, and all of us must work together to address it. Federal Reserve Chairman Greenspan makes the obvious point about the U.S. situation:

"It is just not credible that the United States can remain an oasis of prosperity unaffected by a world that is experiencing greatly increased economic stress."

We are in this together. Each of us has responsibilities to our own citizens, to our hemispheric neighbors and to the rest of the world; and we will meet those responsibilities. That is why in his speech earlier this month to the Council on Foreign Relations, President Clinton stated that:

"we have to be ready to respond immediately, with financial force if necessary, to the currency crisis, if it spreads, especially if it threatens the economies of Latin America, where nations have struggled to make progress to do the right thing..."

But we also must address the longer-term dimensions of the global economy. Which is why President Clinton is meeting this week with the Finance Ministers of 22 key countries (including Argentina) to find ways to strengthen the international financial architecture. That is why we are consulting closely with the countries of the Southern Cone. And, to the point of this speech, this is why we are committed to maintaining our own open market and pushing the ALCA forward.

It is likely that some will attribute the crisis to the more open trading world of today, just as NAFTA came under intense pressure during Mexico's financial crisis in 1995. But the fact is, the problems evident at the outset of the Asian crisis do not lie in open markets. They arise in great part from the opposite: insider deals, weak rule of law, debilitated financial institutions and lack of transparency. Latin Americans understand this truth perhaps better than most, since these were some of the problems at the heart of the Latin American debt crisis of the early 1980s-- problems which Argentina and its neighbors have so successfully resolved.

While it is easy to become discouraged when contagion from far-flung markets infects us at home, now as then the solution to the crisis will come from greater competition, more openness and transparency, and the continued application of the rule of law. The adoption of these ideas and values in Argentina and in Latin America generally during the past decade has

helped the hemisphere weather the crisis better than many other parts of the world, despite the difficulties before us.

A true story about an event which took place in London in the late 1920's provides a handy parable for the predicament of continued trade liberalization in 1998. It relates what happened at a dinner given by the then-queen of London society, Mrs. Ronnie Greville, for the then-popular Foreign Minister, Austen Chamberlain. He had risen to power dramatically and was intensely sought after. It represented a great social coup for Mrs. Greville to have Chamberlain seated at her table with about a dozen members of the London establishment. The hostess sat at one end of the table; Chamberlain sat at the other.

When the party was seated, it became immediately apparent to the hostess that the butler, who had commenced serving the meal, had partaken of a substantial amount of liquor. Very discreetly, Mrs. Greville turned over her place card, penned a note, and beckoned her man. The note said, "You are drunk and disgusting. Leave the room at once." Unflinching, the butler placed the note on his tray, tottered around the table and handed it to Austen Chamberlain, the guest of honor.

Free trade is the Austen Chamberlain of this parable. It is not the cause of the current financial volatility. *It must not become its victim.*

To retreat from the historic reforms made this past decade in our hemisphere would be to open our countries to increased instability and insecurity. *Al contrario*, deepening them through the ALCA process and elsewhere will reduce the risk of falling back into the labyrinth.

THE HEMISPHERE'S CONSENSUS

As we approach the opening of these negotiations, then, we face obstacles which are not trivial. It will take leadership -- and partnership -- to overcome them. But I sense that our shared confidence in a hemispheric consensus is much stronger and will prevail. Throughout the hemisphere, to quote President Menem on Argentina's reform in his speech to the Legislative Assembly this year, we have a "deep consensus" on the most fundamental principles which the ALCA requires:

- The belief that democracy, backed by freedom of the press, fair and regular elections, and the rule of law, is the most moral and effective form of government;
- The belief that the free market, under the rule of law, with universal education and an effective safety net for the less fortunate, is the best means of developing economies and reducing poverty;

- The belief in the essential role of civil society in forming the policies of modern democracies.

This consensus is the basis of your own integration arrangement---Mercosur---which stands for democracy and the rule of law, as well as mutual economic benefit. Since the birth of Mercosur with the Treaty of Asuncion in 1991, intra-Mercosur trade has increased by over 400%. Argentina's exports to Brazil have increased over five-fold since 1990. Not only has there been a boom in intra-Mercosur trade, but Mercosur's exports to the rest of the world have increased by over \$20 billion in the same time frame. Along the way, Mercosur has reached out to Associate Members Chile and Bolivia. And when democracy was threatened in Paraguay, the governments of Argentina, Brazil and Uruguay acted on principle to support strongly Paraguay's commitment to democracy when it came under fire. It is through such demonstrations of mutual confidence and partnership that our hemispheric consensus and commitments to each other are solidified.

There have been some pernicious questions about the views of the United States toward Mercosur. Let me make clear our view: we applaud Mercosur. We believe it promotes hemispheric extension of the benefits of free trade, fueled by reduction of barriers, simplification of procedures and regulations, and harmonization of standards necessary to make expanded trade possible.

We also know of the salutary effects of trade integration in North America. As NAFTA approaches its fifth anniversary, our exports to Mexico are up from \$41 billion in 1993 to \$85 billion this year. This has created opportunities leading to tens of thousands of jobs in North America, and has already made Mexico a larger export market for American goods than Japan (whom we expect to buy no more than \$58 billion from us in 1998). In fact, as I speak, Mexico is overtaking Japan -- an economy 12 times its size -- as our second largest two-way trading partner. Meanwhile, Mexico's exports to the U.S. have risen almost 140%, from \$39.9 billion in 1993 to a projected \$95.6 billion this year. And Mexico is using this trading activity to diversify its economy. In part due to NAFTA and the investment activity it has opened, 26% of Mexico's exports are now commodity-based -- the lowest incidence in the hemisphere, including the United States.

This is a perfect case study of the role trade agreements can play in times of economic duress and financial instability. Mercosur, along with Chilean multiple bilateral agreements, the Andean Community and eventually the ALCA, should fulfill the same roles today in South America.

THE ALCA

Just what can we expect from these negotiations for an Area de Libre Comercio de las

Americas?

First, we will eliminate obstacles to trade, creating opportunities for Argentine ranchers and manufacturers, Chilean engineering firms and aquaculture, Brazilian farmers and aircraft producers, and well as for U.S. telecommunication services and pollution abatement equipment. All the trade barriers of the hemisphere are on the negotiating table in Miami—in both industrial and agricultural goods and in services.

Not only will elimination of tariffs and non-tariff barriers present new markets for our producers, but the fact of the world's largest (in terms of population—approaching 800 million) free trade area will be a powerful stimulus for investment in all our economies. It certainly will stimulate domestic investment, which is absolutely critical in Latin America, where savings rates are undesirably low. But it also will attract investment from outside the region. We already have seen, for example, that NAFTA has provided a strong incentive for European and Asian direct investment in all three North American economies. Mercosur also has promoted foreign investment in new plant and equipment as firms prepare for the customs union in the Southern Cone and the free trade agreement between Chile and Mercosur.

Second, we will improve our living standards. Argentina knows this as well as anyone. Freer trade and more open competition allow families to benefit from a wider availability of goods and services, with better quality and lower prices. I don't mean simply that they will be able to buy imports -- domestic firms will become more efficient as they more easily import capital and informatics goods -- and employ the higher technologies that become available when intellectual property protection improves. And government will be more economical in providing services (and spending tax money) through adherence to international standards of open and fair procurement practices. Even local monopolies and other anti-competitive practices will diminish as we advance negotiations in competition policy.

Third, we will open markets in services. This encourages competition, transparency, and impartial regulation of financial systems, telecommunications, insurance and other industries basic to a modern economy. Improving productivity in these fields inherently encourages productivity gains in the overall economy. Equally important, helping to ensure that financial institutions are sound makes future financial crises less likely.

Fourth, we will develop new, fairer means of resolving trade disputes. This is important both in purely commercial terms and for improved overall relations. While there always will be differences in interpretation of international or hemispheric trade rules, agreed procedures for resolving them are essential to the partnership our leaders envisioned in Miami and Santiago.

Fifth, our negotiations in the ALCA already are preparing us to be more effective in addressing our mutual trade concerns with trading partners outside our region. For example, the Argentine-led ALCA negotiations on agriculture, which are addressing subsidies and other

trade distorting practices in agriculture, can lead to more cohesive Western Hemisphere participation in the WTO agriculture negotiations that are scheduled to begin next year.

And finally, we will strengthen the values of openness, accountability, and democracy which themselves make the ALCA possible. For the first time in any major international trade negotiation, we have created a Committee on Civil Society to advise governments on the views of business, labor, environmentalists, academics, scientists and other citizen associations. This will strengthen the social consensus that must be the foundation of the ALCA, and allow us—to quote General San Martin, describing his plan to advance on Lima in 1820—to advance in step with “the progressive march of public opinion”.

I am visiting Argentina on my first trip to South America in my official capacity as Deputy U.S. Trade Representative because Argentina is so influential in the construction of the ALCA. Argentine leadership was critical at the Miami and Santiago Summits; the Ministerial meetings in between; and the negotiations which began in Miami this month. Argentina’s chairmanship of the Agriculture Negotiating Group until the end of 1999 and then its assumption of the Chairmanship of the overall ALCA process will be critical for the success of the ALCA. I applaud Argentina’s accomplishments and leadership, and want to understand better Argentina’s specific aspirations for (and concerns about) the negotiation of the ALCA. And I want to answer any questions that you have about U.S. objectives.

THE ROAD AHEAD

In seeking to ward off speculative attacks and proceed along the path to continued trade liberalization and mutual prosperity, we face a demanding agenda. All of us will face intense challenges in the next few years.

All of us will grapple with a financial crisis that puts intense political pressure on governments and, more important, economic pressure on our citizens.

Yet economic reform must continue in all parts of the hemisphere; whether it is Argentina’s effort to make its economy more internationally competitive, our own work in the United States to improve elementary and secondary education, or the efforts of many Latin American countries, learning from Argentina’s example, to achieve strong macroeconomic and financial fundamentals in their economies.

And elections in the period immediately ahead -- Brazil’s second round later this month and Venezuela’s at the end of the year, yours in 1999 and ours next month and in 2000, will test public support for reform, integration and the ALCA itself. *This is as it should be* in a hemisphere of *democratic* nations, where the *public* must and will judge the policies of governments.

CONCLUSION

You know and I know that implementing an ALCA will be no easy task. Even in the most narrowly technical terms, the ALCA negotiations will be demanding. And the fears in our own countries, while waning, are not yet gone. Yet I am fully convinced that we will meet the demands and overcome outdated fears, especially with Argentina in the forefront of this grand initiative.

I read Latin American history at Oxford University as a graduate student, some 25 years ago. I remember to this day a quote from a letter written in 1910 by the historian Juan Balestra to President-elect Roque Saenz Pena. "No one", wrote Balestra, "even in his wildest dreams, had anticipated the greatness of the Argentine people...It had generated enough electricity to illuminate an entire century."

Al reflexionar sobre la transformación increíble del último decenio, entendemos la gran responsabilidad que tiene cada uno de nosotros para enfocar esta visión irresistible y asegurar que nuestros esfuerzos modernos resultan en la transformación permanente que nos lleve a la prosperidad hemisférica. Juntos, Argentina y los Estados Unidos deben generar la electricidad, iluminando el sendero de la prosperidad económica a través del comercio, evadiendo la pesadilla de la turbulencia financiera al perseguir decidivamente el sueño del Area de Libre Comercio de las Américas.

Al mirar hacia el tercer siglo de independencia en las Américas, podemos tener la absoluta confianza de que tendremos éxito.

Muchísimas gracias.

* * * * *

**Remarks of Ambassador Richard W. Fisher
Deputy United States Trade Representative
at the
U.S. Chamber of Commerce
Washington, D.C.
October 28, 1998**

Thank you very much.

Let me begin by saying how pleased I am to be here with this gathering of distinguished Colombian and U.S. business representatives as a new chapter opens in the relationship between our nations.

I have a little bit of history with Colombia. My wife's family once owned and operated a company in Medellin, Textiles Pepalfa. Indeed, my first trip to Colombia was to visit Textiles Pepalfa in 1974. At the time, there was another President named Pastrana in office. And it was then that I met a remarkable nun, Sister Raymonde, who ran an orphanage for girls named Granjas Infantiles Femenina near Medellin. This remarkable woman, whom we came to affectionately call "Madre," was normally apolitical but she always spoke highly of President Pastrana as a "good and decent man." My wife and I and our family became financial supporters of Granjas Infantiles -- sufficiently to the degree that their main building is named "Texas" now -- and for 22 years we corresponded with Madre Raymonde, keeping track of Colombia through her perceptive eyes, as she chronicled what she described as "Colombia's decent into purgatory." Madre Raymonde passed away two years ago, at peace with herself and with God, but in despair for her adopted country. Her last comment to me on political affairs was that "perhaps Colombia needs another President Pastrana." So it is with great pleasure that I am here to speak to you on the occasion of a state visit by a new President Pastrana, just three months after Colombia took to heart Madre Raymonde's advice.

It is no secret that we have had some strains and difficult moments in U.S.-Colombian relations in the past few years. But with President Pastrana's inauguration last August, and now the first State visit of a Colombian President to the United States in over two decades, we have a fresh start.

THE REVOLUTIONARY TRANSFORMATION

This visit by your new, promising President is really part of a broader transformation in our relations with Latin America. In the past decade, if we think about it, something has occurred without precedent since the years in which Latin America won its independence: that is, the convergence of the entire hemisphere on a common set of ideals.

The ideal of peace: in the tiny space of a decade, the guns fell silent in Central America, the soldiers in the Southern Cone returned to their quarters, and the blunt tool of the *golpe* faded into the history books. President Pastrana's peace initiative offers the same hope in the Andes. It

is important that it succeed, leading to an end to poverty and violence in the heart of Colombia and to its replacement with economic development and prosperity.

Another ideal, now universal throughout the hemisphere, is the ideal of freedom and opportunity: modern concepts of freedom for the entrepreneur and universal education for the child have replaced the sterile, traditional battle between statist right and statist left.

And we have converged on the ideals of democracy and civil society: the right of the citizen to take part in elections and in the decisions of nations on policy have become the rule, rather than the exception, from Point Barrow to Patagonia.

This is the work of an exceptional generation of leaders, in all parts of the hemisphere. Of Arias and Alywin and Alfonsin and Cardoso and now of President Pastrana. It is the work of citizens willing to put themselves on the line for peace and the rule of law. It has taken extraordinary vision. It has taken courage. And fittingly, its most evident results are in the daily lives of our people.

We see it here in the United States through the medium of business: Latin America is our fastest-growing export market and we are yours. Even in the fairly difficult period of the last five years, trade between the United States and Colombia grew at an average annual growth rate of over 10%, rising to a total of over \$10 billion annually. Our banks have \$3.9 billion in exposure in Colombia, and our businesses have invested \$3.5 billion, creating jobs and growth opportunities for thousands of Colombian working people and entrepreneurs. The U.S. and Colombian businessmen here today will build further opportunities in the years to come.

We feel it through a cultural exchange which deepens by the year. Latin and North Americans know each other better today than ever before. President Clinton noted earlier this spring that between 1991 and 1996, the number of minutes for telephone calls from the United States to South America tripled. North Americans buy the novels of Garcia Marquez, the poems of Neruda and the essays of Octavio Paz, they take tango lessons and eat at the churascurrias that have proliferated in our cities.

And thus we have proposed a new, enduring and equal partnership of interlaced culture and commerce. As the President of the United States said in his opening statement to the Summit of the Americas in Santiago last April, we can create a:

“new partnership for a new century... to grow in freedom and opportunity and cooperation...[so that] the Americas can be a model for all the world in the 21st century.”

U.S.-COLOMBIAN TRADE

This new partnership is a hemispheric concept. But it must begin with a strong bilateral

relationship with each of our Latin American partners.

The ingredients for this type of relationship with Colombia are there. Our people are committed to democracy, to human rights and the rule of law. Colombians, we know, have made immense sacrifices for these principles. Colombians share a vision, like Madre Raymonde, of a peaceful, lawful, prosperous and proud Colombia. And our nations share a mutual interest in further strengthening our growing trade and investment relationship.

Our responsibility at USTR is to improve the legal and institutional foundation of this economic relationship. We are approaching this task in a number of areas.

For example, we are examining whether there is a basis for negotiating a U.S.-Colombia bilateral investment treaty, or BIT, which can help create a strong, permanent and predictable investment and economic framework. I know President Pastrana talked about this at breakfast this morning and made reference to significant issues we need to mutually resolve before we can conclude a BIT. For instance, U.S. investors must feel certain that guarantees against expropriation or the right to transfer funds from an investment will not be suspended when circumstances change. Also, our companies must enjoy a level playing field with the companies from Andean Community countries. Thus we hope the new government, working with the Colombian Congress, can remove impediments to the resolution of these remaining issues so that a BIT can be successfully concluded, something we very much would like to see.

We also hope to work with Colombia to improve protection of intellectual property rights, which is essential not only from the perspective of United States interest but also for Colombia's world-famous creative artists. At present, Colombia's laws fall short of the WTO requirements that must be met by the end of 1999. Colombia also needs to do more to enforce IPR laws. In particular it needs to step up efforts to fight cable TV piracy -- by first licensing legitimate operators then pursuing pirates. Last summer, we thus announced that we will conduct a special review of the situation by the end of the year. The Pastrana Government has signaled that it will try to make progress on these issues -- your President forcefully noted this at breakfast this morning -- and we are ready to cooperate with the President and his Cabinet to reach a solution.

ANDEAN REGION

The second dimension of our new partnership will be a broader engagement with the Andean region as a whole.

In the past decade, Andean legislation and trade policies have become more closely coordinated. We welcome this, and in recognition of the trend, the Andean trade ministers and Ambassador Barshefsky agreed when they last met in San Jose to establish a U.S.-Andean Community Trade and Investment Council (TIC), to complement the Trade and Investment Councils we have with individual Andean countries.

We will also continue our dialogue on the Andean Trade Preference Act, or ATPA, through which most exports from Colombia, Bolivia, Ecuador and Peru receive reduced-duty or duty-free treatment. This program is intended, of course, to help the four beneficiary countries create economic alternatives to drug production and trafficking. ATPA preferences began in 1991 and continue to December, 2001. The Andean trade ministers have asked that the Administration state now that it supports extending the program beyond December 2001. We are prepared to begin a dialogue with the countries of the region on this important issue.

THE FREE TRADE AREA OF THE AMERICAS

Finally, we and Colombia are full partners in the construction of the broadest expression of our new partnership with our hemispheric neighbors: the Free Trade Area of the Americas, the Area de Libre Comercio de las Americas, or ALCA.

Colombia and the United States have the right to special pride in this effort, as the first two ministerials following the Miami Summit were in Denver and Cartagena. More recently, when the nine ALCA Negotiating Groups were established, Colombia was chosen to chair the Market Access Negotiating Group.

What are some of our major goals in the ALCA?

First, we will eliminate obstacles to trade. All the trade barriers of the hemisphere are on the negotiating table in Miami -- in agriculture, industrial goods and services. Success will thus create opportunities for Colombian coffee farmers, miners, oil and gas producers, and manufacturers, as well as Argentine ranchers, Chilean aquaculture, Brazilian aircraft producers, and also for U.S. telecommunication services and pollution abatement equipment.

Second, we will create job opportunities. The elimination of tariffs and non-tariff barriers will present new markets for our producers, and the fact of the world's largest free trade area (in terms of population, nearly 800 million) will be a powerful stimulus for investment in all our economies. It will stimulate domestic investment, which is critical in Latin America, where savings rates are undesirably low. And it will attract investment from outside the region. We already have seen, for example, that NAFTA has provided a strong incentive for European and Asian direct investment in all three North American economies.

Third, we will open markets in services. This encourages competition, transparency, and impartial regulation of financial systems, telecommunications, insurance and other industries basic to a modern economy. Improving productivity in these fields inherently encourages productivity gains in the overall economy. Equally important, helping to ensure that financial institutions are sound reduces the risk of future financial crises.

And finally, we will strengthen the values of openness, accountability, democracy, and the rule of law which themselves make the ALCA possible. For the first time in any major

international trade negotiation, we have created a Committee on Civil Society to advise governments on the views of business, labor, consumers, environmentalists, academics, and others. This will strengthen the social consensus that must be the foundation of the ALCA.

THE OBSTACLES

Obstacles to the realization of this partnership still remain. In the United States and in many Latin American countries, old suspicions and antagonisms -- though fading -- still remain.

As Jose Marti once said: "Las barreras de ideas son mucho mas fuertes que las barricadas de piedra" ("the barriers of ideas are stronger than barricades of stone").

One long-standing "barrera de ideas" has been the perception many Latin Americans held of the United States. This old view was exemplified by the lament of Mexico's President Porfirio Diaz, regarding his country's distance from God and proximity to the United States: "pobre Mexico -- tan lejos de Dios y tan cerca de los Estados Unidos." Many regarded the United States as an inevitable, paternalistic source of monopolization, intervention, interference and all the rest. It was preferable, according to this perception, for Yanquis to go home and stay home.

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Together, I believe, these destructive perceptions made success impossible. The ALCA can succeed today, however, because -- to a great extent -- these malicious perceptions have faded. Mind you, they are not gone -- witness the emotional opposition of both right and left to the North American Free Trade Agreement. They are clearly reflected in our public debate over the ALCA generally, and in particular over fast track negotiating authority -- which we hope to win from Congress early next year. But day by day, as U.S. entrepreneurs invest and sell into or import from Latin America, as U.S. students meet their Latin counterparts, as popular culture grows closer and commerce more interlinked, we are getting there. Day by day, los mejores angeles ascienden (the better angels are ascending), and the achievement of hemispheric integration is made all the more plausible. With the commitment of both Colombia and the United States, if we hold to our vision, we will not fail in our effort to create a hemisphere-wide free trade area.

It is important, too, to bear in mind that the ALCA negotiations have begun during what President Clinton has rightly called the most dangerous financial crisis in fifty years, and this may intensify traditional fears about trade liberalization. But trade liberalization is not the cause of the

crisis; nor should it be its victim.

The fact is, some of the problems evident when this crisis first erupted in Asia were caused by the opposite of open markets: lack of transparency, politically directed loans, weak rule of law, and consequently debilitated financial institutions. These phenomena were at the heart of the Latin American debt crisis of the early 1980s. And now as then, our response must involve greater competition, more openness and transparency, and strengthening of the rule of law -- that is, the things we have set out to do in the ALCA, in our relationship with the Andean region, and with Colombia itself.

CLOSING

These are serious obstacles. But they are not insurmountable obstacles. If both of us do our part, we are certain to overcome them. Piece by piece, we will create a strong institutional foundation for our bilateral relationship with Colombia. A mutually beneficial relationship with the Andean region. And a new and unprecedented relationship with all of our neighbors in the Western Hemisphere.

When the work is done -- and it will not be far in the future -- we will realize a vision first and most eloquently expressed by Simon Bolivar: a hemisphere at peace; united in democracy; respectful of human rights; and sharing in prosperity.

This is the dream of my dear friend, Madre Raymonde. It is the vision President Pastrana has proposed for Colombia. It is at the heart of the new hemispheric partnership President Clinton described in Santiago last spring.

It has eluded us for too long. But today it is within our grasp. And we must not allow it to slip away.

Thank you.

**Five Years On: NAFTA and America's Trade Agenda in the Western Hemisphere
Council of the Americas/US-Mexico Business Council**

Washington, D.C.

January 20, 1999

**Ambassador Richard Fisher
Deputy United States Trade Representative**

Good afternoon. Thank you very much for inviting me to speak with you today.

It is a pleasure to be here with you, Jim (Jones), and your Committee who have done so much to tell the good story of NAFTA. And to be here with such distinguished friends -- Secretary Mosbacher, whose son-in-law is a dear friend of mine, whose brother was quite a yacht skipper, and who himself was an extremely able skipper of our Commerce Department; and Ambassador Reyes-Heróles, who is my *socio* -- we sometimes refer to each other as *hermanos*, though I hasten to add he is the older brother of the pair. Ambassador Heróles hit the ground running when he arrived here in Washington and has done a brilliant job from the get-go. It is a pleasure to work with him in seeking to perfect our relationship with Mexico.

It is now five years since the North American Free Trade Agreement, and five years before completion of the Free Trade Area of the Americas, or Area de Libre Comercio de las Americas (ALCA). This midway point is the ideal time to reflect on the road we have traveled thus far, and the challenges we will face before we reach its end. In light of developments in Brazil, a review is timely. Moreover, leaderships will change soon in some of our most important neighbors. President Menem will leave office in Argentina after an immensely successful term; we do not know who will follow. President Frei of Chile is in his final year. President Chavez in Venezuela has just begun his term of office, under a cloud of uncertainties. President Pastrana of Colombia has just begun his, in the light of hope. The sixth year of President Zedillo's term, the *sexenio*, is coming soon. And of course the United States will elect a new President in just a little over twenty months. This morning, then, is a good time to review the NAFTA's progress thus far; outline our agenda for the NAFTA and the Americas in 1999; and then look ahead a bit.

AMERICAN TRADE AGENDA

But let me begin with a bit of context. America's trade interests are worldwide. Our goods exports are almost equally divided among four major trading regions: Asia, Europe, Latin America and North America. Thus we have a worldwide trade agenda which takes in each part of the world, and the multilateral trading system which links it together:

- We will host the Third WTO Ministerial Conference this fall, kicking off a new round of negotiations on agriculture, services and other issues of immense importance to American farms, working people and investors, including 70 million individuals -- average women and men -- invested in equity mutual funds. These individual investors have a serious interest in seeing the profits of the companies they are invested in expand through new sales in new markets abroad.

- We are leading an effort toward free and open trade in the Pacific by the year 2020.
- We have begun an ambitious program to improve our trade relationship with Africa.
- We are working to improve our trade relations with the European Union through the Transatlantic Economic Partnership.
- And we are at the forefront of the effort to negotiate the Free Trade Area of the Americas/ALCA by 2005.

THE VISION

Each of these are important to the United States. But it is fair to say that we have no relationships more important than those which are closest to home.

In this respect we are a very fortunate country. For a century and a half we have enjoyed peace with our neighbors. That is a blessing almost unique in the world. All of us -- Americans, Mexicans, Canadians -- should be grateful for it. And in the past decade, we have been given an extraordinary opportunity to strengthen it; to deepen it; and extend it through the creation of a peaceful community linked by open trade and democratic values, which reaches throughout the Western Hemisphere.

This is an inspiring vision. It is, incidentally, hardly a new one. It has appeared in the past but was not realized. The Liberal vision shared by the leaders of Latin America's independence movements implied precisely such a step. Simon Bolivar himself was the first American leader to propose a hemispheric trade conference. Benito Juarez proposed a free trade agreement between the United States and Mexico in the 1850s. And in 1889, U.S. Secretary of State James Blaine actually convened a Pan-American conference in Washington, whose goal was hemispheric free trade.

These efforts failed. They failed not because of the complexity of the task -- a trade agreement in 1889, when the only issues were customs procedures and tariffs on agricultural products and manufactured goods, would in technical terms have been far easier than the task before our FTAA/ALCA Negotiating Groups today, as they take up copyright enforcement, insurance licensing standards, telecommunications, electronic commerce and much more of the trappings of the Information Age.

Rather, they failed because of a conflict of perceptions and ideas. Latin American intellectuals often viewed the U.S. as an interfering, hegemonic power; saw trade with the U.S. as exploitation; and concluded that the proper course was protection. As Enrique Krauze wrote in his history of post-colonial Mexico last year:

"The idea of the North American Free Trade Agreement was a violation of the Eleventh Commandment of official Mexican mythology: Thou Shalt Not Trust

Americans.”

Likewise, people in the United States at times looked south and saw only caudillos, guerrillas, and opportunistic politicians denouncing the *Yanqui* to mask inefficiency and corruption at home; and drew the same conclusion about hemispheric trade. The titles of books on Mexico and Latin America twenty years ago are very clear evidence of this: “Distant Neighbors,” “Inevitable Revolutions,” “Bordering on Trouble,” and all the rest.

Thus, the separation of the Americas by trade barriers was perhaps a lesser obstacle than the separation by barriers of psychology, perception and ideas. As Jose Marti said, commenting on Blaine’s conference in an 1890 address just a few blocks from here:

“Las barreras de ideas son mucho mas fuertes que las barricadas de piedra” (“the barriers of ideas are stronger than barricades of stone”).

RESULTS OF NAFTA

This was the legacy our trade negotiators, our political leaders, and our citizens rejected when they approved NAFTA five years ago. It was a step which demanded courage and vision from all three countries.

In the U.S., of course, NAFTA heightened the profile of trade agreements in the public eye, but also border environmental problems, disparity between wage rates, and fears that American factories would move south. In Mexico and Canada, free trade with the United States raised even more profound questions.

But in all three partners, the results are impressive. Most important from a trade policy perspective, the NAFTA has eliminated a huge disparity in tariff rates and other trade barriers between us and Mexico. I do not need to tell you that bilateral trade with Mexico is booming, as is trilateral trade. Given our strong interest in export growth, it is worth noting also that this year we will export five times as much to Mexico as to China. We will export \$158 billion in goods to Canada -- as much as we will export to all the countries of East Asia put together. The fears of fleeing jobs have proven misplaced, despite best efforts by NAFTA naysayers to argue otherwise.

Since NAFTA passed, unemployment has dropped from 6.5% to 4.3% here in America. A lot goes into that figure -- but NAFTA is part of it, everywhere in the country. It represents --

- Casas International Brokerage, a customs broker in San Diego, seeing business double since 1994 and adding 100 employees.
- Taylor Dunn, a manufacturing firm in Anaheim which makes electrical vehicles, adding fifty workers because NAFTA cut Mexico’s tariff on their products from 25% to zero.
- Multiplier Industries in Mt. Vernon, New York, increasing its employee base by 25% as its

exports of cell phones and two-way radios to Canada and Mexico rise.

-- Farmland Industries of Kansas City, the largest farmer-owned cooperative in North America, who sold \$50 million in wheat, corn and soybeans to Mexico before NAFTA, today is exporting \$450 million and include beef and pork.

Other fears have also been laid to rest. Wages have risen -- growing by 5.2% between 1992 and 1998, or from \$425 to \$447 a week -- after a long period of decline.

American firms neither bolted south, bolted north, nor burrowed straight down. Instead they have increased investment everywhere. They have invested \$35 billion in Mexico and \$99 billion in Canada. Part of this is because NAFTA is eliminating requirements that forced U.S. firms to invest in Mexico if they hoped to sell in Mexico. Neither of these figures is large, incidentally, compared to non-residential investment here in the U.S.A., which reached nearly \$1 trillion last year.

In a larger sense, the NAFTA has helped create a more competitive North American market, which can stimulate more investment that benefits us all. Investment decisions can now be made to a greater degree on rational economic and commercial grounds than was the case prior to the NAFTA. The auto sector, in which employment rose by 136,000 between 1993 and 1997 in the US (and by 17,000 in Canada) while declining in Mexico, is a significant example.

The NAFTA's role in protecting us from the worst effects of the Asian financial crisis has been just as important as its direct benefits. By bringing down, keeping down, and even lowering further, tariffs and other barriers, it allowed our exports to Mexico and Canada to grow by \$13 billion in 1998. Mexico has now surpassed Japan as our number two partner even though its economy is one twelfth the size of Japan's. We now export three times as much to Canada as to China, Hong Kong and Taiwan combined. As our exports to the Pacific Rim dropped by \$30 billion last year, this growth protected jobs in manufacturing, farm and service sectors, and incomes of blue and white collar workers, Democrats and Republicans, whites, blacks, and Hispanics -- all across America.

More lies ahead. NAFTA's implementation by Mexico will not be complete until 2008. We are monitoring progress closely and we are learning from our experience, using it to improve the agreement as it goes into force. Our trilateral work program has more than 25 committees and working groups, each advancing the work of the Agreement. We have made an effective trilateral work program a priority and put in place a new high level oversight mechanism within our three Governments.

No trade agreement, of course, can put an end to all our disputes. We have yet to resolve our concerns on land transportation, for example, but we are continuing to try. Furthermore, we have very important issues pertaining to corn syrup and sugar, and telecommunications barriers with Mexico. And we want to work together to address the nemesis of piracy in the area of intellectual property rights, particularly copyright piracy. Progress has been made on this front,

and we applaud the steps the Zedillo Administration has taken, while we wait for the Mexican Congress to provide for the Administration's new measures in their budget.

With Canada we have serious concerns on a range of agriculture matters and major market access impediments facing our magazine publishers and other media and entertainment industries. Furthermore, we have the ongoing challenge of enforcing our largest bilateral sectoral agreement anywhere in the world - the U.S. - Canada Softwood Lumber Agreement. These are all flashpoints that require shrewd management and calm heads.

But through the cooperative framework we have built through the NAFTA, we have avoided or solved many disputes. For those that remain, the question is how far we have to go to solve them and how fast to do it. On our fifth anniversary, it can nonetheless be said that from a trade policy perspective, there is no question that the NAFTA has advanced U.S. objectives in Mexico and Canada in a truly unprecedented and invaluable manner.

BEYOND TRADE

Of course, in our relations with our immediate neighbors, we have concerns that extend well beyond trade. We expect that with growth will come a high quality of life and the advance of basic values -- clean air, clean water, public health and protection for our natural heritage; safety, dignity and elementary rights for working people; a common front against crime and corruption. NAFTA has allowed us to improve our working relationship with Mexico in these as well. We have huge challenges that are not yet addressed; but the NAFTA and its side agreements put us in a better position to deal with them.

Environmental protection is an example. Through the Commission on Environmental Cooperation, created by NAFTA's environmental side agreement, we have reached agreement with our neighbors on conservation of North American birds and created a North American Pollutant Release Inventory. The CEC has also helped us devise regional action plans for the phase-out or sound management of toxic substances, including DDT, chlordane, PCBs and mercury. Important cooperative work is also underway on environmental enforcement, as the Environmental Protection Agency has trained hundreds of Mexican environmental officials in the past five years, and Mexico has substantially increased its budget resources and inspections related to environmental law compliance since the NAFTA passed.

Likewise, the North American Development Bank has begun fourteen projects in border towns which will reduce water pollution and improve health on both sides of the border. To choose an example close to my home state, Juarez broke ground last November for its first wastewater treatment plant. That is going to mean better health and cleaner water for a million people in Juarez, another million in El Paso, and for towns and villages all along the upper Rio Grande. A similar project has opened on the American border near San Diego and Tijuana, which will remove effluents from the water which were being emitted well before NAFTA, at the very point where my parents crossed into the U.S. to become citizens of this great country 52 years ago.

In this important area of environmental improvement, as with the reduction of barriers to trade in goods and services, NAFTA is incomplete -- it remains a work in progress. Yet, as the *Dallas Morning News* pointed out in its editorial on January 4 of this year, NAFTA is "the 'greenest' commercial pact ever, and the U.S. Canadian and Mexican environments are better off with it than without." NAFTA has represented a significant step forward in the environmental aspects of trade.

On the labor front, NAFTA's Agreement on Labor Cooperation has generated our largest cooperative effort on labor we have in the world, covering occupational safety and health, employment and training, industrial relations, worker rights and child labor and gender issues. It has allowed citizens to draw attention to labor practices and improve working conditions. We believe this part of the agreement, administered in the United States by the Department of Labor, has been helpful. It has brought increased public scrutiny on the subject. We all three undertook these obligations with those objectives understood.

We sometimes only hear about labor problems in the press. But progress on this front in Mexico has occurred. For example, a labor tribunal reversed itself and granted a union registration in the Maxi-Switch case; a secret ballot union representation vote was conducted for the first time in Mexico in the GE case, and by government employees in the Fisheries Ministry. Mexico's Federal Government intervened in an effort to resolve the very contentious Han Young case; and the Mexican Supreme Court struck down state restrictions on union organizing as unconstitutional. In addition, Mexico has taken other steps to advance the rights of workers, including promulgating new safety and health regulations and nearly tripling funding for enforcement of worker rights, including in child labor.

Altogether, the NAFTA has created high-wage jobs in all three countries. Growth generally helps create jobs, and fair competition and trade create better jobs. The results are substantial -- goods exports to Canada and Mexico support 2.6 million jobs. NAFTA did not create them all, and one should not say the more competitive environment created since NAFTA has not claimed some jobs. But trade is but one factor overall in job dislocation in the United States, with technology and other factors much more important. A recent study by the Bureau of Labor statistics in the Department of Labor indicates that the number of workers displaced for any reason is now declining in the U.S. economy. And on the whole, the record since NAFTA's passage -- declining unemployment, rising wages, rapid growth -- speaks for itself.

The bottom line on NAFTA? It has helped our country prosper. It has dramatically expanded the volume of American-made goods and services sold to Canada and Mexico. It has reduced the damage the Asian financial crisis has caused in our country and our continent. It has encouraged us to work more closely than ever before with our neighbors on crucial topics from narcotics to environmental protection and improvement of labor standards. It is a winner. I am proud of it. And I am determined to tell its story wherever I go.

WHERE TO NEXT?

This brings me to our agenda for 1999 and the next five years. In detail our plans may be complex, but in essence they are simple:

We will apply the many lessons we have learned in our experience with Mexico and Canada over the past five years.

We will listen to and take up the best practices of our neighbors in the Caribbean, Central America and South America with their own economic integration projects, from Mercosur to the Andean Community, the Central American Common Market and CARICOM.

And we will use this experience to create the largest free trade area in the world: a zone of peace, democracy and prosperity extending from Point Barrow to Tierra del Fuego, and from the Hawaiian Islands to the eastern tip of Brazil.

CARIBBEAN BASIN INITIATIVE ENHANCEMENT

This begins in 1999 as we seek Congressional approval of an enhanced and improved Caribbean Basin Initiative.

CBI has already helped promote growth and prosperity in the Caribbean by helping its 24 beneficiaries diversify from volatile, low value-added commodities. And it has helped the U.S. Since the creation of the program in 1983, in fact, our exports to the CBI countries have grown by more than our exports to China.

The next step is an expanded program, giving the CBI countries benefits similar to those of the NAFTA. As with the bill we supported last year, we believe these should be conditioned on the adoption of economic and trade policies which help them prepare early for full reciprocal free trade under the FTAA/ALCA. It will be especially timely for countries hit by the Hurricane Mitch last November.

PROGRESS TOWARD FTAA

Next, as directed by the Miami and Santiago Summits, we are working with our 33 FTAA partners to achieve "concrete progress" toward the FTAA by the end of 1999. This should include agreements this year on concrete and mutually beneficial business facilitation measures. These could include a code of conduct for customs integrity; improved customs procedures for express shipments; transparency and due process in government procurement; or mutual recognition agreements in the licensed professions.

Also this year, our nine Negotiating Groups will work toward completion of "annotated outlines" in each FTAA area: from market access to intellectual property; government procurement; investment; agriculture; services and so on. Thus, this year we will go beyond

political statements and goals to discuss and build consensus on the issues crucial to a comprehensive hemispheric trade agreement.

Our objective is, as the President said in his State of the Union address last night, to put a human face on trade. As the President also said last night, we will seek approval of trade negotiating authority from Congress. This will not be essential to our work for several years, but it would allow the work to proceed more smoothly. We are now consulting with the newly elected Members of Congress, and with others interested in trade policy, on the most appropriate way to move forward.

FTAA RESULTS

From there we will move on, targeting 2005 as the year we will complete a rigorous, comprehensive trade agreement, expanding trade, accelerating growth, attracting investment from all over the world and cementing our strategic position in the hemisphere. Its benefits for all of us will be immense:

-- We need to raise living standards. Families will benefit from a wider availability of goods and services, with better quality and lower prices. Domestic firms in each FTAA member country will become more efficient as they more easily import capital and informatics goods -- and employ the higher technologies that become available when intellectual property protection improves. And government will be more economical in providing services through international standards of open and fair procurement practices. Even local monopolies and other anti-competitive practices will diminish as we advance negotiations in competition policy.

-- We will encourage competition, transparency, and impartial regulation in and continued deregulation of the service industries -- financial systems, telecommunications, insurance, construction, the professions and more -- that are basic to an advanced modern economy. Improving productivity in these fields inherently encourages productivity gains in the overall economy. Equally important, helping to ensure that financial institutions are sound makes future financial crises less likely.

-- We will develop enhanced means of resolving trade disputes. This is important both in purely commercial terms and for improved overall relations.

-- We will be more effective in addressing our mutual trade concerns with trading partners outside our region. For example, the FTAA negotiations on agriculture, which are addressing subsidies and other trade distorting practices in agriculture, can lead to more cohesive Western Hemisphere participation in the WTO agriculture negotiations set to begin this fall.

-- And finally, we will strengthen the values of openness, accountability, and democracy which themselves make the FTAA possible. For the first time in any major international trade negotiation, we have created a Committee on Civil Society to advise governments on the views of business, labor, consumers, environmentalists, academics and other citizen associations. Thus,

both the negotiations and the FTAA can strengthen, throughout the hemisphere, the sense of mutual benefit, citizen participation, shared values and common destiny which today allow the three nations of North America to live together in peace and prosperity.

CONCLUSION

We have a long way to go before we get there. But with the success of NAFTA; with the Summits in Miami and Santiago; with the commerce and cultural exchange that grow every day; we have already left the days of "distant neighbors" and "inevitable revolutions" far behind.

Before us is an inspiring vision: A community of common interests in prosperity; jobs; and economic growth; of common aspirations for better health; environmental protection, and cultural exchange; and of common values, in a hemisphere united by democracy, freedom, social justice, and the rule of law.

For the first time in two centuries, it is within our grasp.

We must not let it slip away.

**Remarks of Ambassador Richard W. Fisher
Deputy United States Trade Representative**

**Brazil-U.S. Business Council
Washington, D.C.
January 21, 1999**

Good afternoon. Thank you all very much.

It is my great honor to appear with Ambassador Flecha de Lima today. We are meeting at an unusual and critically important time, of course. And so I look forward not only to speaking but to listening to your concerns, your questions, and your advice.

SHARED IDEALS

Let me begin with some thoughts about where we have come from in the past ten years or so. I am a trade official and our principal hemispheric trade goal is the negotiation of the Free Trade Area of the Americas, or in Portuguese the Area de Livre Comercio das Americas. The work is well underway: the nine Negotiating Groups are in the midst of their second round of negotiations, and we are moving ahead toward the "concrete progress" the Miami and Santiago Summits directed us to make this year.

And although the next few years will be devoted to the details -- service liberalization, tariffs, electronic commerce, copyright enforcement and so on -- it is really extraordinary that we have reached this point at all.

Free trade in the hemisphere is logical and rational. We are neighbors, and we will always be neighbors -- so we should obviously have the best and most mutually beneficial trade relationship possible. But for nearly two centuries, every hope for hemispheric integration has been frustrated.

In 1876, when Dom Pedro II came to Washington to help us celebrate our Independence Centennial, the U.S. was already Brazil's largest export market. Thirteen years later, U.S. Secretary of State James Blaine actually convened a hemispheric conference in Washington, whose goal was hemispheric free trade.

But none of these hopes were realized. Blaine's conference left little trace; earlier efforts by Simon Bolivar and Benito Juarez, even less; more recent efforts -- Franklin Roosevelt's Good Neighbor Policy, John Kennedy's Alliance for Progress -- little more. The record of trade negotiations reminds one of the passage in *Os Sertoes* in which da Cunha describes the geography of the Brazilian interior -- lands, he said:

"with the centrifugal force of the desert; they repel, they disunite, they disperse."

ITS EXPLANATION

Repulsion. Disunity. Dispersal. Why did it happen? Our predecessors had immense talents and virtues: the good will and common sense of Dom Pedro -- the inspirational leadership of Bolivar -- the integrity of Juarez -- the vision of Roosevelt and Kennedy. Why did they fail?

Not for want of imagination, nor for any technical reason. In fact, it would have been much easier to negotiate a free trade area in 1889 -- when tariffs on goods were the only issue -- than it is today, when an agreement must cover financial services, copyrights and patents, agricultural inspections, electronic commerce, and the like. Rather the explanation lies in the world of psychology, perceptions and ideas.

Many Latin Americans viewed the United States in the terms exemplified by the lament of Mexico's President Porfirio Diaz, regarding his country's distance from God and proximity to the United States. Many regarded the United States as an inevitable, paternalistic source of monopolization, intervention, interference and all the rest. Even President Cardoso, who is today among the most well-respected and cherished friends of the United States, spent a decade developing *dependencia* theory.

At the same time, many in the United States viewed Latin America as a welter of caudillos. Communist guerrillas. Opportunistic nationalist politicians denouncing the United States to mask inefficiency and corruption at home. In this perception, many regarded our neighbors as, essentially, a source of trouble -- or worse, as a region which could not be taken seriously as a competitor or partner in a common destiny. As recently as the 1980s, some of our most sympathetic and informed writers on Latin America were publishing books with titles like "Distant Neighbors," "Inevitable Revolutions," and "Bordering on Trouble."

THE CONSENSUS

But in the past decade all that changed. The soldiers who ran governments in Brazil and the southern cone returned to quarters. Elections replaced the golpe. Throughout the hemisphere, to quote President Cardoso's remarks in New York a few years ago, we share:

"the values that Brazilian society has elevated in a desire for reform: the consolidation of democratic institutions; a market economy; respect for human rights; the non-proliferation of nuclear arms; and respect for the environment."

And these values have made an extraordinary difference in the lives of our citizens and nations.

Modern concepts of freedom for the entrepreneur and the universal education for the child have replaced sterile, traditional battles between statist right and statist left.

The right of the citizen to take part in elections and the policy decisions of government have won almost universal acceptance.

Civil society has blossomed, including the Brazilian labor and environmental movements and the development of consumer groups throughout the region.

Cultural ties have deepened by the year. Americans fly to Rio for the pageantry of Carnival; buy the novels of Amado; take samba lessons and go to churascurrias; our cable TV networks carry Xuxa; Ronaldinho is advertising for Nike and the Brazilian national team gives our soccer players some serious lessons at RFK Stadium.

And these shared values have spurred common actions -- to promote health; to work for advances in science and technology; to fight corruption, crime and narcotics; protect the environment; and improve education -- undreamt of in two centuries of independence.

TRADE INTEGRATION

Among the most successful of these actions has been trade integration. Regional trade arrangements have sprouted up from NAFTA through CARICOM, the Central American Common Market and the Andean Community to Mercosur. And they have been astonishingly successful.

Since the Treaty of Asuncion in 1991, intra-Mercosur trade has increased over 400%. Brazil's exports to Argentina have grown nearly \$3 billion since 1993. Not only has there been a boom in intra-Mercosur trade, but Mercosur's exports to the rest of the world have increased by over \$20 billion. Along the way, Mercosur has reached out to Associate Members Chile and Bolivia. It is through such demonstrations of mutual confidence and partnership that the hemispheric vision comes within our reach.

There have been some pernicious questions about the views of the United States towards Mercosur. Let me make clear our view: we applaud Mercosur. We believe it promotes hemispheric extension of the benefits of free trade, fueled by reduction of barriers, more open regulatory regimes, and increased competitiveness for firms, workers and farmers.

The same has happened in North America. As NAFTA passed its fifth anniversary, our exports to Mexico doubled from \$41 billion in 1993 to \$81 billion in 1998. This has created opportunities leading to tens of thousands of jobs in North America, and has already made Mexico a larger trading partner for America than Japan -- an economy twelve times its size. Meanwhile, Mexico's exports to the U.S. have risen almost 140%, from \$39.9 billion in 1993 to a projected \$95.6 billion this year. And Mexico is using this trading activity to diversify its economy. In part due to NAFTA and the investment activity it has opened, only 26% of Mexico's exports are commodity-based -- the lowest rate in the hemisphere, including the United States.

And before us is the vision that unites and transcends them all: the Free Trade Area of the

Americas, creating for the first time a integrated, democratic and prosperous hemisphere. And fittingly, the United States and Brazil -- the hemisphere's largest and most diverse nations; its largest economies; the leaders in creation of NAFTA and Mercosur -- will Co-Chair the final years of negotiations which bring the FTAA to completion.

MOMENT OF DECISION

That vision today faces a test. The decade of democratic development in Latin America, and the new era of hemispheric partnership, must prove their strength in the face of crisis. Brazil has already made some courageous decisions during a very trying time.

Our colleagues in the Treasury Department are responsible for our response to the financial events of the past week in Brazil. It is not the role of trade officials to comment on them, but as Secretary Rubin has said, it is important that Brazil carry forward the implementation of a strong, credible economic program, and implement the program of fiscal adjustment and other reforms agreed with the IMF last year.

Moreover, the financial crisis and the corresponding pressures to close borders to trade are not our only challenges. Leaderships will change soon in some of our most important neighbors. President Menem will leave office in Argentina after an extremely successful term; we do not know who will follow. President Frei of Chile is in his final year. President Chavez in Venezuela has begun responsibly, but questions remain. The sixth year of President Zedillo's term, the sexenio, is coming soon. And of course the United States will elect a new President in just a little over twenty months.

Both Brazil and the United States need a growing and confident environment in the Americas as the world works out its economic difficulties. Foreign Minister Lampreia put it best in his speech last fall to the opening session of the UN General Assembly. He warned against what he called "extreme scenarios" that envision a "return to the model of closed economies, the illusory search for self-sufficiency and isolation, and the concept of national security founded on the mistrust and insecurity of others."

THE CONTRIBUTION OF TRADE POLICY

These are extreme scenarios, but they are not unimaginable scenarios. Some, both here and elsewhere, attribute the crisis to the more open trading world of today. But to close our markets to trade would be to prolong and intensify the suffering.

Instead we must remain true to our commitment to hemispheric partnership and integration, realizing that weighty things depend on our work; and that the hemisphere -- perhaps the world -- is looking to us for signs of strength and confidence in the months to come.

As we approach these negotiations, then, we face an immense responsibility. We must prove to our citizens that the vision is right; that the commitment to open markets can survive a test. Trade

is not the cause of financial volatility, and trade must not become its victim. To retreat from the historic reforms our hemisphere has made in the past decade would simply be to open our countries to more instability and insecurity. Deepening them through the FTAA, continued implementation of NAFTA and Mercosur, and a successful WTO Ministerial this year will reduce risk of backsliding.

This means we must follow through on the Santiago Summit's direction to us to make "concrete progress" in our FTAA negotiations and also in practical business facilitation, by the next FTAA Ministerial in Toronto. Brazil has been, I regret to say, somewhat cautious in these talks so far. But the times do not call for delay -- rather they call for decision and action.

Obviously these are complex issues for both our countries. As Antonio Carlos Jobim once said, "Brazil is not for beginners." The growth of civil society in Brazil -- the environmental movement, unions, political parties, and citizen organizations -- is a trend which is positive and which trade policy must recognize. The same is true in the United States of course -- we are not for beginners either.

And we certainly recognize that Brazilian businesses have been adjusting to a series of openings of the Brazilian economy, as a result of the Uruguay Round, Mercosur and even unilateral trade liberalization.

But complexity and the need for consensus cannot mean temporizing and loss of vision. We are looking to Brazil for decisive leadership in these talks, and it is not only we who need to see it but our entire hemisphere.

WHERE TO NEXT?

With that leadership and that partnership, we will move ahead.

We will apply the many lessons we have learned in our experience with Mexico and Canada over the past five years.

We will listen to and learn from the experience of Brazil in Mercosur, and from that of our other neighbors with their own economic integration projects, from the Andean Community to the Central American Common Market and CARICOM.

And we will use this experience to create the largest free trade area in the world: a zone of peace, democracy and prosperity extending south from Point Barrow to Patagonia, and from the Hawaiian Islands to Recife.

PROGRESS TOWARD FTAA IN 1999

This year, we should implement measures of concrete and mutually beneficial business facilitation measures. These could include a code of conduct for customs integrity; streamlined

customs procedures for express shipments; transparency and due process in government procurement; a mutual recognition agreement for the certification of telecommunications equipment. All of these will complement our efforts to restore confidence during the present crisis.

At the same time, our nine Negotiating Groups must remain on schedule for completion of "annotated outlines" in each FTAA area: from market access to intellectual property; government procurement; investment; agriculture; services and so on. Thus, this year we will go beyond political statements and goals to discuss and build consensus on the issues crucial to a comprehensive hemispheric trade agreement.

And from there we will move on, until no later than 2005 we will see a rigorous, comprehensive trade agreement, expanding trade, accelerating growth, attracting investment from all over the world and cementing the hemispheric partnership. Its benefits for all of us will be immense:

- For our families and working people, we will raise living standards. Families will benefit from a wider availability of goods and services, with better quality and lower prices. Domestic firms in each FTAA member country will become more efficient as they more easily import capital and informatics goods -- and employ the new technologies available when intellectual property protection improves. And government will be more economical in providing services through international standards of open and fair procurement practices. Even local monopolies and other anti-competitive practices will diminish as we advance negotiations in competition policy.
- For our nations, we will encourage good government by promoting competition, transparency, and impartial regulation in financial systems, telecommunications, insurance, construction, the professions and the other industries essential to an advanced modern economy.
- And for our hemisphere, we will put an end to the cycles of repulsion, disunity and dispersal, by cementing for the next century, the commitment to partnership and integration among the hemisphere's democracies.

CONCLUSION

Let me say one final thing.

Visions are easy in good times. They are tested in crisis. And in the months to come, we will face repeated tests.

All indications are that President Cardoso is up to this challenge. And while he probably doesn't feel like this every day, he almost seems to welcome the challenge. He has taken on Congress head on, promoting passage of controversial policies by a body composed of some 18 political

parties. And when some leaders would retreat into the policies of protectionism, President Cardoso has opted for the more courageous -- and correct -- choice. Allow me to share with you a quote by Cardoso that appeared recently in the press: "As some manufacturers demanded a hike in tariffs in the past, now we can (also) lower them. It is only a matter of starting doing it. If they want to fool around with prices, I lower tariffs. My decree. End of story." Now that is my kind of leader.

As the hemisphere's two continental nations; as the Co-Chairs who will oversee the completion of the FTAA by 2005; as leaders of the movement toward democracy, integration and peace in the Americas; the United States and Brazil have a fundamental responsibility to ensure that we pass this test.

I believe we can do so. I know my friend Ambassador Flecha da Lima believes the same thing. It is up to all of us to prove it.

Thank you.

**Richard Fisher
Deputy U.S. Trade Representative
Luncheon Speech**

**Foreign Correspondents' Club of Japan
Tokyo, Japan
January 26, 1999**

Thank you very much for that kind introduction. Nine years ago, which was the last time I had the privilege of speaking to the Press Club, I had just come from a baseball game my son had played in.

My son was the second "gaijin" in history to play in the Tokyo Senior Boys' League. He played for a team called the Minato Moose. The Minato Moose was coached by the famous -- I might say infamous -- Mrs. Nomura. And the night before that speech, he had finally earned his right to play on the team. And he came home very proudly after a very long practice outside of Yokohama and was given the two characters to put on his uniform, his number and his patch for the Tokyo Senior Boys' League. He had finally made the team. My wife and I stayed up all night long. We had to take the thread out of one of her dresses, because it matched the color of his uniform, to have it sewn on by six o'clock in the morning.

My job was to remove the thread. My wife's job was then to sew the two characters onto his uniform. And so the next morning he departed for practice and that evening in our tiny little space in our little flat, the door opened, he threw down his baseball glove, and he broke into tears. He said, "Mama and Dad, you sewed the two characters on upside down!" So, I made a vow at that point that in my understanding of Japan, I would seek never to have an upside down understanding, but a right side up understanding.

It has been nine years since I last spoke at this Press Club, at the beginning of my tenure as a U.S.-Japan Leadership Fellow. My life, as you mentioned, has been quite eventful in that interim period, but as the 14th century Buddhist monk Kenko writes in his Essay on Idleness:

"It is very boring when you meet a man after a long separation, and he insists on relating at interminable length everything that has happened to him in the meantime."

So in deference to this great Buddhist sage, I will spare you my own reminiscences and talk instead about what has happened to all of us in the meantime and where we might go from here.

Many changes in Japan have taken place since I left. In fact, many changes have taken place in the world at large. The Cold War ended. Germany was reunited. The Soviet Union dissolved into 15 not-so-easy pieces. America's economy, which, when I was here, was in a slowdown, was burdened by dramatically high government deficits and considered by many to be in terminal decline, best characterized by Professor Paul Kennedy's Rise and Fall of Great Powers

-- an America few had hoped for -- is now in its longest peacetime expansion ever.

On the other hand, Japan's economy, then considered an irresistible force -- the day I arrived, the Nikkei-Dow was at 39,000; it had a pristine government balance sheet, and a sky-is-the-limit sense of promise as summarized by the book written by Ezra Vogel, Japan as Number One -- has since been in a decade-long decline and suffering from financial decay.

Moreover, the Asian region, which was then emerging as the world's most important growth center, has plunged into a financial crisis and economic contraction, creating tremendous economic hardship and signs of political unrest in the region. These changes in the region and the world have made the U.S.-Japan bilateral relationship more important than ever for each other and for the world.

From a security point of view, Japan remains our most important ally in the region. Unsettling developments in the region, from the firing of a missile by North Korea last year to the political unrest caused by the financial crisis, makes our strong and vital security alliance with Japan even more vital. That security relationship is the cornerstone -- it is the cornerstone -- of our peace and security in this region, and it provides ballast in an uncertain and stormy regional sea.

In the same way, our two economies have never been more important to each other. Accounting for about 80% of regional GDP, early Japanese economic recovery is necessary for regional recovery, and is necessary for world recovery.

Japan is, I like to remind people, our third largest market, behind Canada and Mexico, but it remains our largest single overseas market, as well as our greatest trade policy challenge. While American companies are enjoying good sales in certain sectors, in others they have faced decades of serious market access problems. On the other hand, Japan is becoming increasingly dependent on American consumers, who now buy nearly one-third of all Japanese exports.

In short, this is an important relationship worth nurturing, for the sake of security, for the sake of peace, for the sake of prosperity for Japan, for the United States, for the region, and for the world. And we must work to perfect our relationship. Doing so will require what my friend Yotaro Kobayashi calls a sense of "tsuuka," or instinctive trust and rapport.

In such a relationship the parties involved never really have to specify what they want from a relationship. But let me say up front what we want from our relationship with Japan: we want a strong, vital, vibrant Japanese economy.

JAPAN'S CHALLENGE

Japan clearly faces serious challenges in the years ahead. Since the end of 1990 the Japanese economy has grown by an average of less than 1% a year; in the last two years the

economy has contracted. Huge fiscal spending has been needed to spur economic growth, but that growth is not sustainable without dramatic structural change to boost productivity needed to boost competitiveness, in turn, and to assure that Japan can meet the needs of its aging society.

The banking system remains deeply troubled by bad debt. The Diet has passed some very useful laws, but implementation remains to be seen. The insurance industry -- particularly the life industry -- is plagued by problems with asset quality and is in need of significant overhaul.

Unemployment is rising, particularly among the young. Despite years of sacrifice by young people and their parents, university graduates are not getting jobs. A Japanese friend of mine whose daughter is graduating from Sophia University this spring tells me that 30% of her graduating class cannot find work.

There is a deep-seated pessimism among the Japanese people. The Associated Press reported last week, for example, that the Japanese reading public is snapping up books on failure.

And finally, as trade imbalances rise, as the moderator pointed out, trade tensions are building with Japan's main trading partners, including the United States.

FROM THE MACHINERY AGE TO THE INFORMATION AGE

My impression is that at the root of Japan's problems lies an economic structure that no longer can deliver higher standards of living for Japanese; a structure that has slowed the transition from the age of machinery to the age of information; a structure that has slowed the transition from an age in which governments controlled economic outcomes to one in which they are impartially and transparently applying regulation. I think it is important as friends, as allies, and as brothers and sisters in a key strategic relationship, that we share with you our own experience with a difficult predicament as we were presented with, indeed, while I was here nine years ago.

U.S. Experience

The U.S. success due to decisions to deregulate structures built in the 1930s and the 1940s and the 1950s, in which the government imposed controls on input, output and prices, is, I think, a story worth telling.

Deregulation did not just appear out of nowhere in the United States. It was the product of efforts and struggles and, by the way, mistakes over many decades. It was led by pioneers such as George Stigler of the Chicago School and the Brookings Institute in the 1960s, by Senator Edward Kennedy, who championed airline deregulation in 1974, and the Carter Administration which eagerly embraced the agenda under Alfred Kahn's able leadership in the late 1970s; Alfred Kahn, whom many of you probably do not even remember. In fact, we used to comment on his odd personal behavior during our administration. He really is a tremendous hero in the United

States because of his active force behind deregulation.

All this was the result of bruising political battles between liberalization forces in the Carter Administration and in the Reagan Administration and their successors, against vested interests in the trucking and railway and shipping industries.

The Clinton Administration has continued this policy of aggressive regulatory reform, including continued efforts to deregulate telecommunications, culminating in the Telecommunications Act of 1996. And this Administration's "open skies" efforts have enhanced airline liberalization throughout the world.

This effort has paid off. Airlines have dropped their fares 26%. Long distance telephone call [rates] have plummeted. Railways were able to cut costs, which we now estimate at between \$50-70 billion in operating costs, and finally started making profits again.

But perhaps most important of all -- and this is the key point -- deregulation created jobs. Total employment in the U.S. airline industry has increased nearly 80% over the past decade while Japan's airline industry created only 32% more jobs. The U.S. has created 17 % more telecom-related jobs since 1993; and Japan only 3.3% has been the rate of increase in telecom jobs.

The private sector, of course, went through its own restructuring after no longer being protected by regulators who were protecting franchises in Washington. If you look at the data, for those of you who want to go into the weeds on the subject of the Fortune 500 companies, you see a dramatic shift that took place once this process began. If you look at the data for the top 500 operating corporations in America that ran from the 1970s through 1987, you would find that margins of the top 500 companies -- that is, margins of profit -- did not increase by one tenth of 1% over that period; that their inventory turnover did not increase by one tenth of 1% over that long period; that their return on assets did not increase by one tenth of 1% over that period. Instead what they did was leverage up their return on equity based on gifts given by the marketplace. One was leveraging their balance sheet and the second were tax reductions that they were given by the Reagan Administration.

When that game came to a halt, when it was patently clear that they could no longer hide behind the protection afforded them by Washington, they went to work and began to do business the old-fashioned way, to work their plant and equipment more efficiently, to cut prices and redundancies. They could no longer hide behind the umbrella of inflation as the wall came down and the Cold War was over, and more labor was released to the marketplace, more commodities released to the marketplace. They had no choice but to adjust to the modern economy and begin to work their way up the value-added ladder.

I might add, one other change that took place, which I think is ill-understood, or under-understood in our country, was also the dramatic shift in ownership of our corporate

structure. I like to point out to audiences that when Bill Clinton was elected President, 26.5 million Americans owned equity mutual funds. Today the figure is closer to 70 million. Now, of course, we are eager to take credit for that phenomenon, but the fact is it occurred in a very short period over the last six years. And as a result, the demands for corporate governance have reinforced the need for corporations to operate efficiently and continue to adjust to the information age. The result is that American business, and the American economy, is primed to lead in the information age. By removing the protection of inefficient regulation, by forcing creative minds of the private sector to lead the transition from the old way of doing business to the new, we overcame the predicament forecast by the Paul Kennedys and Ezra Vogels of the world.

Japan's Problem

This transition has been much slower in Japan. The Japanese Government, to our eye, based on our experience, is too concerned about regulating outcomes. As a result, almost everything a Japanese company pays today -- from telephone calls, to energy bills, to the rent they pay on their offices -- is more expensive than their foreign competitors.

Each of these things makes firms weaker and makes them less able to compete internationally. This, in turn, creates a cycle in which industries, unable to compete, lobby for protection. So rather than encouraging companies to become leaner, to become more efficient, to become more productive, it is our view that the Japanese Government is sheltering them from competition and creating a downward spiral.

Japan's construction industry, one of the world's least efficient, illustrates the extent of the problem. Though the need for structural adjustment in the industry has been long acknowledged in Japan, it is interesting to note that there are 55,000 more construction companies established today than there were here in 1989.

By the way, other signs of this working through the system are clearly evident. Just adding parenthetically, and perhaps non-sequentially here, it is interesting to note that spreads have been widening on corporate bond issues since last year as the market is increasingly beginning to distinguish what markets would call losers from winners in the marketplace.

The Government -- plain and simple -- has just not provided a good environment for companies to adjust. The legal system is seriously underdeveloped. Recently there is a shortage of lawyers to deal with corporate bankruptcies, there are few trained lawyers and accountants to do due diligence on real estate deals, bankruptcy laws are inadequate, and the lack of international accounting standards impedes mergers and acquisitions. Moreover, regulations restrict labor mobility, poor corporate governance inhibits profit-maximizing behavior, and land restrictions raise the price of investment.

The market has also questioned the practice of pumping money into the corporate sector

via government-linked financial institutions. One analyst has noted that this constant government-linked support runs the risk of becoming a narcotic, delaying needed structural change.

The result is that Japan is falling behind. For example:

- Investment in the telecom area has fallen for the past two years, in sharp contrast to the United States and Europe where telecom investment is increasing rapidly.
- Japan's long-protected airlines are among the world's costliest and least efficient. Japan's poor yet costly airport and port facilities are leading to Japan-passing as airlines and shipping firms are starting to build their hubs in cheaper, more efficient facilities throughout Asian cities.
- Japan has lost high tech jobs to Korea and to Taiwan in the DRAM area while failing to enter new areas. For example, while Japanese companies -- and government -- endlessly debated which standard to use for advanced digital compression technology (which is called MPEG), American companies simply forged ahead and developed a new product and now dominate the sector, where Japan should have been extremely competitive.
- And Japan continues to fall behind in medical technology due to a system which does not reward innovation. The new reference pricing system, which is being contemplated, if implemented, will hobble Japanese medical and pharmaceutical industry even more than its position today.

One result is that Japanese entrepreneurs are leaving the country. Japan is the only OECD country with net emigration, with many of Japan's best and brightest making the decision to look elsewhere for challenge and opportunity, and Japan can ill-afford such a brain drain.

RESTRUCTURING AND REGULATORY REFORM

Our goals are complementary to those of Japan. I want to state it again, and I will state it repeatedly: we want an economically strong, vital, vibrant Japan, because we prosper if you do and because a prosperous Japan is a more stable security partner.

To achieve real sustainable growth, create jobs, assure a healthy competitive industry, and support an aging population, Japan must introduce greater competition into its economy. And, as I have just pointed out, our experience has shown that the best way to do so is to open, deregulate and restructure the economy.

Regulatory reform has been the centerpiece of America's Japan trade policy for years. It goes back to 1980 where nearly half of our trade agreements have been aimed at pro-competitive regulatory reform. It includes the Market Oriented Sector Specific (MOSS) talks in the 1970s to

remove restrictions on telecommunications and medical and pharmaceutical technology. It includes our talks on the Structural Impediments Initiative. It includes our Enhanced Deregulation Initiative at the Denver Summit by President Clinton and former Prime Minister Hashimoto.

We believe that the initiatives we are pursuing will strengthen Japan's economy over the long term. For example:

- We are pressing for changes that will reduce Japanese telephone charges, which are presently amongst the highest in OECD, including bringing down interconnection charges, which are as much as five times those in the United States, and making rights of way for laying new networks more reasonable. Currently, for example, new carriers who wish to string wire on NTT telephones must pay NTT \$17,000 per telephone pole in adjustment costs. Now very few can afford that cost.
- We are pushing Japan to adopt performance-based standards and testing requirements on housing materials to help Japan meet the government's -- the Japanese government's -- stated goal of reducing housing costs by 20%.
- We are asking that Japan move from a monopoly to a competitive electricity market by, among other actions, eliminating burdensome tests on inspection requirements and starting to use performance-based standards to help meet their goal -- the Japanese government goal -- of reducing energy costs to one third -- or, excuse me, by one third -- in order to reach world levels. That is, a unit of electricity in Japan costs a Japanese business three times what it costs in the rest of the industrialized world.

We are working with the Japanese Government on this year's deregulation package which can build in the areas I just mentioned and other areas on the package that we agreed to in Birmingham last year. We look forward to a forward-leaning and vigorous package of measures which will make a real difference, for all involved, not just for foreign companies seeking to compete in Japan, but for Japanese companies, as well.

OPEN, RULES BASED TRADE

Open, rules-based trade is fundamental to Japan's own prosperity. It is fundamental to Asia's recovery. It is fundamental to global economic health. It is fundamental to the health of the United States' economy.

In this regard, it is critical that Japan abide by its trade commitments, for these commitments, at their core, will introduce greater competition necessary to strengthen Japan's own ability to compete while preserving the openness of foreign markets.

Japan must first fully implement its trade bilateral and multilateral market opening

agreements in sectors such as insurance, and autos, and glass, and procurement and agriculture.

Second, it is critical that Japan ensure that its trade with other nations in sectors such as steel, where exports to the U.S. in some key products have surged over 400% over the past year, is fair and rules-based. As you know, the Clinton Administration is firmly committed to ensuring that free trade remains fair trade.

Finally, we need to work together to expand open and fair trade. We were very disappointed, as many know, with APEC, that is the last ministerial. But we look forward to completing the sectoral liberalization initiative this year in the WTO and to working with Japan and other nations to launch a new ambitious, new round of WTO talks in the United States at the end of this year -- at the WTO ministerial, which will take place, incidentally, in Seattle.

CONCLUSION

We have suggested ways, based on our own experience and, by the way, on our own trial and error, for Japan to overcome its current difficulties. We are giving this advice because of our strong interest in having a confident, healthy and prosperous partnership with Japan. And as I have said, this partnership is vital not only to Japan, but to our own country and to all the regions of the world.

Japan faces a very difficult task, one that it will address in its own way, of course, and taking into account its own needs. We believe Japan is up to this task. In the past 50 years this country has astonished the world. It has become Asia's economic and technological leader. It has built Asia's most prosperous and peaceful society. And there is no question that it has the strength and capability which the crisis of the moment -- and the hopes for the next century -- demand of the Japanese people.

These things were true the last time I spoke at the Press Club; and they are true today.

Thank you very much.

**Five Years On: NAFTA and America's Trade Agenda in the Western Hemisphere
Border Trade Alliance
Washington, D.C.
March 22, 1999**

**Ambassador Richard Fisher
Deputy United States Trade Representative**

Good evening. Thank you very much for inviting me to speak with you today.

It is now five years since the North American Free Trade Agreement, and five years before completion of the Free Trade Area of the Americas, or Area de Libre Comercio de las Americas (ALCA). This midway point is the ideal time to reflect on the road we have traveled thus far, and the challenges we will face before we reach its end. In light of developments in Brazil, a review is timely. Moreover, leadership will change soon in some of our most important neighbors. President Menem will leave office in Argentina after an immensely successful term; we do not know who will follow. President Frei of Chile is in his final year. President Chavez in Venezuela has just begun his term of office, under a cloud of uncertainties. President Pastrana of Colombia has just begun his, in the light of hope. The sixth year of President Zedillo's term, the sexenio, is coming soon. And of course the United States will elect a new President in just a little over 20 months. This evening, then, is a good time to review the NAFTA's progress thus far; outline our agenda for the NAFTA and the Americas in 1999; and then look ahead a bit.

AMERICAN TRADE AGENDA

But let me begin with a bit of context. America's trade interests are worldwide. Our goods exports are almost equally divided among four major trading regions: Asia, Europe, Latin America and Canada. Thus we have a worldwide trade agenda which takes in each part of the world, and the multilateral trading system which links it together:

- We will host the Third WTO Ministerial Conference this fall, kicking off a new round of negotiations on agriculture, services and other issues of immense importance to American farms, working people and investors, including 70 million individuals -- average women and men -- invested in equity mutual funds. Like farmers and workers throughout the United States, these individual investors have a serious interest in seeing the profits of the companies they are invested in expand through new sales in new markets abroad.
- We are leading an effort toward free and open trade in the Pacific by the year 2020.
- We have begun an ambitious program to improve our trade relationship with Africa.
- We are working to improve our trade relations with the European Union through the Transatlantic Economic Partnership.
- And we are at the forefront of the effort to negotiate the Free Trade Area of the

Americas/ALCA by 2005.

THE VISION

Each of these are important to the United States. But it is fair to say that we have no relationships more important than those which are closest to home.

In this respect we are a very fortunate country. For a century and a half we have enjoyed peace with our neighbors. That is a blessing almost unique in the world. All of us -- Americans, Mexicans, Canadians -- should be grateful for it. And in the past decade, we have been given an extraordinary opportunity to strengthen it; to deepen it; and extend it through the creation of a peaceful community linked by open trade and democratic values, which reaches throughout the Western Hemisphere.

This is an inspiring vision. It is, incidentally, hardly a new one. It has appeared in the past but was not realized. The Liberal vision shared by the leaders of Latin America's independence movements implied precisely such a step. Simon Bolivar himself was the first American leader to propose a hemispheric trade conference. Benito Juarez proposed a free trade agreement between the United States and Mexico in the 1850s. And in 1889, U.S. Secretary of State James Blaine actually convened a Pan-American conference in Washington, whose goal was hemispheric free trade.

These efforts failed. They failed not because of the complexity of the task -- a trade agreement in 1889, when the only issues were customs procedures and tariffs on agricultural products and manufactured goods, would in technical terms have been far easier than the task before our FTAA/ALCA Negotiating Groups today, as they take up copyright enforcement, insurance licensing standards, telecommunications, electronic commerce and much more of the trappings of the Information Age.

Rather, they failed because of a conflict of perceptions and ideas. Latin American intellectuals often viewed the U.S. as an interfering, hegemonic power; saw trade with the U.S. as exploitation; and concluded that the proper course was protection. As Enrique Krauze wrote in his history of post-colonial Mexico last year:

"The idea of the North American Free Trade Agreement was a violation of the Eleventh Commandment of official Mexican mythology: Thou Shalt Not Trust Americans."

Likewise, people in the United States at times looked south and saw only caudillos, guerrillas, and opportunistic politicians denouncing the *Yanqui* to mask inefficiency and corruption at home; and drew the same conclusion about hemispheric trade. The titles of books on Mexico and Latin America twenty years ago are very clear evidence of this: "Distant Neighbors," "Inevitable Revolutions," "Bordering on Trouble," and all the rest.

Thus, the separation of the Americas by trade barriers was perhaps a lesser obstacle than

the separation by barriers of psychology, perception and ideas. As Jose Marti said, commenting on Blaine's conference in an 1890 address just a few blocks from here:

"Las barreras de ideas son mucho mas fuertes que las barricadas de piedra" ("the barriers of ideas are stronger than barricades of stone").

RESULTS OF NAFTA

This was the legacy our trade negotiators, our political leaders, and our citizens rejected when they approved NAFTA five years ago. It was a step which demanded courage and vision from all three countries.

In the U.S., of course, NAFTA heightened the profile of trade agreements in the public eye, but also border environmental problems, disparity between wage rates, and fears that American factories would move south. In Mexico and Canada, free trade with the United States raised even more profound questions.

But in all three partners, the results are impressive. Most important from a trade policy perspective, the NAFTA has eliminated a huge disparity in tariff rates and other trade barriers between us and Mexico. I do not need to tell you that bilateral trade with Mexico is booming, as is trilateral trade. Given our strong interest in export growth, it is worth noting also that this year we will export five times as much to Mexico as to China. We will export \$158 billion in goods to Canada -- as much as we will export to all the countries of East Asia put together. The fears of fleeing jobs have proven misplaced, despite best efforts by NAFTA naysayers to argue otherwise.

Since NAFTA passed, unemployment has dropped from 6.5% to 4.3% here in America. A lot goes into that figure -- but NAFTA is part of it, everywhere in the country. It represents --

- Casas International Brokerage, a customs broker in San Diego, seeing business double since 1994 and adding 100 employees.
- Taylor Dunn, a manufacturing firm in Anaheim which makes electrical vehicles, adding fifty workers because NAFTA cut Mexico's tariff on their products from 25% to zero.
- Multiplier Industries in Mt. Vernon, New York, increasing its employee base by 25% as its exports of cell phones and two-way radios to Canada and Mexico rise.
- Farmland Industries of Kansas City, the largest farmer-owned cooperative in North America, who sold \$50 million in wheat, corn and soybeans to Mexico before NAFTA, today is exporting \$450 million and include beef and pork.

The State of Texas has been a beneficiary of NAFTA as well. Overall, Texas exports rose to \$86.85 billion in 1998. Due to declines in Asian and Latin American markets held that growth to its lowest rate of the 1990s, the state's export growth was fueled almost solely by increased sales to Mexico and Canada, which ranked first and second among customers for Texas goods.

Mexico bought \$36.33 billion in Texas exports, up 16.5 percent from 1997, and exports to Canada rose 8.3 percent to \$10.33 billion. Texas exports more than \$4,000 per capita, compared to the U.S. average of about \$2,500.

Other fears have also been laid to rest. Wages have risen -- growing by 5.2% between 1992 and 1998, after a long period of decline.

American firms neither bolted south, bolted north, nor burrowed straight down. Instead they have increased investment everywhere. They have invested \$35 billion in Mexico and \$99 billion in Canada. Part of this is because NAFTA is eliminating requirements that forced U.S. firms to invest in Mexico if they hoped to sell in Mexico. Neither of these figures is large, incidentally, compared to non-residential investment here in the U.S.A., which reached nearly \$1 trillion last year. In the U.S. is still, by far, the largest recipient of Foreign Direct Investment in the world.

In a larger sense, the NAFTA has helped create a more competitive North American market, which can stimulate more investment that benefits us all. Investment decisions can now be made to a greater degree on rational economic and commercial grounds than was the case prior to the NAFTA. The auto sector, in which employment rose by 136,000 between 1993 and 1997 in the US (and by 17,000 in Canada) while declining in Mexico, is a significant example.

The NAFTA's role in protecting us from the worst effects of the Asian financial crisis has been just as important as its direct benefits. By bringing down, keeping down, and even lowering further, tariffs and other barriers, it allowed our exports to Mexico and Canada to grow by \$13 billion in 1998. Mexico has now surpassed Japan as our number two partner even though its economy is one twelfth the size of Japan's. We now export three times as much to Canada as to China, Hong Kong and Taiwan combined. As our exports to the Pacific Rim dropped by \$30 billion last year, this growth protected jobs in manufacturing, farm and service sectors, and incomes of blue and white collar workers, Democrats and Republicans, whites, blacks, and Hispanics -- all across America.

More lies ahead. NAFTA's implementation by Mexico will not be complete until 2008. We are monitoring progress closely and we are learning from our experience, using it to improve the agreement as it goes into force. Our trilateral work program has more than 25 committees and working groups, each advancing the work of the Agreement. We have made an effective trilateral work program a priority and put in place a new high level oversight mechanism within our three Governments.

No trade agreement, of course, can put an end to all our disputes. We have yet to resolve our concerns on land transportation, for example, but we are continuing to try. Furthermore, we have very important issues pertaining to corn syrup and sugar, and telecommunications barriers with Mexico. And we want to work together to address the nemesis of piracy in the area of intellectual property rights, particularly copyright piracy. Progress has been made on this front, and we applaud the steps the Zedillo Administration has taken, while we wait for the Mexican Congress to provide for the Administration's new measures in their budget.

With Canada we have serious concerns on a range of agriculture matters and major market access impediments facing our magazine publishers and other media and entertainment industries. Furthermore, we have the ongoing challenge of enforcing our largest bilateral sectoral agreement anywhere in the world - the U.S. - Canada Softwood Lumber Agreement. These are all flashpoints that require shrewd management and calm heads.

But through the cooperative framework we have built through the NAFTA, we have avoided or solved many disputes. For those that remain, the question is how far we have to go to solve them and how fast to do it. On our fifth anniversary, it can nonetheless be said that from a trade policy perspective, there is no question that the NAFTA has advanced U.S. objectives in Mexico and Canada in a truly unprecedented and invaluable manner.

BEYOND TRADE

Of course, in our relations with our immediate neighbors, we have concerns that extend well beyond trade. We expect that with growth will come a high quality of life and the advance of basic values -- clean air, clean water, public health and protection for our natural heritage; safety, dignity and elementary rights for working people; a common front against crime and corruption. NAFTA has allowed us to improve our working relationship with Mexico in these as well. We have huge challenges that are not yet addressed; but the NAFTA and its side agreements put us in a better position to deal with them.

Environmental protection is an example. Through the Commission on Environmental Cooperation, created by NAFTA's environmental side agreement, we have reached agreement with our neighbors on conservation of North American birds and created a North American Pollutant Release Inventory. The CEC has also helped us devise regional action plans for the phase-out or sound management of toxic substances, including DDT, chlordane, PCBs and mercury. Important cooperative work is also underway on environmental enforcement, as the Environmental Protection Agency has trained hundreds of Mexican environmental officials in the past five years, and Mexico has substantially increased its budget resources and inspections related to environmental law compliance since the NAFTA passed.

Likewise, the North American Development Bank has begun fourteen projects in border towns which will reduce water pollution and improve health on both sides of the border. To choose an example close to home, Juarez broke ground last November for its first waste-water treatment plant. That is going to mean better health and cleaner water for a million people in Juarez, another million in El Paso, and for towns and villages all along the upper Rio Grande. A similar project has opened on the American border near San Diego and Tijuana, which will remove effluents from the water which were being emitted well before NAFTA, at the very point where my parents crossed into the U.S. to become citizens of this great country 52 years ago.

In this important area of environmental improvement, as with the reduction of barriers to trade in goods and services, NAFTA is incomplete -- it remains a work in progress. Yet, as the *Dallas Morning News* pointed out in its editorial on January 4 of this year, NAFTA is "the 'greenest' commercial pact ever, and the U.S. Canadian and Mexican environments are better off

with it than without." NAFTA has represented a significant step forward in the environmental aspects of trade.

On the labor front, NAFTA's Agreement on Labor Cooperation has generated our largest cooperative effort on labor we have in the world, covering occupational safety and health, employment and training, industrial relations, worker rights and child labor and gender issues. It has allowed citizens to draw attention to labor practices and improve working conditions. We believe this part of the agreement, administered in the United States by the Department of Labor, has been helpful. It has brought increased public scrutiny on the subject. We all three undertook these obligations with those objectives understood.

We sometimes only hear about labor problems in the press. But progress on this front in Mexico has occurred. For example, a labor tribunal reversed itself and granted a union registration in the Maxi-Switch case; a secret ballot union representation vote was conducted for the first time in Mexico in the GE case, and by government employees in the Fisheries Ministry. Mexico's Federal Government intervened in an effort to resolve the very contentious Han Young case; and the Mexican Supreme Court struck down state restrictions on union organizing as unconstitutional. In addition, Mexico has taken other steps to advance the rights of workers, including promulgating new safety and health regulations and nearly tripling funding for enforcement of worker rights, including in child labor.

Altogether, the NAFTA has created high-wage jobs in all three countries. Growth generally helps create jobs, and fair competition and trade create better jobs. The results are substantial -- goods exports to Canada and Mexico support 2.6 million jobs. NAFTA did not create them all, and one should not say the more competitive environment created since NAFTA has not claimed some jobs. But trade is but one factor overall in job dislocation in the United States, with technology and other factors much more important. A recent study by the Bureau of Labor statistics in the Department of Labor indicates that the number of workers displaced for any reason is now declining in the U.S. economy. And on the whole, the record since NAFTA's passage -- declining unemployment, rising wages, rapid growth -- speaks for itself.

The bottom line on NAFTA? It has helped our country prosper. It has dramatically expanded the volume of American-made goods and services sold to Canada and Mexico. It has reduced the damage the Asian financial crisis has caused in our country and our continent. It has encouraged us to work more closely than ever before with our neighbors on crucial topics from narcotics to environmental protection and improvement of labor standards. It is a winner. I am proud of it. And I am determined to tell its story wherever I go.

WHERE TO NEXT?

This brings me to our agenda for 1999 and the next five years. In detail our plans may be complex, but in essence they are simple:

We will apply the many lessons we have learned in our experience with Mexico and Canada over the past five years.

We will listen to and take up the best practices of our neighbors in the Caribbean, Central America and South America with their own economic integration projects; from Mercosur to the Andean Community, the Central American Common Market and CARICOM.

And we will use this experience to create the largest free trade area in the world: a zone of peace, democracy and prosperity extending from Point Barrow to Tierra del Fuego; and from the Hawaiian Islands to the eastern tip of Brazil.

CARIBBEAN BASIN INITIATIVE ENHANCEMENT

This has begun this year as we seek Congressional approval of an enhanced and improved Caribbean Basin Initiative.

CBI has already helped promote growth and prosperity in the Caribbean by helping its 24 beneficiaries diversify from volatile, low value-added commodities. And it has helped the U.S. Since the creation of the program in 1983, in fact, our exports to the CBI countries have grown by more than our exports to China.

The next step is an expanded program, giving the CBI countries benefits similar to those of the NAFTA. As with the bill we supported last year, we believe these should be conditioned on the adoption of economic and trade policies which help them prepare early for full reciprocal free trade under the FTAA/ALCA. It will be especially timely for countries hit by the Hurricane Mitch last November.

PROGRESS TOWARD FTAA

Next, as directed by the Miami and Santiago Summits, we are working with our 33 FTAA partners including Mexico, Canada, and the CBI countries, to achieve "concrete progress" toward the FTAA by the end of 1999. This should include agreements this year on concrete and mutually beneficial business facilitation measures. These could include a code of conduct for customs integrity; improved customs procedures for express shipments; transparency and due process in government procurement; or mutual recognition agreements in the licensed professions.

Also this year, our nine Negotiating Groups will work toward completion of "annotated outlines" -- a demonstration of specific work to be undertaken -- in each FTAA area: from market access to intellectual property; government procurement; investment; agriculture; services and so on. Thus, this year we will go beyond political statements and goals to discuss and build consensus on the issues crucial to a comprehensive hemispheric trade agreement.

FTAA RESULTS

From there we will move on, targeting 2005 as the year we will complete a rigorous, comprehensive trade agreement, expanding trade, accelerating growth, attracting investment from all over the world and cementing our strategic position in the hemisphere. Its benefits for all of us will be immense:

-- We need to raise living standards. Families will benefit from a wider availability of goods and services, with better quality and lower prices. Domestic firms in each FTAA member country will become more efficient as they more easily import capital and informatics goods -- and employ the higher technologies that become available when intellectual property protection improves. And government will be more economical in providing services through international standards of open and fair procurement practices. Even local monopolies and other anti-competitive practices will diminish as we advance negotiations in competition policy.

-- We will encourage competition, transparency, and impartial regulation in and continued deregulation of the service industries -- financial systems, telecommunications, insurance, construction, the professions and more -- that are basic to an advanced modern economy. Improving productivity in these fields inherently encourages productivity gains in the overall economy. Equally important, helping to ensure that financial institutions are sound makes future financial crises less likely.

-- We will develop enhanced means of resolving trade disputes. This is important both in purely commercial terms and for improved overall relations.

-- We will be more effective in addressing our mutual trade concerns with trading partners outside our region. For example, the FTAA negotiations on agriculture, which are addressing subsidies and other trade distorting practices in agriculture, can lead to more cohesive Western Hemisphere participation in the WTO agriculture negotiations set to begin this fall.

-- And finally, we will strengthen the values of openness, accountability, and democracy which themselves make the FTAA possible. For the first time in any major international trade negotiation, we have created a Committee on Civil Society to advise governments on the views of business, labor, consumers, environmentalists, academics and other citizen associations. Thus, both the negotiations and the FTAA can strengthen, throughout the hemisphere, the sense of mutual benefit, citizen participation, shared values and common destiny which today allow the three nations of North America to live together in peace and prosperity.

CONCLUSION

We have a long way to go before we get there. But with the success of NAFTA; with the Summits in Miami and Santiago; with the commerce and cultural exchange that grow every day; we have already left the days of "distant neighbors" and "inevitable revolutions" far behind.

Before us is an inspiring vision: A community of common interests in prosperity; jobs; and economic growth; of common aspirations for better health; environmental protection, and cultural exchange; and of common values, in a hemisphere united by democracy, freedom, social justice, and the rule of law.

For the first time in two centuries, it is within our grasp.

We must not let it slip away.

THE FUTURE TRADE RELATIONSHIP WITH AFRICA

**Ambassador Richard Fisher
Deputy United States Trade Representative
to the
Corporate Summit on Africa
Houston, Texas
March 26, 1999**

Good morning, honorable heads of state, ministers, friends and guests. It is good to be back in Houston. I spent a tremendous amount of time in this great city when I ran my business and when I ran for the Senate. Then the President asked me to become his Deputy USTR and I have been back since. You know the story. There were two brothers. One went to sea. The other became a Deputy Cabinet Minister. Neither was heard from again.

I am honored to be here this morning, to lay out the general principles of our Administration's African trade initiative and the specific opportunities we see in it for American businesses, farmers and working people as well as its benefits for Africa and its people.

Let me say at the outset that African trade policy is one of the most exciting and interesting aspects of American trade policy. In a sense, we are present at the creation of a new relationship.

Measured in absolute numbers, our trade relationship with Africa is fairly significant – involving exports of over \$10 billion in goods and services to sub-Saharan Africa last year and higher levels of imports. But this represents barely one percent of our overall exports. It is dramatically below our potential. The trade policy work that can help us reach that potential – developing our key bilateral relationships, supporting African regional economic integration, assisting with economic reforms and integrating Africa more securely in the trading system – is just beginning.

Our work in the year ahead – at the US-Africa Ministerial last month, here in Houston, and as we prepare for a new WTO Round – reflects the tremendous upside potential for U.S.-Africa trade. Done right, it will result in both immense future benefits for American working people and firms, and a chance for Africa to take its rightful place as an equal player in the development of the world's 21st-century economy.

PRINCIPLES OF US AFRICAN POLICY

This morning I will lay out for you the reasoning beneath our African trade policy initiatives, and the specific tasks we hope to complete in the next two years.

Fundamentally, the principles which underlie our African trade policy – including our bilateral and regional negotiations, the trade sections of the African Growth and Opportunity Act, and our work with Africa in the trading system – rest on the experience we have developed over

fifty-five years of postwar trade policy.

In America and elsewhere in the world, the benefits of fair and open trade are clear: higher living standards and new jobs; improve daily life through new medicines, information technology, and environmental protection technologies; and stronger international peace, as nations develop and strengthen shared interests in one another's prosperity and stability.

Equally clear is the high cost of isolation from trade. As economic integration in Europe, Latin America, and Southeast Asia, combined with participation in the trading system, has raised living standards and strengthened peace, the high trade barriers and economic fragmentation of the Middle East and South Asia have intensified economic suffering and political tension.

BASIS FOR TRADE POLICY

What do we see in Africa today?

- First, Africa's prospects have dramatically improved since the end of the cold War and the demise of apartheid. Apart from the continent's natural wealth, increasing numbers of African governments have adopted economic reforms which will allow their citizens to make the most of their talents. These include liberalizing exchange rates, privatizing state enterprises, reducing subsidies, and cutting barriers to trade and investment. These reforms have been buttressed by free elections in many countries. The early results are clear: since 1994, inflation is down, growth is up, and our trade with Africa – both exports and imports – has grown.
- Second, economic reform needs to go further. Persistent violence in some nations, of course, threatens not only security but prospects for trade and investment throughout the continent. More broadly speaking, Africa remains among the world's most protected and economically fragmented regions. Its tariffs, averaging 28%, are the world's highest. Less than half of sub-Saharan Africa has published tariff schedules at the WTO, and still fewer African nations have joined the 21st-century agreements on telecommunications, financial services and information technology. And while regional integration is progressing, it is still in the early stages.
- Third, Africans appear to be developing a policy consensus on trade which we can support. This includes support for regional economic integration; technical assistance as African governments make commitments in complex areas like services, agricultural standards and intellectual property; and market access in areas of comparative advantage for Africa like textiles and agriculture. Both Africans and Americans also recognize that reforming African countries will need appropriate debt relief; assistance in developing high-tech infrastructure; and support for education and microenterprise in order to grow.

U.S. POLICY

Our response, embodied in the President's Partnership Initiative and the African Growth and Opportunity Act, is an integrated policy including trade incentives for economic reform, enhanced engagement with Africa, integration into the global trading system, and support for sustainable development.

In this vision, economic policy complements our work in other areas -- such as resolving conflict; fighting crime and terrorism, ensuring environmental sustainability; advancing human rights, core labor standards and the rule of law. And within economic policy, trade policy initiatives join debt relief, export and investment promotion, and assistance in areas from microenterprise to Internet access for African schools and businesses, to help us reach the goal.

TRADE POLICY

With respect to trade policy, President Harmon has spoken of the Administration's trade promotion efforts, which include both the Ex-Im Bank's support for specific projects and the frequent trade delegations many of our Cabinet officers have led.

At USTR, as architects and negotiators of the nation's trade policy, we focus largely on incentives and cooperative work to support reforming governments, encourage deepening market access commitments at the WTO, and the promotion of regional economic integration. So what are we doing with and for Africa?

First, we are offering reforming African countries additional market access to the U.S.. Since 1997, we have expanded the Generalized System of Preferences by 1,783 tariff lines for the least developed countries. We added special provisions for eligible members of the Southern African Development Community, the West African Economic and Monetary Union and the Tripartite Commission for East African Cooperation, which can now combine their value-added contributions to exports to qualify for GSP benefits. The African Growth and Opportunity Act will go further, by extending GSP benefits for Africa, offering market access guarantees in textiles for all African countries, and eliminating quotas for Kenya and Mauritius, the only two nations now under quota.

Second, we are developing bilateral relationships with key African trade partners, reforming governments and regional economic associations. These include, most recently, a Bilateral Investment Treaty with Mozambique and Trade and Investment Framework Agreements -- so called "TIFAs" with South Africa and Ghana. We hope soon to conclude another TIFA with the West African Economic and Monetary Union.

The TIFAs are especially important to American businesses interested in opening trade with Africa, because they establish the legal and institutional foundation that allows us to create deep and strong business relationships. They open a permanent dialogue on agricultural and

industrial standards; intellectual property rights; customs procedures; regulation of service industries; investment; market access; trade-related aspects of labor and environmental policy; private sector dialogue and much more. These will allow us to begin balancing the much older relationships Europe has developed in Africa. And they create models that we can build upon as other African governments look to deeper partnerships with the United States.

For African countries, the TIFAs will help to increase trade and attract investment, thereby generating jobs, raising incomes and standards of living, and facilitating technology transfers.

Third, we are working with African governments toward full participation for Africa in the WTO. The key elements here include:

- Bolstering the WTO's capacity-building abilities, to help African governments to participate more actively in the WTO and to meet commitments in complex areas in a timely fashion. This will help Africans enforce intellectual property laws, utilize dispute settlement procedures and so forth.
- The second key element consists of helping African countries join the newest agreements on financial services, telecommunications, and information technology. These agreements promote rapid development by speeding the creation of financial systems, lowering the cost of technology, and assisting in attracting investment in infrastructure for modern telecommunications. They help Africa attract investment as they liberalize trade.
- A third element consists of finding areas of common interest in the next Round, to begin after we host the WTO's Third Ministerial Conference next December. Two especially important examples, which we have discussed with the African diplomatic corps in Washington and with African trade and financial Ministers last March at the Ministerial, are facilitating the growth of electronic commerce, with all the opportunities it offers microenterprise; and elimination of agricultural export subsidies, where the EU's Common Agricultural Policy is an immense burden on developing country farmers as well as American producers.

DEBT RELIEF AND ASSISTANCE

These trade policies are designed to mesh with the Administration's policies on debt relief and assistance for sustainable development.

In fiscal year 1999, we requested and received from Congress funds to forgive \$245 million in bilateral concessional debt for Africa's strongest reformers. For the coming fiscal year, we have requested funds to forgive up to \$237 million in Africa. This builds on our efforts over the past decade to forgive more than \$3.2 billion in multilateral and bilateral debt, and our efforts in the G-7 to bring other donor nations on board with initiatives, such as the Highly Indebted

Poor Countries (HIPC) initiative to give debt relief to Africa. And President Clinton has called for a broad international initiative that may reduce debt by as much as \$70 billion. This will help ensure that African countries are not crippled by debt, but also that Africa retains access to the international financial community.

At the same time, our trade and economic policies complement broader efforts to support sustainable development in Africa. Here our initiatives include development of Internet capability, microenterprise, and support for health, education and democratization.

AFRICAN GROWTH AND OPPORTUNITY ACT

A top priority for the Administration this year is to work with the Congress to ensure passage of the African Growth and Opportunity Act. The President's Partnership Initiative includes many key provisions of this legislation and we are implementing these. But passage of the legislation remains crucial. First, the bill is needed to expand the trade opportunities for reforming African countries. By expanding GSP benefits for eligible African countries, the bill will stimulate the growth of the African private sector and provide incentives for further reform. Second, passage of the bill will have strong symbolic significance and send a clear message to African countries and potential U.S. investors that the United States is committed to a strong economic partnership with Africa, buttressed by strong trade and investment ties. Third, the legislation will codify our new approach to working with Africa and ensure that it is a long-term and enduring policy.

CONCLUSION

Altogether, this is a complex and ambitious initiative. It owes a great deal to many sources. Particular credit is due to the late Secretary of Commerce Ron Brown, whose visit to South Africa in 1993 opened this new chapter in relations with Africa. We had the benefit of advice from many of you here today, as well from both sides of the aisle in Congress, from African governments and from non-governmental organizations on both sides of the Atlantic.

We have immense opportunities before us in Africa. If we fail to seize them, we Americans risk being left behind as European competitors further develop their presence in Africa, taking advantage of historical ties with the continent and preferential trading arrangements such as the Lome Convention and the recently concluded EU - South Africa Free Trade Agreement.

From Africa's perspective, the only hope for Africa's people to participate in the global economy and not be left behind, lies in strengthening democratic governance, instilling market economics, improving education, and replacing the rule of man with the rule of law. These are difficult challenges. Embracing them will initially be highly dislocating, as they confront traditional culture and social cohesion. Yet, as Fared Zakaria noted in yesterday's *New York Times*, "Capitalism has provided the only durable path out of misery for ordinary people..."

The "ordinary people" of Africa dream the dream of people everywhere, the dream so eloquently summarized by my favorite American poet, Langston Hughes, when he wrote, "I have as much right as any other man to stand on my own two feet and own this land." Africans have as much right as any European, Asian, Latin American or North American to a piece of the global economy.

If we work together, if we pursue a vigorous trade and investment policy with Africa, if Africa will work with us in this grand enterprise, we will realize the full potential of those opportunities for the benefit of Africans and Americans alike.

Thank you.