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WTO High Level Symposium on Trade and Development

OPENING SESSION

Statement of Susan G. Esserman
Deputy U.S. Trade Representative - Designate

17 March 1999

- On behalf of Ambassador Barshefsky and the U.S. team, we welcome the discussions on this important issue. We have circulated a statement from Ambassador Barshefsky and an information note on technical assistance in telecommunications for the benefit of delegations.
- When President Clinton was in Geneva in May, he outlined the U.S. vision for the trading system and argued that we need to look at new and innovative ways to address the problems of the economy of the 21st century.
- In calling for a round this year, the President rejected the business as usual approach—that is, the same type of negotiating round that has been agreed to in the past.
- The President's concept envisions three basic elements:
 - We need to set an accelerated agenda for negotiations and a work program;
 - We need to press on with institutional reform -- from transparency to capacity building -- to ensure that the WTO takes its rightful place in the constellation of international economic institutions that contribute to sustainable development; and
 - We need to ensure that the WTO remains an on-going forum for trade liberalization.
- Indeed, one of the reasons that we have adopted this tripartite approach is out of recognition of the development dimension.
- Trade is an integral part of our economy. Without question, the U.S. market has been critical to the continued growth of our trading partners' economies and has been the destination for a significant increase in exports from developing countries.
- The United States maintains one of the most open markets in the world. Our average tariff rate—bound and applied—is about three percent. Today, some 35% of our tariff lines are bound at zero and more than 70% of our tariff lines are bound at rates of duties of five percent or less. And we are ready to do more with our partners to expand market access in agriculture and industrial goods.
- We clearly don't see the forward agenda as having a north/south divide. Rather, we need to put together a manageable, common, and mutually beneficial agenda that is strongly supported by all countries and counterbalances calls for increased protectionism. There is

already consensus that we need to focus attention on implementation and the built-in agenda negotiations on agriculture and services. Now we need to see what other areas can be agreed on the basis of consensus.

- Some suggest that because of the financial crisis we need to slow down the liberalization and reform processes in the WTO. On the contrary, we need to press on, but we need to be clear about the content and direction of the work as we move forward and to hear one another, and we all need to keep our markets open and implement and enforce agreements.
- We share many of the concerns of our partners about the importance of implementation of existing agreements and agree that this must figure prominently in our discussions for the 3rd Ministerial Conference.
- Where implementation is a problem, we are ready to see what can be done on a case-by-case, issue by issue basis. The WTO agreement itself provides for circumstances when obligations need to be adjusted. Extending transitions en masse is not good for any country and threatens to bring down the entire system.
- In addition, we have an obligation to plan ahead and work through the issues that will confront the system in the next century. For example, investment and competition have been raised as issues -- we're still thinking ourselves about the best way to proceed. The work on e-commerce is clearly important in the development context. Do they all need to be negotiations, or do we provide for some on-going work?
- Second, we think that in addition to negotiations, we need to pay closer attention to some of the systemic and institutional questions that should improve participation in and bring greater benefits to all.
- It is in all of our interests to show our citizens that the WTO brings meaningful results and is accessible to all. We believe that making improvements to the Dispute Settlement Understanding, by July of this year is critical in this regard, particularly with respect to compliance and transparency.
 - Building capacity in developing countries to participate fully in the system is important. The proposal for the Advisory Center on WTO Law is an intriguing and positive idea. To be workable the entity must be separate and independent from the WTO. We also appreciate the incentives that have been built in against frivolous cases.

- We must address transparency, which has particular benefits for countries with fewer resources. Improvements that address public concerns about the WTO's role in the global economy are vital-- we have to think creatively about how we deal with the real concerns of NGO's and the perception that the WTO is hostile to the labor, environmental and development communities.
- And, along with these important institutional improvements, we need to do more in directing the WTO to work with other international agencies to provide the right kind of technical assistance to our partners. This must extend beyond training in WTO agreements to institution building at home, including development of appropriate regulatory structures.
- Finally, we need to show that the WTO is a result-oriented "can do" organization that delivers results for our citizens on an on-going basis.
- The financial crisis has underscored the urgent need for all countries to create a more transparent procurement environment, where decisions are made on the basis of an agreed set of procedures which ensure that governments obtain the best value for their taxpayers' money. This has obvious development benefits. All governments share a common interest in inspiring confidence in their decisions and maximizing benefits for their citizens.
- Agreement by Seattle to the accelerated tariff liberalization initiated at APEC will also create a momentum for new trade liberalization as part of the Round. We agree with our APEC partners, many of whom are developing countries that we should move forward now. We need to break away from the old thinking that once a round is launched all liberalization stops.
- Last May we made real progress on e/commerce and we can and should continue that trend -- at a minimum by making permanent our agreement that electronic transmissions should be free of customs duties.
- We applaud the initiative undertaken by Egypt to focus the Committee on Trade and Development on this issue and how e/commerce rapidly facilitates economic development.
- We look forward to hearing your views on this important development dimension and to a productive exchange of views over the course of the next two days.
- Finally, we agree that development strategies extend beyond trade, and I would note that yesterday President Clinton announced a plan that could result in \$70 billion in global debt relief.

AMERICAN TRADE RELATIONS WITH INDIA

Ambassador Susan Esserman
Deputy U.S. Trade Representative

US-India Business Council
Washington, D.C.

June 15, 1999

Good evening. Namaste, and thank you for inviting me to speak with you tonight.

I'd like to focus on the opportunity our two countries will have to prepare for a new Round of negotiations under the World Trade Organization; and for the WTO's Third Ministerial Conference in Seattle this fall. And our cooperation in these coming days is of immense importance to Americans, to Indians and to the world.

In the days and weeks ahead, we have an opportunity to create an agenda that will meet the needs and concerns of both our countries. And we have a responsibility, as economic leaders and as nations committed as Ambassador Chandra says to "the ideals of democracy, multiculturalism and the rule of law," to ensure that the trade agenda of the coming years will contribute to a more prosperous world and a more open, transparent and fair trading system.

The business communities of America and India -- as shown in the remarkable attendance at this meeting of the US-India Business Council -- understand the opportunities our bilateral trade relationship offers. And our strengths as leaders in high technology, together with our shared values, give us areas of mutual interest and aspiration as we look to the next century.

US-INDIA RELATIONSHIP

This is already clear in our bilateral trade relationship. As the Indian business community recognizes, by opening markets India gains efficiency, creates competition which yields innovation and quality, and fosters long-term competitiveness and growth. This has been the basis of the steps toward liberalization Indian governments have taken during the 1990s; and it is the basis of American trade policy. It is also in accord with principles Indians have asserted all the way back to Kautilya, who writes in the Arthashastra that, as trade is essential to prosperity:

"The king shall promote trade and commerce, by setting up trade routes by land, water and in market towns. He shall keep the trade routes free of harassment by courtiers, state officials, thieves, and frontier guards, and protect them from damage by cattle herds."

While much work remains, since liberalization began India's economy has performed remarkably well, especially in the difficult context of the Asian financial crisis and political tensions outside economics and trade. Indian growth rates, at 5% to 7% since reform began, have

been high. India has been building up foreign reserves. Incomes have been growing for farmers and urban areas alike. And of course, India is developing a position as one of the world's leaders in the information technologies and appears to be on the way to meeting its goal of being an IT superpower early in the next century.

And we can see the results in a growing trade relationship. Our bilateral trade has nearly doubled since President Clinton took office, from under \$6 billion in 1992 to nearly \$12 billion in 1998 and perhaps \$13 billion this year. This includes \$3 billion in additional imports from India since the creation of the WTO in 1995.

At the same time, American energy, manufacturing and other firms have invested nearly \$5 billion in India, helping create jobs for Indian families, bring new technologies to the Indian economy and strengthen the overall relationship. And given the complementary nature of our economies, together with the personal and family ties created by our Indian-American community, under a more open world trading system, and with continued reform in India, the potential for our bilateral relationship is immense.

We certainly continue to have our share of bilateral disagreements -- quantitative restrictions based on balance of payments, subsidies, investment rules in the auto industry, access to service markets. But we are addressing these in a mature and responsible way; using the WTO and its dispute process to resolve disputes. And in the larger perspective, these should not and do not prevent us from taking advantage of shared interests and ideals.

LOOKING AHEAD

And that brings me to my principal topic for this evening: our shared interests and potential for cooperation in the new Round and in the broader development of the trading system.

We share economic interests, reflecting especially in high technology. And we share values as democracies and free societies -- which make our work complicated, as citizens in both our countries share concerns and apprehensions about the world economy; but give our achievements stronger foundations of public consensus and support. The trading system reflects these values, with its principles of transparency, mutual benefit, and the rule of law; and its commitment to ensure fairness and market access for all its members.

That, in part, is because its creation reflects the joint effort of the United States and India under President Truman and Prime Minister Nehru. India's role at the foundation of the GATT, and its role in the system's development since, is a testament to the vision of modern India's founders. And as we look ahead, we can begin with India's National Statement at the last WTO Ministerial, which observed that:

“Faith in the multilateral trading system will increase manifold if people perceive that it is sensitive to their needs and concerns.”

This concept is at the foundation of our work in the new Round, when together we take up the work begun under Truman and Nehru to create a trading system that contributes to growth, rising living standards, and peace in the next century.

THE ACHIEVEMENT AND THE WORK AHEAD

We are building on a strong foundation. Since 1995, the WTO has created opportunities for growth, advanced the rule of law, and helped make sure the Asian financial crisis did not lead to a cycle of protection which would have further hurt affected nations and threatened world prosperity. And its balance of market access commitments and phase-ins give both developing and industrial countries confidence the system is generally fair.

The rapid growth in our imports from India since the WTO's creation is evidence of its concrete export opportunities for Indian business. And the value of implementing commitments for growth and technological advance is shown, for example, in the field of intellectual property.

As a free and open society, with a tradition of intellectual debate and inquiry, India has an inherent advantage in knowledge industries. This is reflected in India's status as a leader in computer software, film and literature. To take advantage of this leadership, however, India requires strong copyright laws and effective enforcement. At home, India has a strong law and piracy rates are falling; abroad, we are working well together to ensure protection of software. Likewise, India's recent decision to increase protection for pharmaceuticals, with the goal of meeting all its current WTO requirements as well as the steps being taken now to implement other obligations by the end of the year, reflects a justified confidence in India's competitiveness in related high-tech fields like medicine.

But as much as the WTO has accomplished, it is by no means perfect. Trade barriers remain high in many areas; the system can be more effective in promoting technological advance and long-term growth; and the WTO as an institution can be improved to become more open, more transparent, and more responsive to the concerns of citizens.

These are the challenges we can take up in the new Round. We are now consulting with India and other trading partners, business communities at home and abroad, and civil society groups on a detailed agenda. We know that India has some reservations about a Round, but negotiations are set to begin in any case under the WTO's "built-in agenda," and our views on the policy issues these talks should address are very close. We feel the agenda should be manageable and limited enough to be completed within three years; but also should offer meaningful new opportunities to all WTO members. Thus at Seattle we hope to decide on a program which operates in three separate dimensions.

I. ACCELERATED NEGOTIATING AGENDA

First, we should have an accelerated negotiating agenda -- including at a minimum:

- Strengthening food security and rural prosperity by reducing barriers to agricultural trade, including, as India has suggested, eliminating agricultural export subsidies as well as reducing tariffs and ensuring that farmers can use scientifically proven biotechnology techniques without fear of trade discrimination.
- Going beyond the existing commitments in services to reduce barriers to the professions, environmental protection, telecommunications, distribution and other areas.
- Speeding technological progress and offering new opportunities to manufacturing industry, through reductions in tariff and non-tariff barriers to industrial goods. This should include areas in which developing countries have a comparative advantage.
- A forward work-program to address newer issues such as investment, the links between trade, environment and labor, and other topics.

II. INSTITUTIONAL REFORM

Second, we should aim for institutional reform of the WTO.

- We can improve transparency and ensure greater access for civil society to the WTO's delegations and staff. Dispute settlement in particular is an area in which we both have experience, and can work together to promote compliance and win greater transparency. We are to complete our work in this area of the WTO by July, and India can play a pivotal role in developing the consensus that ensures the system will stay strong.
- We can act upon the suggestion of India and other developing nations to strengthen the WTO's capacity-building functions, making sure members can comply with commitments and take advantages of export opportunities in agriculture and elsewhere.
- We can help the WTO work with international institutions in other fields from the IMF and World Bank to the ILO.
- And we can help the WTO improve trade facilitation, perhaps beginning with customs reform -- along the lines of Kautilya's advice -- to ensure that goods are not held up by arbitrary practices at the borders.

III. ONGOING RESULTS

And third, we should aim for ongoing results -- using the stronger institutional structure of the WTO to help us reach results throughout the process. This would begin in the months leading up to the Ministerial and at the event itself in several areas of great immediate potential for Indian

business, and of still more important long-term significance for India's emergence as one of the world's industrial and technological leaders in the decades to come.

1. Electronic Commerce

One example is the development of electronic commerce.

This field – business conducted over the Internet – is ideal for India as a technological leader, as a developing country and a trading nation. Internet access requires little capital, helps entrepreneurs find customers and suppliers quickly, and eases technical and paperwork burdens that can slow participation in trade. So it is ideally suited for developing countries, and people with a good idea but little capital -- Indian entrepreneurs, rural collectives and so on, and high-tech businesses hoping to form alliances with overseas partners. All three of these factors are at work, for example, in the remarkable degree of cooperation underway between American high-tech industry and Indian software in Karnataka and elsewhere.

The development of electronic commerce, however, depends on our ability to preserve the Internet as a naturally borderless, open and free environment. Today, no WTO member considers electronic transmissions imports. There are no customs duties on cross-border telephone calls, fax messages or computer data links, and this duty-free treatment should include electronic transmissions on the Internet. India has as much interest as any country in the world in a consensus on extension of last year's agreement to avoid such tariffs.

2. ITA II

At the same time, India's success in software and film show that India is quite capable of world leadership in other sophisticated areas of the IT industry -- computers, semiconductors, telecommunications equipment and so on. As Ambassador Celeste says, our scientific cooperation goes well beyond software to include agriculture, high-tech manufacturing, education and much more. India's decision to join the WTO's Information Technology Agreement (ITA) last year is clear evidence of India's intention to become a world leader in these fields, and of recognition that participation is essential to continued leadership.

We welcome and applaud that ambition. And we thus hope India will help us bring the second generation -- the ITA II -- to completion this year. This includes a limited but important set of products: printed circuit board manufacturing equipment, some consumer electronics, componentry and radar and navigation equipment. All these offer India opportunities as a center for investment in high-tech industry, and equally important indirect opportunities for India as a premier producer of the software that drives many of these new products. And active participation in the ITA and its Committee allows India to help set the agenda for future trade policy in the knowledge fields. Given the importance of the knowledge industries to both our countries, we cannot afford to lose this opportunity.

3. Accelerated Tariff Liberalization

Likewise, the opportunity presented by the Accelerated Tariff Liberalization initiative begun in APEC last year -- eliminating tariffs on chemicals, toys, environmental technology products, gems and jewelry and others -- offers opportunities both for Indians to export and to take advantage of technology transfer in environmental and energy fields. We know that India has watched APEC closely and is building stronger trade relations with Southeast Asia. We welcome this and feel that the success of the Accelerated Tariff Liberalization initiative is critical to the APEC agenda.

4. Government Procurement

Finally, as the world's two largest democracies, we share both an economic and a moral interest in conclusion of the WTO's agreement on transparency in government procurement.

Recent experiences with improved procurement practices show that significant benefits for governments, citizens, and business. For example, the Guatemalan Ministry of Health reported that, after implementing more open and transparent procurement practices, it succeeded in reducing its procurement costs by 43% and lowering by 20% the price of the medicine for Guatemalan citizens. Asian Development Bank studies reveal equally strong results in Asia. Thus, governments get the best possible value for their spending, firms have faith that their bids will be treated fairly, and citizen confidence in government rises

The Working Group in Geneva is poised to complete an important agreement to support these practices worldwide. As two of the world's greatest democracies -- whose citizens expect transparency, predictability, and financial efficiency in government -- the United States and India are natural allies in the work to conclude the talks this year.

CONCLUSION

And this brings me to my final point.

The trade work ahead -- in our bilateral relationship as well as at the WTO -- has its foundation in concrete, shared economic interests. Success will help Indian businesses find new export markets, strengthen India's comparative advantage in high technology and promote technical advances and income growth for Indian farmers, just as it does for Americans.

But the trade agenda we are developing together also has a base in broader aspirations:

In the responsibilities our countries, as world leaders, share to create a more equitable, prosperous and sustainable world economy in the decades ahead.

In the ideals we, as the world's most populous democracies, share in a more open,

transparent, responsive trading system.

And in widening prosperity and expanding WTO membership, so that all nations have a stake in the world's stability and peace in the years ahead.

Thank you very much.

THE APPLIANCE INDUSTRY AND AMERICAN TRADE POLICY

Ambassador Susan Esserman
Deputy U.S. Trade Representative

American Home Appliance Manufacturers Association
Washington, DC

June 24, 1999

Thank you very much.

I am very pleased to be here tonight because you are a core part of America's manufacturing base and have a great stake in our trade policy. We are at an important juncture in U.S. trade policy: during the next six months, we will be laying the foundation for the world's trade agenda for the next decade.

The WTO's Third Ministerial Conference in Seattle this November will launch a new Round of international trade negotiations, with great promise to create a more open and fair world economy. As host and Chair of this Ministerial, we are in an ideal position to shape the agenda and ensure that it fully meets our country's trade priorities. Your input has and will continue to be important to us as we develop the American priorities in the WTO.

The Ministerial will be the largest trade event ever held in the United States, bringing government leaders, business executives, academics and citizen groups from all over the world to Seattle. It will focus public attention as never before on the role of trade in our current prosperity and future prospects, and has the potential to create a strong foundation of public support for the trade policy of the next decade. It will also give us a great opportunity to showcase our highly competitive American companies and workers.

MANUFACTURING IN THE TRADING SYSTEM

The opportunity presented by the Seattle Ministerial and the launch of trade negotiations is especially important to America's manufacturing industries.

Today, much of the strength of the American economy is derived from our vital manufacturing sector. Last year's U.S. manufacturing production totalled \$1.4 trillion. Our 230,000 manufacturing companies directly support nearly twenty million jobs, and indirectly many more in high-wage service fields. Our manufacturing workers are the world's most productive, and our plants the most technologically advanced.

Trade and our trade policy -- which is designed to eliminate foreign trade barriers -- have been

important contributors to the success of our manufacturing sector. America's bipartisan postwar trade policy, dedicated to opening markets and ensuring fair treatment for our industries, has reduced world tariffs by an average of 90% since 1960 and created a strong set of rules which keep markets open. Thus it gives manufacturing companies the opportunity to sell to foreign markets; helps to ensure timely delivery of parts and inventory to overseas and US-based factories; and creates the competition which promotes innovation and quality at home.

This is as true for the home appliance industry as it is for any other manufacturing sector. The industry is already highly successful in trade, exporting over \$3 billion worth of goods each year since the creation of the WTO. Lower trade barriers present special opportunities for your companies as consumer goods producers, as they will help to stimulate world-wide consumer demand.

The new Round offers us a chance to achieve new opportunities for our manufacturers and to strengthen the system to our benefit. We are now consulting broadly with the private sector, our trading partners and Congress to develop a negotiating agenda that will mean the most to our producers. In parallel with this, as new economies join the WTO and as our regional initiatives in the Western Hemisphere, Europe, Asia, Africa and the Middle East progress, we are setting precedents and developing consensus among our trading partners that we can potentially apply worldwide during the Round.

And if we succeed, the home appliances industry will see its ability to operate in world markets improved in four basic ways: a more open world market for manufactured products; greater opportunities to market, finance and service appliances overseas; reduced opportunities for dishonesty or holdups in customs procedures; and a stronger, more reliable guarantee of respect of international trade rules. And let me address each of these points in turn.

MARKET ACCESS

First, we will reduce further barriers to trade, enhancing market access for finished exports and the industrial products -- from computer chips to parts, primary metals, plastics and high-tech materials -- necessary for modern manufacturing of appliances.

This will begin with tariff cuts. The home appliance industry's remarkable exporting success in Mexico and Canada, where virtually all our trade is now duty-free, shows how much this can achieve worldwide.

At the same time, we will continue our progress in addressing non-tariff barriers to trade, notably through improvement and harmonization of technical regulations and conformity assessment

procedures. We are, of course, committed to retaining the highest standards of protection for American consumers. In some areas, however, duplicative or unnecessarily conflicting regulations and redundant testing and certification requirements reduce trade and hurt companies and consumers alike, placing an especially heavy burden on smaller companies. The Transatlantic Business Dialogue, for example, has identified a set of standards barriers which if addressed, would reduce US-European trade by up to \$3 billion.

We began this work with the WTO "Agreement on Technical Barriers to Trade," in 1995. The TBT Agreement established fundamental requirements regarding standards-related measures. It prohibits discrimination against American companies and prevents governments from using technical requirements as a guise for protection of their domestic industries. And it requires that standards be published and be open to public comment. We are now trying to extend this achievement by requiring economies which hope to enter the WTO -- such as China, Taiwan and Saudi Arabia -- to accept these WTO obligations. And we are building upon this work as we look to the next Round to ensure that the standards development process is open and transparent.

We are also working regionally on this issue. For example, we completed a Mutual Recognition Agreement with Europe last year, by which we agreed to accept one another's conformity assessment results or testing in areas such as medical devices, pharmaceuticals and telecommunications, worth \$60 billion in trade; and at the US-EU Summit this Tuesday, we agreed to initiate MRA negotiations on several additional sectors.

SERVICES

Second, we will open world services markets, including the distribution, express delivery, repair and other services fields essential to appliance and other manufacturing companies for high-quality customer service and timely delivery.

Once you make an air conditioner, for example, you must advertise the product, distribute it to retailers, deliver it to buyers, and provide repairs and advice on operations and maintenance in order to sell it. In comparison to the relatively more open world trade in goods, however, service sectors, like distribution, remain very restricted. As we approach the Round, therefore, we are developing a very ambitious agenda for opening services trade. Here again, we are setting precedents through WTO accessions -- in which we are requiring commitments to open services markets going well beyond those of many present WTO members.

TRADE FACILITATION

Third, we will seek reform of the WTO. One aspect of this is making it a more transparent and accessible organization. Here we aim to open dispute panels to public observers and seek more rapid release of documents, complementing our efforts in Europe, Latin America and elsewhere to give the public more access and more ability to contribute to trade policy.

We also seek to improve the WTO's ability to ease and simplify trade, beginning with adoption worldwide of transparent and efficient customs procedures which reduce opportunities for bribery and corruption, and allow companies to operate just-in-time manufacturing worldwide.

Reduction of formal and legal barriers to trade, to have its maximum effect, must be accompanied by elimination of abuses or unnecessary informal difficulties at the border. For example, we recently heard about one company's attempt to ship a spare part to an auto plant in Brazil. For a week the spare part sat on the dock, while Brazilian customs officials and the U.S. exporter debated whether the part had been imported under a warranty, or as a new product. All week, the entire auto assembly plant was forced to operate on manual production.

Obviously we will never entirely eliminate this type of problem. But we can create a worldwide consensus that all customs regulations and rules should be public; based on clear, comprehensible grounds; and enforced uniformly at each port. This will allow appliances to be cleared from customs on a timely basis and reduce opportunities for bribery and corruption. Thus it will allow companies to make deliveries to consumers and department stores more rapidly, and ensure that international manufacturing proceeds smoothly and efficiently.

THE RULE OF LAW

Fourth and finally, enforcement of the agreements we reach is just as important as their negotiation.

American trade policy, for the past fifty years and in the new Round, has essentially aimed to develop a set of rules that open markets and guarantee fair, predictable trade. Thus we can promote growth and rising living standards in good times, and deter cycles of protection and retaliation during economic crisis. But we achieve these goals only when our trade partners live up to their commitments, and we ensure that we bring home the benefits of the agreements we have negotiated.

A high priority for us is monitoring and enforcing our agreements. Most of the time this is not controversial. In general, our trading partners meet most of their commitments, and some of the compliance problems we find are rooted in genuine difficulties that we can address through technical assistance. However, on some occasions, countries simply refuse to do what they have promised. In these cases, we must have the will and authority to enforce our agreements; and this has become all the more important as the trading system has matured.

Thus, when we created the WTO, we built into it a dispute settlement system, in which impartial panels review complaints about countries' compliance with WTO trade agreements. We have used it very effectively, filing more complaints -- 49 to date -- than any other WTO member. In 22 of the 24 American complaints acted upon so far, we have won either successful settlements or panel victories. And in almost all cases, the losing parties have acted to address the problems. We have likewise complied in the relatively few cases we have lost.

In only two cases -- our complaints against the European Union on bananas and beef hormones -- has a losing party refused to comply. These cases raise important questions of precedent and principle. If a major trading economy like the EU will not accept dispute panel results when it is politically difficult to do so, Europe's trading partners may well conclude they can do the same. This would undermine the WTO's credibility in dispute resolution; and thus also fundamentally undermine the WTO's credibility as a guarantor of the open, fair, rules-based trading system that benefits the whole world.

Therefore we have been determined, both to ensure fairness for American producers of the affected goods but also as a matter of principle, to assert our rights. And as a last resort, after many attempts to negotiate a settlement of these cases, we have imposed retaliatory tariffs.

When we do so, we develop a list of affected products, with the goal of creating maximum incentives for the country to come into compliance, and the minimum adverse impact on the United States economy, including manufacturers, importers and retailers. In the banana and beef cases, several appliance products are on the list. These, we realize, create some difficulties. However, in order to ensure that our trade agreements and the world trading system are meaningful and effective, we cannot ignore flagrant failure to comply. Every industry -- including yours -- benefits from the deterrent effect created by an understanding that if all else fails, we will act.

However, let me repeat that retaliation is a last resort, and need not be prolonged. We do not like to retaliate and we do it very rarely. In fact, we have imposed retaliatory measures only five times during the 1990s, and only thirteen times since 1974. And although we will retaliate when we must to protect American rights, our goal is that retaliation will give Europe some reason to come into compliance with its obligations. We are open to negotiations and are willing to work with Europe toward a mutually satisfactory solution, as long as it is within the framework of Europe's WTO obligations.

CONCLUSION

In conclusion, through the Ministerial, the new Round and the initiatives we have underway around the world, we can create a far more open world market. We can create trade and job opportunities and stimulate greater demand for our products around the world. And ultimately, we can promote rising living standards at home and worldwide.

With your help and advice, –

- We will tear down trade barriers, prevent technical standards from discriminating against our companies;
- Open services markets, to promote more rapid delivery and better servicing, and more attractive financing;
- And achieve and enforce fair and transparent rules.

This is the opportunity before us. It is one we should not miss.

STATEMENT AT TRADE POLICY REVIEW

Ambassador Susan G. Esserman
Deputy U.S. Trade Representative

At the World Trade Organization
Geneva, Switzerland

July 12 and 14, 1999

Mr. Chairman, on behalf of the U.S. delegation, thank you for this opportunity to review American trade policy and its contribution to the multilateral system. I want to express my appreciation to the Secretariat for its in-depth and valuable Report; and to our Discussants, Ambassador Carmen Luz Guarda from Chile and Ambassador Kare Bryn from Norway, for their participation in this review. The Trade Policy Review is a chance for us to help other members understand our system and policies, and contributes to transparency in our system and at the WTO.

I will begin with a brief review of the philosophical foundation of U.S. trade policy. I will then move on to a three-part presentation, including developments in the U.S. economy and trade performance; the actions we have taken on our WTO commitments; and American public views of trade and its role in our economy.

U.S. TRADE POLICY

Experience tells us that open markets, under the rule of law, are the best spurs to growth and technical innovation. President Clinton's economic policy reflects this, making open domestic markets and participation in the trading system, together with fiscal discipline and support for education and training, fundamental pillars of U.S. economic policy. As the Secretariat's Report recognizes:

"The United States maintains liberal trading and investment regimes. Furthermore, policies, practices and measures relating to trade and investment are, by and large, transparent."

This reflects a long-standing American view of the importance of the WTO. Since the establishment of the GATT in 1947, the multilateral trading system has been the foundation of U.S. trade policy, helping realize the aspirations we share with our trading partners.

We view the WTO as a guarantor of open markets and trade for Americans and central to reducing trade barriers and creating a more open, prosperous, technologically sophisticated world economy in the decades ahead. It has also proved in the last two years to be an essential shield for all countries against cycles of protectionism and retaliation and hence is a critical stabilizing factor during the financial crisis. Further, the WTO promotes universal values of openness,

transparency, fairness, mutual benefit and the rule of law in the world economy. Thus we both participate in negotiations and faithfully implement our commitments, including the results of dispute settlement panels faithfully. Faithful implementation by WTO Members is critical to the effectiveness of the WTO agreements deliver actual results for their people. So we welcome the opportunity to review U.S. implementation in this important TPR process.

I. TRADE AND ECONOMIC DEVELOPMENTS 1996-1998

A review of the U.S. economic record, we believe, demonstrates the value to Americans and our trading partners of open markets under the rule of law and tenets of fairness as advanced by our commitments to the WTO.

1. Domestic Economy

Since our last Trade Policy Review, the U.S. has experienced two remarkable years of high growth, low inflation and job creation. Trade continues to be an important factor contributing to the growth of the U.S. economy.

Growth: Early in 1999, the U.S. economic recovery entered its 9th year, and is now the longest peacetime expansion in American history. Real GDP growth rose from an annual average of 2.9% in 1994-1996, to 3.9% in 1996-1998. The U.S. economy has increased by \$850 billion, reaching a GDP level of \$8.5 trillion in 1998. During the same time, inflation declined from 2.1% in the period of the earlier review to 1.4% during the present period, the lowest level since the 1960's.

Business Investment: The growth of business investment has played an important role in the economic expansion, much of it fueled by business demand for computers, telecommunication equipment and other productivity enhancing technologies. Since the previous review period, the rate of growth of investment rose from 9.4% to 11.2% per year. As a share GDP, investment reached 12.7% in 1998, its highest share since the inception of this data series in 1982.

Productivity: The coincidence of high growth and low inflation reflects continued improvement in labor productivity. In 1994-1996, real output per hour worked rose at a 1.7% annual rate; in 1996-1998, the rate of increase rose to 2.0%. This was especially strong in manufacturing, where productivity rose at an annual rate of 4.8%.

Labor Markets: Both employment and wages grew significantly during this period. Employment grew by 6.5 million jobs from December 1996 to December 1998, compared to a 4.7 million job increase in the previous review period. Unemployment, which had averaged 5.5% in 1995-1996, dropped to an average 4.7% in 1997-1998. By June 1999, the rate of unemployment had fallen to 4.3%, the lowest peacetime rate since the 1950s. At the same time, annual worker compensation rose 2% per year, compared to increases that were only slightly positive in the previous period.

Continuing Concerns: Not all segments of our population have enjoyed the benefits from this extremely strong overall U.S. economic performance. Some rural communities, farms, Indian reservations and inner cities continue to suffer from high unemployment and lack of investment. The President's recent visits to rural Kentucky, the Mississippi Delta, the Pine Ridge Reservation and several border regions highlights our efforts to address these concerns. Likewise, rapid technological change, while offering remarkable economic opportunity, also threatens to sharpen gaps in living standards between some skilled and unskilled workers nationwide. The Administration believes the best response is to ensure continuous improvement of education standards.

2. U.S. Trading Partners

As our open trade policies and adherence to WTO disciplines have contributed to U.S. growth and living standards, they have likewise offered opportunities to our trading partners.

Overall, in 1998, the United States imported over \$1.1 trillion worth of goods and services – showing approximately \$300 billion in import growth since the creation of the WTO in January of 1995. The healthy U.S. economy and continued open U.S. market have, we believe, been an especially valuable source of support to nations suffering from the financial crisis: America's share of Asian exports, for example, is at levels not reached since the late 1980s.

Likewise, the open U.S. market has served as a valuable aid to development worldwide. During the 1990s the United States has taken nearly half of the growth in developing country exports to the industrial world: \$210 billion in new exports between 1991 and 1997, compared to \$135 billion for the EU and \$64 billion for Japan.

This continued during 1998, when as the most recent figures show, developing country exports to the United States rose by 7% – more rapidly than to any other major market – in the first two quarters. We expect this to continue, as we are now consulting with the U.S. Congress on measures to further ensure open markets for developing country exports, including renewal of the Generalized System of Preferences, passage of the African Growth and Opportunity Act, and expansion of the Caribbean Basin Initiative. Internationally, the Accelerated Tariff Liberalization initiative begun in APEC, the ITA II, and extension of the WTO standstill on application of tariffs to electronic transmissions, together with U.S. and other efforts to build Internet and telecommunications capacity in developing countries, offer similar opportunities. The U.S. has also been providing technical assistance to developing countries on WTO rules and implementation.

3. U.S. Trade Performance

With respect to our overall trade performance, U.S. import and export developments

reflect roughly the trends one would expect based upon the macroeconomic factors inherent in a rapidly growing domestic economy during a worldwide economic slowdown.

Export Growth: Since 1996, total goods and services exports have risen from \$848 billion to \$931 billion. The Administration estimates that about 14 million American jobs are supported by exports. These jobs tend to demand higher skills and command higher salaries than other jobs.

This, however, represents slower growth in exports than in the previous review period. In fact, total exports declined by about \$6 billion from 1997 to 1998, reflecting the effects of the financial crisis on American farm and manufacturing exports. The sector most significantly affected was agriculture, with farm exports actually falling from \$60 billion in 1996 to \$52 billion in 1998.

Import Growth: Strong growth in GDP, and even stronger growth in domestic demand contributed, together with the Asian financial crisis, to increasing imports. Real imports of goods and services rose from \$960 billion in 1996 to \$1.1 trillion in 1998, representing average annual import growth of 12.2% in 1997-1998, compared to 9.0% in 1995-1996.

The financial crisis has had an especially severe effect on the U.S. steel industry and its workers. As a result of the collapse of demand in the Asian economies, steel imports sold at extraordinary low prices into the United States, increased by a unprecedented 50%, from an average of 2.3 to 3.6 million metric tons per month. This led to severe hardship in the industry. In response the Administration took strong, WTO-consistent actions to address dumping. At the same time, the Administration vigorously opposed WTO-inconsistent steel quota legislation, contributing to the defeat of this initiative in the Senate.

Trade Balance: Largely as a result of the export slowdown and strong U.S. growth, the U.S. deficit in goods and services trade rose substantially in 1998 to \$151.2 billion, or 1.8% of GDP. In the four years preceding 1998, the goods and services trade deficit had ranged between \$84 billion and \$93 billion. The sharp increase in the trade deficit in 1998 has continued: the U.S. deficit in goods alone ballooned to an annualized \$319 billion within the first four months of 1999.

II. TRADE POLICY DEVELOPMENTS

Thus, while several issues raise cause for concern, during this review period the United States has enjoyed a remarkable and perhaps unprecedented period of growth, technological advance and rising standards of living. Trade policy has been critical to this, including the overall openness of our market, implementation of WTO commitments, use of dispute settlement, and environmental and labor policies consistent with our WTO obligations and concern for social goals at home and abroad.

1. WTO Commitments

With respect to implementation of commitments, our actions include:

- General Agreement on Tariffs and Trade – Phase-ins of U.S. tariff cuts, and reduction of non-tariff measures, are based upon the 1994 Uruguay Round Agreements Act. We have implemented these cuts on schedule, and will complete them by 2005. Nearly 60% of U.S. imports are now duty-free, and by World Bank measurements, trade-weighted average tariffs – nearly all bound – are 2.8%.
- Agreements on Agriculture and Sanitary/Phytosanitary Standards – U.S. agriculture tariff and subsidy reductions are also on schedule. Since the last review period, the U.S. has implemented a thorough revamping and modernization of farm programs through the 1996 Farm Bill. These reduce subsidies and controls over farm production, de-links most supports from production, and comply with WTO commitments. Likewise, US sanitary and phytosanitary standards and inspection procedures are, in accordance with the SPS Agreement, based on science and rigorous in protecting public health.
- General Agreement on Trade in Services – The U.S. is also in full compliance with its commitments under the General Agreement on Trade in Services. Indeed, U.S. service sectors regulations are generally open to domestic and foreign competition, with some exceptions as noted in the Secretariat's report. The U.S. has made commitments in most service sectors, and participates in the Basic Telecommunications and Financial Services Agreements. Our domestic telecommunications reform legislation promotes innovation and competition, and reflects the principles in the GATS and Basic Telecommunications Agreement.
- Intellectual Property Rights – U.S. intellectual property statutes, including patent, trademark and copyright laws, and enforcement fully reflect WTO standards. Since the last review period, the Administration has signed and U.S. Senate has ratified two recent World Intellectual Property Organization Treaties addressing enhanced copyright and other issues on the Internet.
- Agreement on Clothing and Textiles – As mandated by the Uruguay Round Agreements Act, implementation of U.S. commitments on clothing and textiles is on schedule. As a result of this and other factors, textile and apparel imports have grown by 34% since 1995 from \$48.3 billion to \$64.7 billion in 1998, well above the overall growth rate for imports of 23%.

2. Dispute Settlement

We view the Dispute Settlement Understanding as a fundamentally important part of the WTO. Effective, timely dispute resolution not only helps members resolve specific disputes but gives our public greater confidence in the trading system.

Ensuring respect for the rulings of dispute panels and the Appellate Body is an important priority for us. We have, therefore, implemented, or are in the process of implementing, adverse panel rulings. To maintain public support for the DSU, it is imperative that other countries also respect and promptly comply with WTO panel and Appellate Body rulings.

Finally, we are working with others to improve the system, and the WTO itself, in two significant respects to enhance confidence in the WTO and the DSU. We must ensure that there are clear procedures for facilitating prompt compliance with panel and Appellate Body decisions so that countries can secure results in a commercially meaningful time frame. This is critical for all countries participating in the system. The Dispute Settlement system must be more open and transparent. Panel reports shall be released promptly, and hearings should be open to public observance.

3. Sustainable Development and Labor Policy

Of course, trade is not something we pursue for its own sake. Rather, trade is an essential contributor to raising living standards and promoting sustainable development as envisaged by the WTO's preamble. There are strong synergies between trade and sustainable development. Therefore, while pursuing trade liberalization we have also pursued high levels of protection of the environment and health, and will continue to do so. Consistent with our WTO rights and obligations, our approach to these issues is firmly based on rigorous science and concern for public health and safety, which is critical to public confidence in regulatory systems and public support for free and open trade.

Likewise, at the 1996 WTO Ministerial in Singapore, WTO Ministers renewed their commitment to observance of internationally recognized core labor standards. For the United States, this commitment is integral to our work in the WTO. We observe internationally recognized core labor standards and actively support full implementation of the June 1998 ILO Declaration on Fundamental Principles and Rights at Work and its follow-up.

President Clinton has also pledged to seek ratification of the recent ILO Convention on the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor. Likewise, our domestic labor laws and policies reflect respect for internationally recognized core labor standards, concern for worker health and safety, and commitment to education and job training programs which upgrade skills and help working people take advantage of the opportunities created by trade policy. We have also in several cases developed voluntary initiatives in which U.S. companies commit to ensure high labor standards in their international operations.

III. PUBLIC VIEWS OF TRADE

Thus, since the last Trade Policy Review, our participation in the WTO has contributed to a more competitive, faster-growing economy which creates opportunity for Americans and our trading partners. Let me close with some comments on the public view of trade.

The rapid pace of technological change and growth of trade bring enormous benefits, but also arouses some public fears. These concern the ability of less-educated and less-skilled workers to adapt to a more competitive world. Together with the rising trade imbalance, and events like the surge of steel imports in 1998, they create broader public concerns about the role of trade in the U.S. economy.

Our Administration has addressed these concerns in several ways. These include longer-term programs ensuring fiscal discipline, promoting modern communications and Internet access for all areas of the country; and investing in education and reform of job training programs. Effective trade actions to address unfair trade practices and import surges consistent with and according to WTO rules is another important element.

One especially important aspect of this work is consultation with Congress to renew and improve the Trade Adjustment Assistance program, which offers special assistance to workers who have become or are threatened to become totally or partially separated as a result of trade competition. This requires eligible workers to have completed or be enrolled in training in order to receive trade readjustment allowances.

At the same time, through participation in the WTO and implementation of our commitments and in public discourse, the President, Ambassador Barshefsky and other members of the Cabinet constantly reflect and reinforce the importance of open markets and a strong trading system to U.S. prosperity and growth, and the importance of ensuring that social goals advance along with trade and growth. As President Clinton said in his State of the Union Address:

“We ought to tear down barriers, open markets and expand trade, but at the same time we must ensure that ordinary citizens in all countries actually benefit from trade, a trade that promotes the dignity of work and the rights of workers and protects the environment.”

In this respect, our role as host of the WTO's Third Ministerial Conference this year gives us a remarkable opportunity to demonstrate to the American public the importance of open trade and the WTO to our nation's prosperity and peace:

Finally, public and Congressional support for an open trade policy rests not only on U.S. actions, but on the ability of our public to see our trading partners equally committed to respecting dispute settlement and implementing commitments. Were a pattern to develop in which others did not implement adverse dispute settlement rulings, or requested broad delays in implementing their commitments, U.S. public support for the system could not be maintained.

CONCLUSION

In the past years, the United States has enjoyed great prosperity and growth. We view as integral to the explanation for our economic success, our commitment to open markets and the WTO system. Abiding by our WTO commitments is a matter of national self-interest and should be for all members seeking to instill conditions for sustained growth and prosperity.

We are proud of our role in the WTO's creation and development, and we give great credit as well to our trading partners, the Secretariat, and former Director-General Ruggiero for their dedication to the system and its ideals of open markets, transparency and the rule of law. We hope to build upon this record in our role as host and Chair of the next Ministerial Conference, in the new Round we hope to launch at Seattle, and into the next century.

Thank you.

STATEMENT CIRCULATED BY THE U.S. DELEGATION

Ambassador Susan Esserman
Deputy U.S. Trade Representative

WTO General Council Session
Geneva, Switzerland

July 29, 1999

Mr. Chairman:

This November, the United States will host and Chair the Third Ministerial Conference of the World Trade Organization. The role is a high honor, and we share with other delegations the responsibility to ensure that the Ministerial highlights the role of trade in world development and prosperity, and results in an agenda that opens an era of accomplishment for the trading system.

THE OPPORTUNITY

In his address to the 50th Anniversary Celebration last year, President Clinton noted the fundamentally important contribution of the GATT system and WTO to global growth, creation of new opportunities and higher living standards, and world peace over the past fifty years. He then called upon the WTO and its Members to:

“create a world trading system attuned both to the pace and scope of a new global economy, and to the enduring values which give direction and meaning to our lives.”

As we approach a new century and a new negotiating Round, we have been working with our trading partners toward an agenda which reflects a broad consensus among Members and will help all of us realize this aspiration. This agenda should be manageable enough to complete in a timely fashion, but also ambitious enough to meet the major priorities of all Members and achieve the goals our people and governments share:

- Prosperity and growth for the world economy;
- Development in less prosperous regions of the world;
- Benefits broadly shared among families and working people;
- Promotion of technological advance, and worldwide access to the benefits of such new developments as electronic commerce;
- Support for work to fight hunger, ensure financial stability, improve health, protect the environment, and advance social justice; and
- Assurance that the WTO is transparent, accessible, and responsive to the concerns of citizens.

Over the past months we have held a series of intense consultations domestically and with

our trading partners to help develop consensus on such an agenda. Within the United States, we have held discussions and solicited comments from the U.S. Congress; state and local governments; and U.S. businesses, agricultural producer groups, and non-governmental organizations. Internationally, Ambassador Barshefsky and many other U.S. officials have participated in discussions on creating a consensus agenda at the US-Africa Ministerial, the Quad meeting in Tokyo, the OECD, the Friends of the Round meeting in Budapest, the APEC and NAFTA Ministerials, and the recent US-EU Summit, as well as in many bilateral meetings.

This session of the General Council is an important step in our work to create the necessary consensus. Members have tabled over 70 papers offering ideas for the negotiating agenda. We look forward to reviewing all of these; to the responses Members will have to the U.S. submissions from Phase I and Phase II; and to the creation of a consensus agenda based on this process.

The proposals we have tabled reflect many of the ideas developed through these sessions. Our consultations thus far have indicated that in the work ahead, we must give special focus to the built-in agenda, broadening market access, implementation of existing commitments and ensuring that our actions reinforce the shared commitment to further integrate countries into the system.

IMPLEMENTATION OF EXISTING COMMITMENTS

We agree with others on the need to give priority in the leadup and at Seattle to the issue of implementation.

By the end of this year, Members must meet Uruguay Round commitments under the Agreements on Intellectual Property, TRIMs, Subsidies, and Customs Valuation. In succeeding years, final liberalization commitments under the Agreement on Clothing and Textiles as well as certain aspects of the TRIPS and Subsidies Agreement will phase in. Likewise, Uruguay Round tariff commitments will soon be realized in full. These commitments represent the balance of concessions which allowed completion of the Uruguay Round and have helped realize its benefits since then. Their implementation is critical to confidence in the system, and to the credibility of any new negotiations.

Blanket extensions and exceptions to key disciplines would unravel the balance we secured in the Uruguay Round. We are prepared to look at issues and problems on a case-by-case basis, and where there are legitimate problems, find ways to address them.

Many developing countries have asked that the WTO be active in assisting with implementation. The proposals we have tabled in Phase I and Phase II of the preparatory process seek to address many of their concerns. We have focused on specific problems that have been identified in implementation, methods to address them now and in the context of new negotiations, and ways to make technical assistance programs more effective in promoting full

integration into the world economy. Two examples include an action agenda that would adapt, improve and expand the existing Integrated Framework concept and make it more effective, and new work on trade facilitation linked directly to technical assistance.

We also call upon those WTO Members which have not ratified the Basic Telecommunications and Financial Services Agreements to do so, in order to ensure that all Members can benefit from their commitments and that they can win the benefits of competition, transparency and technological progress these Agreements offer.

THE NEW ROUND

Second, we must develop a negotiating agenda that meets the major priorities WTO Members have laid out. While much consultation remains ahead as to specific objectives, we believe the core of the agenda should be market access concerns including agriculture, services and non-agricultural goods, with benchmarks to ensure that the negotiations remain on schedule. Once consensus on the agenda is achieved, we can then adopt the appropriate structure for negotiations. It is clear, of course, that any final package must be broad enough to create a political consensus by addressing the market access priorities of all Members. This should be complemented and balanced by a work-program to address areas in which consensus does not yet exist for negotiations; and by a series of measures to improve the WTO's own functioning.

Specifically, our ideas would include the following.

1. Market Access

Market access negotiations should cover the built-in agenda of agriculture and services, and also address non-agricultural goods.

In agriculture, in liberalizing trade we have the potential to create broader opportunities for farmers, promote nutrition and food security through ensuring the broadest possible supplies of food, help improve productivity, enhance development, and address trade-distorting measures which increase pressure on land, water and habitat. To secure this opportunity, we would hope to set objectives including:

- Completely eliminating, and prohibiting for the future, all remaining export subsidies as defined in the Agreement on Agriculture.
- Substantially reducing trade-distorting supports and strengthening rules that ensure all production-related support is subject to discipline, while preserving criteria-based "green box" policies that support agriculture while minimizing distortion to trade;
- Lower tariff rates and bind them, including but not limited to zero/zero initiatives;
- Improving administration of tariff-rate-quotas;
- Strengthening disciplines on the operation of state trading enterprises;

- Improved market access through a variety of means to the benefit of least-developed Members by all other WTO Members; and
- Addressing disciplines to ensure trade in agricultural biotechnology products is based on transparent, predictable and timely processes.

In services, the major accomplishment in the Uruguay Round was the General Agreement on Trade in Services itself. In many cases, however, actual sector-by-sector market-opening commitments simply preserved the status quo. Effective market access, and removal of restrictions, will both stimulate trade and help address many broader economic and social issues. Examples include improving the efficiency of infrastructure sectors including communications, power, transport and distribution; easing commerce in goods, thus helping to create new opportunities for manufacturers and agricultural producers; and helping to foster competition and transparency in financial sectors. To realize these opportunities, we would hope to set objectives including the following:

- Liberalize restrictions in a broad range of services sectors;
- Ensure that GATS rules anticipate the development of new technologies;
- Prevent discrimination against particular modes of delivering services, such as electronic commerce or rights of establishment; and
- Develop disciplines to ensure transparency and good governance in regulations of services.

In non-agricultural goods, we can continue the progress of the past fifty years in raising living standards and promoting worldwide development by removing tariff and non-tariff barriers. We want to engage in broad market access negotiations in the next Round. Here we would build upon the Accelerated Tariff Liberalization initiative, calling for liberalization of eight specific sectors, by maximizing opportunities for more broad-based market-opening. Specific objectives would include:

- Reduce existing tariff disparities;
- Provide recognition to Members for bound tariff reductions made as part of recent autonomous liberalization measures, and for WTO measures.
- Use of applied rates as the basis for negotiation, and incorporation of procedures to address non-tariff measures and other measures affecting conditions for imports; and
- Improve market access for least developed WTO Members by all other Members, through a variety of means.

2. Forward Work Program and Other Issues

Clearly, some Members have interests beyond this set of core issues. Others have noted great concern about the difficulty of fulfilling existing commitments. The built-in agenda provides for substantial reviews of existing Agreements, like that of TRIPs next year, which will be

important to determining future decisions. We will review all suggestions carefully, and work with other delegations for an ambitious but manageable agenda, capable of completion within three years.

We may find that certain issues would be appropriate for a forward work-program that would help Members, including ourselves, more fully understand the implications of newer topics and build consensus for the future.

One especially important case is the question of the relationship between trade and core labor standards. As President Clinton has stated, the development of the trading system must come together with efforts to ensure respect for these standards, and its results must include benefits for working people in all nations. While the Singapore Declaration on core labor standards was an important first step, more attention to the intersection of trade and core labor standards is warranted as governments and industries wrestle with the complex issues of globalization and adjustment. As we stated in January, we believe a recommendation should be forwarded to the Ministers for the establishment of a forward work-program in the WTO to address trade issues (e.g. abusive child labor, the operation of export processing zones, etc.) relating to labor standards and where Members of the WTO would benefit from further information and analysis on this relationship and developments in the ILO. We further urge consideration of specific institutional links between the ILO and the WTO to help facilitate a common agenda on issues of concern to both organizations.

3. Institutional Reform

The past five years of experience with the WTO have also revealed areas in which the institution can be further strengthened. These would help Members take maximum advantage of the opportunities offered by international trade; ensure that the work of the WTO and international organizations in related fields is mutually supportive and does as much as possible to advance the larger vision of a more prosperous, sustainable and just world economy; and strengthen public support for the WTO.

Substantial achievements are possible in areas including:

Institutional Reforms that can strengthen transparency, ensure citizen access and build public support for the WTO and its work. Here, objectives would include:

- Improving means for stakeholder contacts with delegations and the WTO; and
- Enhancing transparency in procedures to the maximum extent possible.

Capacity-building, to ensure that all Members can implement commitments, use dispute settlement effectively and take maximum advantage of market access opportunities. Specific areas here would include:

- Improve cooperation among international organizations in identifying and delivering technical assistance, and explore ways to improve coherence in the interaction among bilateral donors, international organizations and non-governmental organizations;
- Build upon and expand the Integrated Framework concept;
- Ensure the most effective use of resources on technical assistance programs;
- Strengthen capacity-building efforts on regulatory and other infrastructure needs; and
- Explore a development partner program for the least-developed nations.

We have been consulting with delegations on these ideas in the last several weeks and look forward to continuing to develop a joint effort.

Trade Facilitation, which will ensure that less developed economies and small businesses can take full advantage of a more open world economy. Here, objectives would include:

- Clarify and strengthen the transparency requirements of WTO Agreements;
- Helping to improve customs and other trade-related procedures, so as to increase transparency and facilitate more rapid release of goods;

4. Sustainable Development and Committee on Trade and the Environment

As we embark on this new Round, we must be guided by our shared commitment to sustainable development, including protection of the environment, as enshrined in the Preamble of the WTO. This would include a number of areas:

- First, it underlines the importance of institutional reforms.
- Second, pursuing trade liberalization in a way that is supportive of high environmental standards.
- Third, identifying and pursuing those areas of trade liberalization that hold particular promise for also yielding direct environmental benefits - so-called "win-win" opportunities. Examples include elimination of tariffs on environmental goods through the Accelerated Tariff Liberalization initiative; liberalization of trade in environmental services; and elimination of fishery subsidies that contribute to overcapacity. We can work together in an effort to identify other areas in which these two priorities of WTO Members complement and support one another.

To help in ensuring that we accomplish these objectives, we are tabling a number of proposals, including a proposal to use the Committee on Trade and the Environment as a forum to identify and discuss the environmental implications of issues under negotiation in the round.

TOWARD THE MINISTERIAL

Let me now turn to the work of the months leading up to the Ministerial.

As we develop consensus on a negotiating agenda (including issues of timing, and benchmarks to ensure that the negotiations begin and end promptly) and prepare logistically for a successful meeting in Seattle, we also hope to reach consensus on a series of measures which would both help build the foundation of a successful Round, and take advantage of existing opportunities to achieve broad aspirations held by WTO Members in the short term. They would help the WTO more fully realize shared goals of a fair, open worldwide trading system; help Members find new export opportunities and improve access to modern technologies; strengthen the credibility of dispute settlement; contribute to shared goals of development and improved governance; and strengthen the worldwide base of public support for the WTO as the Round begins.

All of these measures should be readily achievable in the months ahead. They would include:

1. Accessions

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

Since 1995, seven new Members have joined: Bulgaria, Ecuador, Kyrgyzstan, Latvia, Mongolia, Panama and Slovenia, with Estonia soon to follow. With 31 more accession applicants, we look forward to further accessions on a similar basis in the months ahead. We applaud those which have completed the process and have made progress on accession, and believe their work should be recognized at Seattle as a contribution to broadening the system. Clearly, however, not all of the applicants will complete their accession processes by the Ministerial and the opening of the new Round. In these cases, as was the case in the Uruguay Round, we would need to develop an acceptable formula under which these economies could be involved in the new negotiations while moving ahead with their accession processes.

2. Dispute Settlement Review

Second, a dispute settlement system that helps to ensure compliance, provides clarity in areas of dispute, and is open to public observers is essential to the credibility of the WTO system as a whole. These goals have informed the U.S. contribution to the current Dispute Settlement Review, focusing on transparency and ensuring timely implementation of panel findings. We are particularly interested in providing for earlier circulation of information on panel reports, making parties' submissions to panels public, allowing for submission of amicus briefs and opening the hearings to observers from the public. Ministers must be in a position to ratify the results of the Review by the Ministerial.

3. Electronic Commerce

Third, one of the most exciting commercial developments of recent years has been the adaptation of new information and communications technologies, notably the Internet, to trade. This has especially important implications for speeding growth in developing regions, as Internet access greatly reduces the obstacles entrepreneurs, artisans and small businesses face in finding customers and managing paperwork.

These benefits will only be realized, however, if electronic commerce continues to develop unfettered. For example, no WTO member now considers electronic transmissions as imports subject to customs duties -- a policy affirmed in last May's multilateral declaration not to assess customs duties on electronic transmissions. This policy should be extended. Furthermore, we should work toward agreement on clarifying the applicability of existing WTO rules to electronic commerce; and agreement on modalities for integrating electronic commerce into the ongoing work of the WTO after the Ministerial.

4. Improved Market Access

Fourth, many of us are committed to achieving agreements which expand market access opportunities across a range of goods of interest to countries at all levels of development. These would give impetus for broader market access negotiations in the Round. These include:

- ITA II -- An "Information Technology Agreement II" adding new products to the sectors already covered by the first ITA; and
- Accelerated Tariff Liberalization -- Eliminating or harmonizing tariffs in chemicals; energy equipment; environmental goods; fish and fishery products; gems and jewelry; medical equipment and scientific instruments; toys; and forest products.

5. Coherence

Fifth, trade policy has important potential to support international efforts in other policy fields. We should build consensus on improving the WTO's ability to collaborate with international institutions in related fields, through mutual observer status, joint research programs when appropriate, and other methods to ensure that issues with implications for trade and other policy objectives are addressed as effectively as possible. Such organizations would include the World Bank, the International Monetary Fund, the International Labor Organization, the UN Environmental Program, the UN Development Program, the OECD, UNCTAD, and others.

6. Transparency

Sixth, we should agree upon specific measures to improve transparency.

- WTO – The WTO should ensure maximum understanding and access to meetings and procedures, consistent with the government-to-government nature of the institution. As I noted earlier, dispute settlement is a special focus for this work. Essential goals include such additional measures as more rapid publication of panel reports, and more rapid de-restriction of documents.
- Transparency in Government Procurement – The WTO can also help to promote transparency and good governance worldwide. In this regard, an agreement on transparency in procurement would create more predictable and competitive bidding, which would reduce opportunities for bribery and corruption, and help ensure more effective allocation of resources.

7. Recognizing Stakeholder Interests

Seventh and finally, it is clear that the interest in the WTO and its work of civil society organizations (including businesses, labor organizations, agricultural producers, environmental groups, academic associations and others) is growing. Likewise, delegations and WTO staff will benefit from hearing a broad range of opinions and views on the development of trade policy. By the Ministerial, therefore, we would hope to agree upon methods for such stakeholder organizations to observe meetings as appropriate, and share views as delegations develop policy.

CONCLUSION

In summary, Mr. Chairman, as WTO Members approach the work of the coming months and years, we have a remarkable opportunity.

Our predecessors – the founders of the GATT in 1947; those who developed the system in the succeeding decades; the negotiators of the Uruguay Round nearly six years ago – have left us a world economy more productive and prosperous than ever before. In the years ahead, with a successful Round we can do the same for the next generation, raising living standards and creating new opportunities for billions of people in each part of the world.

As host and Chair of the Ministerial Conference in Seattle, the United States feels a keen responsibility to help build the consensus that will allow us to realize this vision. In this session of the WTO General Council, the final phase of preparations for Seattle begins in earnest. We appreciate the opportunity to set forth our ideas, and look forward to reviewing and discussing those of our colleagues as well.

Thank you very much.

TRADE POLICY AND THE 21ST-CENTURY ECONOMY

Ambassador Susan Esserman
Deputy U.S. Trade Representative

Yale School of Management Global Conference
New York, NY

September 30, 1999

Good evening. I want to thank Jeff Garten and the Yale School of Management very much for inviting us to participate in this conference. I am honored to participate in Jeff's program, knowing first hand his ability – to see trends early and look ahead to the issues of the future.

I want to talk tonight about how we can build a foundation of stability, growth, and social justice in a global economy radically transformed by innovations in technology and communications. I want to talk about the role of government – specifically in the area of trade policy – in enhancing the prospects for economic and social progress in this new economy. That role is being transformed by technological innovation, which, in addition to dramatically affecting our economy and the focus of our trade agenda, has also created new players and introduced new perspectives in the making of trade policy. The interaction between government and the private sector has become increasingly complex and is constantly shifting—given the new issues, the increasing public interest in trade, the new players, the role of technology and the increasingly connected nature of the global economy. I want to talk about how all of these changes together have affected government's role vis-a-vis business and civil society.

The world economy today is much different from the insulated national economies of the Bretton Woods era. As Tom Friedman has written, if the preceding era was marked by blocs, borders, and barriers, the new global market place can be characterized as a web. Where economic crises in one part of the world can easily spill over into others and, conversely, where growth in one country means new market opportunities for others.

Our predecessors in the post-World War II era of distinct national economies created a global economic framework: they established international institutions, including the IMF, the World Bank, the GATT, the UN -- and new rules and policies that gave expression to progressive ideals, and a commitment to economic progress.

The world trading system continues to be vital to promoting economic growth, stability and rising living standards, in particular, through the largely unnoticed, stabilizing role the WTO played during the financial crisis. The network of binding commitments and rules in the WTO helps countries under pressure to resist the temptation of closing their borders in response to the crisis, quite unlike the cycles of protectionism and retaliation that were so destructive earlier in the century. The challenge before us in trade policy is to build upon and adapt our world trading

system to ensure that it effectively and fairly meets the demands of the new global market place - open not protected economies, international not national capital markets, global not local competition. It must be grounded in democratic values and participation, reflect the increasing concerns of our citizens, and at the same time embrace and seize upon the technological advances that have transformed our economy. This must reflect ideals and values, rules and policies that are applied internationally, but which rest on broad national consensus within the United States and in other countries.

MORE PLAYERS AT THE TABLE

One of the key changes with which everyone, including government, must work with is that the same technology-based forces that have blurred blocs and borders with respect to business and trade have also profoundly democratized international politics, intensifying the role and interaction of private actors and NGOs in the trade policy process. Networked information makes possible the rapid dissemination of - and coordination of opinion on - public policy issues. This, in turn, has led to greater openness and responsiveness of government, which is critical to effectiveness and legitimacy.

THE ROLE OF GOVERNMENT IN THE NEW ECONOMY

In this new economy, government, in the trade area, should promote and facilitate growth and rising living standards; and at the same time ensure protection of consumers, the environment, and workers, and maintain a safety net for the most vulnerable. My belief, and the premise on which the Clinton Administration's trade policy rests, is that these goals can be reconciled. Government has an important role in working with all sectors of society to advance simultaneously economic progress and social justice.

Our high-tech trade policy, for example, reflects this premise. In essence, we have four principles: First, we encourage research and development through protection of intellectual property. Second, we help to create economies of scale that support investment through guarantees of open markets. Third, we allow new products and services to enter markets, while ensuring high standards of consumer protection, by encouraging fair, transparent and accessible regulatory policies. And finally, we work to prevent hasty and unnecessary decisions that block or slow technical advance.

ELECTRONIC COMMERCE

Electronic commerce provides a case example of the emerging role of government, illustrating the impact of technology, the increased number of interested parties and the essential role of government as facilitator. E-commerce - the use of the Internet and other forms of electronic transmissions to buy or sell - is making companies more efficient, as computers allow them to cut inventories, provide better and more timely service, and meet customer demand more effectively. Internationally, the Internet is allowing businesses and customers to find one another

more rapidly, to reduce the complexity of finding and filling out paperwork, and to erase borders completely for products available in digital form, and this new form of commerce enables small and medium size companies to participate more effectively in the world economy.

For consumers, electronic commerce will raise living standards and create tremendous new sources of leverage over companies. It will give consumers new power to compare price and quality with vendors the world over, and make buying more convenient.

But electronic commerce also raises some troubling questions. Governments must reflect on the ways to adapt national trade policies to the borderless world of the web. Consumers – and businesses too -- know that together with rising living standards and better prices come concerns about Internet scam artists, abuse of credit cards and personal information, and other privacy issues.

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

When we apply these questions to trade policy, we confront an additional challenge. For fifty years the United States has followed a policy of opening markets and reducing trade barriers, which generally manifest at national borders. The trade policy questions raised by the Internet, however, demand a policy that is in many ways inverse to this approach: cyberspace is a world with no natural borders, and as yet no trade barriers either. Rather than dismantling trade barriers, we must prevent them from coming into existence in the first place.

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

Looking more closely at individual industries, the possibilities are even greater. In some fields – such as software, entertainment, health and education – electronic commerce opens up the prospect of instantaneous delivery of services anywhere in the world, bypassing ports, customs, and transport.

Today, in trade terms, the Internet is pristine. The framework for trade over the Internet has just begun to develop in the past two years.

PREVENT MISTAKES

Our trade policy is thus driven by several fundamental circumstances. First, the need to create a trading environment in which this new burgeoning commerce can flourish. Second, that neither government, business, nor even the best-informed scientists and engineers can predict the future of the technology. Third, that there are no natural borders to cyberspace, and the development of policies and solutions must as much as possible, be a worldwide effort.

We are seeking to reflect these circumstances and principles of promoting the unimpeded flow of commerce chiefly through the WTO. Indeed, it is interesting that industry leaders that have typically been among the most independent and most skeptical of government see an essential role for government in seeking to establish the proper competitive framework for e-commerce in the WTO. Most immediate is our initiative to keep cyber-space duty-free -- that is, to prevent the imposition of tariffs on electronic transmissions. To impose customs duties for electronic transmissions would be a burden on the development of this technology and it would be extraordinarily difficult to collect these charges. It would both slow the growth of electronic commerce, and encourage that growth to take place outside the law.

Right now, no member of the WTO considers electronic transmissions imports subject to duties for customs purposes. There are no customs duties on cross-border telephone calls, fax messages or computer data links, and this duty-free treatment should include electronic transmissions on the Internet. We secured a temporary "standstill" on application of tariffs in this area at the WTO last year, and we are working toward consensus on extending it this year at the WTO Ministerial in Seattle.

Looking further ahead, the task becomes more complex. We have begun an ambitious work-program at the WTO. We want to ensure, for example, that developing countries have Internet access through a strong capacity-building program. We look to avoid premature classification of those products, which can be delivered electronically as "goods," or "services," which would raise a large set of thorny and politically contentious issues. We are working toward establishing a firm principle that trade rules should be technologically neutral -- that is, we should not treat products delivered electronically differently than the same goods delivered in more traditional fashion -- in other words that the existing WTO rules of nondiscrimination, transparency, and the least trade restrictive approach to regulation should apply. And most of all, we want to remain flexible -- to do no harm -- as we see how this area of commerce develops.

And, of great importance but under the responsibility of other agencies, we are working with our trading partners to develop a consensus on the appropriate treatment of consumer issues. Electronic commerce cannot flourish without an environment of trust, where consumers feel safe from unscrupulous practices. Industry-led efforts to maintain this trust are the optimal solution, but where those fail, governments have a clear role in protecting their consumers. In all areas where the government plays a role in e-commerce, however, we should ensure that such action

meets a clear standard established by the WTO to ensure that trade is not impaired -- that measures are the least burdensome possible, and not used as trade barriers.

LEARN FROM THE PAST

Much of global trade policy since World War II amounts to undoing the mistakes of various sorts which stem from the 1920s and 1930s -- years in which an open world economy was unraveled by colonial preference schemes, the Smoot-Hawley tariff in the United States, and communism in Russia and later China. Thus our work aims at ending tolerance of intellectual piracy; ensuring market access by removing tariffs and eliminating subsidies; and replacing monopolies and unscientific standards with fair and transparent regulation. The ideal approach though, would be to prevent mistakes in the first place. This is the opportunity we have in e-commerce.

CONCLUSION

Let me say in conclusion that institutions must adapt to the new environment to reflect the fast-paced changes in our economy, mobilized interest groups and burgeoning technology. When it comes to trade, we need to learn from the lessons of the past and be creative and innovative about how we apply them to the problems and opportunities of the future.

As the examples I have given this evening illustrate, we believe we are taking an integrated approach to working to adapt our trade institutions, which are key to global prosperity and stability.

Remarks at the Organization of Women In International Trade Forum

Ambassador Susan Esserman
Deputy U.S. Trade Representative

Washington, D.C.

October 4th, 1999

Good morning. I am very pleased to be here today, because this is a critically important time for trade policy. The next two months – most importantly, the WTO's Ministerial Conference in Seattle and the new Round we will launch there – will lay the foundation for the next decade's trade policy agenda. This is an ideal time for us to review the agenda and how we can work together in support of an open and fair trade agenda that broadly benefits Americans.

The Ministerial will be the largest trade event in the United States, ever. It will bring thousands of people to America from all over the world – leaders in business and agriculture, citizen groups, heads of government and trade ministers. The Ministerial presents for us a unique opportunity to highlight our successes to the world, and focus public attention as never before on the role trade plays in our prosperity and future. I'd like to come back to that at the end of my remarks.

VALUE OF THE WTO

As we have prepared for the Ministerial in the last year and a half, and in particular since President Clinton's call for the new Round of trade negotiations last winter, we have developed an agenda that will build on the successes and lessons of the past, and meet the challenge of the future. I will review our agenda in a moment; but let me begin with some thoughts on the reason the trading system is important to us.

To begin with, of course, we live in a global economy. As the President has said, globalization is not a proposal or policy choice; it is a fact. But how we respond to it will make all the difference. We believe that the WTO is a crucial vehicle for maximizing the advantages from, and managing our interests in a global economy. To ensure that we receive fair treatment in the global economy, we require a framework of clear, transparent and enforceable rules:

- rules prohibiting discrimination against American products,
- rules safeguarding Americans against unfair trade,
- and rules affording commercial predictability.

And as the world's largest exporter and importer, we need such a system more than any other country. Consider the alternative -- no one would suffer more than America's working people,

businesses and farm families in a world of closed markets, abusive trade practices, and the rising international tensions trade conflicts can cause in difficult times.

Thus, over the past fifty years, through eight negotiating Rounds, Americans have led in opening markets, and developing the rules of today's WTO. And the past five years since the creation of the WTO have demonstrated its benefits very clearly.

For example,

- American exports have risen by well over \$200 billion, contributing to the economic growth we have enjoyed and expanding high-skill, high-wage job opportunities.
- The WTO's strong dispute settlement system has helped us significantly improve our enforcement of trade commitments -- we have filed 41 cases, and reached favorable settlements or panel victories in 22 of the 24 cases we have concluded so far. We have achieved the results in a diversified array of sectors -- manufacturing, services, agriculture and intellectual property.
- And the WTO has given the world a crucial source of economic stability in a very difficult time. During the financial crisis of the past two years, something long gone unnoticed is the fact that countries' binding WTO commitments served to help resist a protectionist response to the crisis. This helped avert the cycle of protection and retaliation of the sort that occurred in the 20's and 30's, a cycle which would have denied affected countries the markets they need to recover, and hurt our own farmers and workers as well.

AGENDA FOR THE TRADING SYSTEM

The WTO of course must constantly be adapted and expanded to reflect our changing economy and the needs and interests of our people. It is especially important that we move forward now, in light of the changes in the last few years since the last round of WTO negotiations was completed. Specifically, we believe, based upon extensive consultations with Congress, the business community, civil society and interested members of the public, that we must seize the initiative

- first, to open up new market opportunities around the world -- especially since American companies and farmers are highly competitive and continue to face significant barriers abroad;
- second, to ensure that the WTO promotes trade in new and emerging areas -- such as e-commerce, telecommunications, and other services sectors where Americans excel;
- third, to be responsive to the needs and concerns of the people that the WTO is more accessible to the public, that its work is supportive of strong environmental protection and that it most effectively maximizes benefits to working people;

- fourth, to ensure more meaningful participation of the poor and least developed countries in the world trading system;
- fifth, to bring about fundamental economic reform, new market opportunities and respect for the rule of law through the WTO accession process. While China attracts a great deal of attention, we expect that a number of countries from Central Europe will be in a position to join the WTO shortly, based on substantial economic reform and market opening commitments;
- sixth, to ensure that countries implement existing agreements and, for developing countries new commitments that come due at the end of the year, in IP and the customs areas.

TOWARDS THE MINISTERIAL

It is for these reasons that the President has called for a new round of trade negotiations. The comprehensive negotiating agenda we have developed in consultation with interested constituencies around the country will open markets for American businesses, workers and farm families; raise living standards here and around the world; help us reduce hunger, protect the environment and improve the lives of workers; take advantage of our leadership in science and technology; and reform and improve the WTO itself.

1. Negotiating Agenda

The core of our negotiating agenda will be broad-based market access talks designed to result in substantial benefits for agriculture, manufacturing and services; win support from a wide range of countries; and give us maximum leverage.

- At the core of the agenda is agriculture, an area in which we will seek aggressive reform. We will work to eliminate, and prohibit for the future, all export subsidies, and substantially reduce trade-distorting domestic supports. We will work to lower and bind the tariffs of our trading partners, which are significantly higher than ours, and improve administration of tariff-rate-quotas. And we seek strengthened disciplines on operation of state trading enterprises. And we will work to ensure that the approval of biotechnology products is based on transparent, predictable and timely processes.
- Services, which today accounts for 2/3 of our economic output, is another critical negotiating area. It is a huge area, encompassing an incredibly broad and diverse array of commerce, including telecommunications, banking, insurance, professional services,

information services, health care, including telemedicine, educational services, travel and tourism, distribution and express delivery. The value of the Uruguay Round agreement on services was the establishment of a framework of rules to liberalize services. With the framework established, the focus of this round is to maximize market access for, and reduce the potential for discrimination against a broad range of US service providers. We are embracing a variety of approaches to liberalization: sector-specific approaches or broad horizontal approaches, which would address specific types of restrictions across a broad range of sectors. In addition to market access commitments to ensure meaningful and effective market access in certain regulated sectors, we will pursue disciplines that promote fairness and transparency in regulation.

- Industrial market access, aimed at reducing both tariff and non-tariff barriers, will be another broad area of negotiation. Again, we have much to gain here as tariffs in other developed countries are twice as great as ours and tariffs in the developing world are, on average, 5-8 times higher than ours. We are proposing broad principles to govern these negotiations. For example, we seek to reduce the disparities existing between the tariff levels in the U.S. and other countries. We are seeking to cap (that is, bind) all tariffs so that they cannot be raised on whim at another country's discretion. We want to look on a comprehensive basis at both tariff and non-tariff barriers, so that a country is not permitted to nullify its tariff concession by replacing the tariff with a non-tariff barrier. We are pursuing a variety of approaches to achieve greater market access, including 0 for 0 initiatives.

- Trade facilitation should also be added to the negotiating agenda as it is a core part of market access and especially important to small and medium size businesses. We are pursuing a focused, high impact approach designed to ensure that our exports clear foreign customs and reach the customer as soon as possible. The critical elements are ensuring transparency of customs rules and rapid release of goods from customs. This initiative will complement our other efforts to combat bribery and corruption.

In addition to the core negotiating agenda, we must also address broader systemic issues:

First, we must ensure that the trading system promotes the unimpeded development of electronic commerce. Here the WTO must set the right competitive framework for e-commerce to flourish. Our approach must be flexible enough to anticipate new technologies and take account of the fact that neither businesses nor scientists can fully predict the future of electronic

commerce; so our approach in the WTO is "do no harm", and we can do this by preventing barriers, such as tariffs, from being erected in the first place.

Another cross cutting issue is ensuring that trade liberalization complements and supports our environmental initiatives, for example through an early environmental review of the Round, and initiatives like liberalizing trade in environmental goods and services, and eliminating fishery subsidies that contribute to overcapacity.

Trade and labor -- As a general matter we must also ensure that the WTO maximizes the benefits to working people and that it contributes to efforts to improve core labor standards, through closer collaboration with the ILO. We are continuing to work to develop the best approach in this important area.

2. Achievements At Seattle

At the Ministerial, we also hope to conclude several initiatives that will both have concrete benefits, and help create momentum for the Round itself. These include:

- an agreement on transparency in government procurement, which will help open up the \$3.1 trillion market in government procurement and help reduce the potential for bribery and corruption,
- We also hope to extend the moratorium on tariffs applied to electronic commerce, sending an important signal about keeping this thriving area free of trade restriction.
- and consensus on the Accelerated Tariff Liberalization proposal to harmonize or eliminate tariffs in eight industrial sectors. Most recently, APEC leaders from 21 nations and accounting for half of world trade endorsed all three of these initiatives giving important momentum to the effort.

3. Institutional Reforms

Finally, we will seek significant institutional reforms at the WTO. The principal areas here will include ensuring maximum transparency at the WTO, including opening dispute panels to public observers, earlier release of documents, and enhanced ability for civil society groups to present their views, including to dispute settlement panels.

And we will improve the WTO's capacity-building function, to ensure that developing countries, and in particular the least developed, can fully implement commitments in complex areas like intellectual property and services, and take advantage of market access opportunities.

This is in our interest, both through our general support for development overseas and because growth in less developed countries makes them better markets for Americans.

4. Timetable

Finally, we are building consensus on a timetable to secure our goals on a timely basis. Most WTO members now agree with us that the Round should be completed within three years, rather than the much longer trade negotiations of the past [meaning conclusion of the negotiation in 2002, ratification in 2003 and implementation beginning in 2004]. We are also working with other countries to reach a consensus on the need for substantive negotiations to begin immediately, with formal proposals in all negotiating areas to be tabled by mid-2000 and further benchmarks for progress in the months ahead.

PUBLIC CONSENSUS FOR TRADE

Altogether, this is a comprehensive agenda. It will create new opportunities for American companies, workers and farmers; help raise living standards for Americans; and also help build a more prosperous, law-abiding, environmentally sound, and equitable world economy.

The opportunity is great. But success will only come with a foundation of public support for trade policy. The Ministerial is a unique opportunity to build this foundation. And that is where OWIT's role becomes so important.

The Organization of Women in International Trade has helped to open opportunities for women in the trade policy field, and to create an environment today in which women, routinely, succeed in trade law and help to set our nation's trade policies.

You now have a vital role, as the Ministerial approaches, in making sure the public fully appreciates the importance of trade to our prosperity, to our future, to our lives. To the living standards of families; the economic security of farmers; the prospects of workers for better jobs and rising incomes; and for our nation's aspiration to build a stronger peace in the next century.

CONCLUSION

One final note -- as women with a professional interest in trade, you know first hand the importance of trade to our country and to women in particular. Unquestionably, women have every bit as much at stake in trade as men -- as entrepreneurs, professionals, workers, citizens, consumers and family members. The Ministerial and the lead-up to it present a unique opportunity to focus Americans on the importance of trade to their future. Let us together make the most of it.

Thank you very much.

A GROWING ECONOMY, A HEALTHY WORLD: AMERICAN POLICY ON TRADE AND THE ENVIRONMENT

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Thank you very much. I am very pleased to be here this afternoon with the Progressive Policy Institute and each of you, to discuss the relationship between trade and the environment.

This is a complex and challenging topic. It is at times a source of controversy among trade thinkers and environmentalists alike. But I believe the debate it raises is good for us. It will help us create better trade policies and better environmental policies, and ultimately improve both the living standards and the quality of life for Americans and our neighbors.

AMERICAN GOALS

Let me begin with the basic question our topic raises. In essence, it asks us to integrate two visions of our country:

- The "American Dream," in which individuals are free to seek their own destiny and living standards rise for each generation.
- And "America the Beautiful," in which we enjoy and guarantee for the next generation clean air, clean water, and a natural heritage unmatched in the world.

Each of us wants a prosperous world, in which we have opportunities to grow and ensure that our people can use their talents to the maximum extent. And each of us want a healthy world, which offers its people clean air and water; unspoiled lands and abundant wildlife; safe, reliable supplies of food and clean drinking water; and the confidence that these will still be here for our children.

And some believe we must choose between these visions. But I believe our experience over the past thirty years shows that, with care and foresight, we can have both. And that is the foundation of our Administration's approach to the world economy as well as domestic policy.

THE RECORD AT HOME

Our modern environmental laws and policies date back approximately thirty years. They have given us an infrastructure of pollution prevention and cleanup; protection of endangered

species and biodiversity; sustainable resource management; and consideration of environmental effects during policy decisions that have significantly improved America's air, water, and public health. In that time, Congress has debated and passed the Tokyo Round and the Uruguay Round of trade negotiations, opening world trade not only through tariff reductions but through addressing non-tariff barriers, agriculture, services and other issues; our GDP has more than doubled in size; and our economy has offered employment to more 50 million more Americans.

This combination of a growing economy and an improving environment has continued during the Clinton Administration. Since 1992:

- Our GDP has risen in real terms from \$7.2 to \$8.8 trillion.
- We have created 19 million new jobs, and seen wages reverse the declining trend of the 1980s to grow by 6% in real terms.
- Our manufacturing industry has expanded by \$400 billion, including 53% growth in output of motor vehicles; 10% growth in textile production; and 20% growth in steel production.
- And America's high-tech industries -- from software to telecom to aerospace and agriculture -- have created an era of innovation, scientific progress, and commercial success perhaps unrivaled since the invention of mass production in the 1920s.

At the same time, America's environment has become cleaner, healthier and more secure. With the leadership of Administrator Browner, Secretary Glickman and Secretary Babbitt we have:

- Revised and improved the Safe Drinking Water Act, giving millions of Americans stronger guarantees of safe and healthy water.
- Protected 150 million acres of unspoiled land across America -- close to the record Theodore Roosevelt set with the foundation of the National Park System a century ago.
- Strengthened and improved enforcement of the Clean Air Act, improving air quality for over 160 million Americans.
- And upgraded our food inspection policies both for imported and domestic foods.

THE INTERNATIONAL CHALLENGE

At home we have proven that the American Dream and America the Beautiful -- growth and the quality of life -- are not values in conflict. And if we can have both at home, we can have both abroad.

Through trade policy -- in addition to finance, international development assistance, business facilitation and other international economic policies -- we work to create opportunity here and worldwide. The nearly 300 trade agreements we have concluded since the beginning of the Clinton Administration have contributed to a substantial opening of markets worldwide; strengthened guarantees of fairness for American workers; created international rules for intellectual property, services, and agriculture; and in doing so have helped develop the freer

markets and rule of law that will promote growth and development worldwide in years to come.

This goes together with initiatives that directly address environmental problems beyond our borders and in the global commons – climate change, loss of biodiversity, climate change, overexploitation of the oceans, degradation of the air and water in developing countries. To cite just a few examples, we are working with the UN Environmental Program and providing technical assistance to help developing countries protect their environment. We are working to preserve fragile habitats through the International Coral Reef Initiative, increase conservation and sustainable management of shared fisheries, conserve the world's threatened biological diversity through the Global Environmental Facility and strengthen the protection of threatened and endangered species through the implementation of the Convention for International Trade in Endangered Species (CITES). We are striving to reduce or eliminate the dangers posed by hazardous chemicals; protect the ozone layer through the Montreal Protocol; and address the challenge of climate change through the Kyoto agreement and clean energy development strategies. Several of these international agreements involve restrictions on trade – the Montreal Protocol bans chlorofluorocarbons; CITES restricts trade in endangered plants and animals; and this is consistent with the rules of trade we have developed over the years.

As the President noted last week, however, there are still some who believe these policy initiatives are in conflict with one another. We disagree. The world needs both an open, fair trading environment and environmental protection; and it can have both.

To begin with, development is essential for environmental protection in the long term. Impoverished countries fundamentally lack the resources to employ the latest pollution prevention strategies, buy waste-water treatment plants and power plant scrubbers; or to train and hire environmental enforcement professionals. And although the growth that leads to development can pose the risk of environmental damage, ultimately industrial growth will come with or without trade; and experience shows us that it is precisely those countries which did not participate in trade as they grew – the Soviet Union, North Korea, China – that today suffer most intensely from pollution and environmental destruction. Thus, the answer is not to back away from trade liberalization but to pursue it together with environmental protection.

TRADE AND THE ENVIRONMENT

The challenge, then, is to design trade and environmental policies that they reinforce one another. They should:

- Contribute to the development which helps countries gain the resources to protect their environment;
- Avoid restrictions on trade which distort economies and reduce opportunity, while ensuring that all countries have the right and ability to set high levels of environmental and public health in a manner consistent with science-based regulation; and
- Complement and support one another whenever possible.

And this is the philosophy we bring to our work at the World Trade Organization.

The WTO has an absolutely essential function in opening markets, promoting the rule of law, and ultimately supporting world economic growth. At the same time, the rules its members develop must be supportive of fair and scientifically based policies to protect the environment, consumers and human health.

Our creation of the WTO in 1995, placing sustainable development in the institution's Preamble, makes clear that the rules respect these values. Indeed, since its inception in 1947, both the General Agreement on Tariffs and Trade (the WTO's predecessor agreement) and now the WTO Agreements have contained environment, natural resources, health, and safety exceptions to the agreements' obligations. And when we look to the future, we have developed a set of principles that will ensure that trade policies address environmental concerns and contribute to our aspiration for a better world environment, as they also promote growth, opportunity and development in America and worldwide.

HIGH DOMESTIC STANDARDS

First, in no case will a trade agreement compromise our own high levels of environmental protection, consumer protection, or public health.

The WTO does, and must continue to, recognize the right of all its members to set levels of environmental protection and consumer safety, including at even higher levels than common international standards, while helping to ensure that environmental measures are not used as disguised trade barriers. Environmental policies should not be abused to create trade barriers with no scientific basis. And our five years of experience with the WTO shows that this a principle the trading system honors in practice.

At the most basic level, of course, no trade commitment has prevented us from taking the legal and regulatory steps which led to the environmental advances I noted earlier: enforcement of our existing environmental laws, improvement of the Safe Drinking Water Act in 1996, higher air quality, protection of wild lands. As our initiatives at the WTO have helped to open markets and create opportunity, we have also a protection of air, water and wildlife as strong or stronger than before.

Our experience also shows that trade rules not only go together with strengthening environmental protection in the aggregate, but that at more detailed levels the WTO Agreements and the dispute settlement mechanism we use to enforce them respect our scientifically based environmental standards.

To begin with, any challenge to our policies in this area is rare: we have participated in eighty-two dispute settlement cases, as plaintiff or defendant, since the WTO was created. Of these only two relate to environmental issues. Some argue that these two cases show the WTO

does not respect the rights of governments to pursue important environmental objectives. However, a closer examination shows that this is not the case. And while we have not agreed with all aspects of the decisions in these cases, the decisions and actions we have taken in response have allowed us both to meet our trade commitments and fully maintain our commitment to environmental protection.

The first case involved a challenge by Venezuela and Brazil to one of the 201 regulations issued to enforce the Clean Air Act between 1990 and 1994. The panel found that an element of the regulation, which pertained to gasoline, was discriminatory, as it required foreign refineries to meet a "baseline" requirement for the pollution characteristics that was different from that which applied to domestic producers. In response, our Environmental Protection Agency revised the regulation in a manner consistent with both Clean Air Act objectives and the principles of non-discrimination.

In the second, three Asian countries challenged our requirement for shrimping boats to use Turtle Excluder Devices -- that is, a type of trap-door which ensures that accidentally netted sea turtles can escape. The panel did not find fault with our law, but raised concerns about its implementation, notably because domestic legal proceedings had given our Asian trading partners only four months to comply, while Caribbean Basin nations had three years. Our response to this decision has in fact helped us strengthen our sea turtle protection policies -- for example, the National Marine Fisheries Service is increasing its efforts to provide technical training to other countries in the design, construction and installation of Turtle Exclusion Devices, and the State Department has intensified its effort to get at the root of the problem through negotiating an agreement on sea-turtle protection in the Indian Ocean.

CONSIDERING ENVIRONMENTAL IMPLICATIONS EARLY

Second, early consideration of the potential environmental effects of new trade initiatives.

In the Uruguay Round and North American Free Trade Agreement -- our largest two agreements -- we found formal environmental reviews, conducted by our own agencies, an important and valuable means of identifying trade and environment linkages, both positive and negative. We have committed to another such review in the case of the new Round we will launch at the Seattle Ministerial, and are encouraging other countries to conduct such reviews as well.

Most recently, in the WTO initiative for accelerated elimination of tariffs on forest products, we have responded to citizen groups concerned about the potential effects of trade in sensitive natural resources. A report on this initiative, conducted by our environmental and land management agencies under the oversight of USTR and the Council on Environmental Quality, will be completed soon.

And at the WTO, in the Uruguay Round we created a Committee on Trade and the

Environment, which in the past five years has served as an institutional forum for WTO members to address issues related to trade and the environment. The Committee will prove especially valuable in the new Round, during which we propose to use it to identify and consider the environmental implications of the negotiations as they proceed.

COMPLEMENTARY "WIN-WIN" INITIATIVES

This brings me to my third point: our work to find areas in which the opening of trade and protection of the environment complement one another.

In some cases, governments are subsidizing environmentally destructive behavior. This is an especially difficult problem in the global commons, as shown perhaps most strikingly in the fishery sector. The world now is taking fish from the ocean at a level far beyond that at which fish stocks can recover. And as fish catches fall, governments are providing anywhere from \$15-20 billion in subsidies that maintain and even increase this unsustainable level of activity. The proper response, both as trade policy and as natural resource policy, is to eliminate these subsidies – and we have set this as a goal for the new Round.

A similar case is evident in agriculture, where trade-distorting export subsidies encourage environmentally damaging behavior, and elimination of these subsidies will reduce pressure on land and water.

Likewise, in a number of areas trade barriers weaken the ability of countries, especially in the developing world, to guarantee for their people clean air and clean water. As I noted in considering the environmental importance of economic development, the infrastructure of environmental protection is often very expensive. State of the art pollution prevention technologies, waste-water treatment plants, efficient power generation, pollution monitoring equipment and power plant scrubbers are all high-tech, high-cost items. This is clear when you look at the sheer size of the environmental technology market, now estimated to total \$420 billion a year worldwide.

However, some governments worsen this cost problem for themselves. Adding to the basic cost of infrastructure through high tariffs, or requiring endless paperwork and licensing fees before an environmental monitoring or waste disposal firm can begin to do business, can make environmental protection unaffordable. And these barriers can be substantial.

To cite just few examples, Malaysia imposes a 30% tariff on hydraulic presses for recycling equipment, China charges a 20% tariff for exposure meters, and Thailand has tariffs of 25% on pumps for sewage treatment, and 20% on oil spill protection and recovery equipment. These are significant added costs for city or national governments writing annual budgets; and the result is slower progress towards clean air and water. A second priority of ours in the Round, therefore, will be to complete APEC's goal of ending tariffs on environmental technologies, energy equipment and scientific instruments; and liberalizing the environmental service sector

worldwide. Thus we will both facilitate environmental protection overseas, and create new export opportunities in one of the world's largest and fastest-growing markets.

TRANSPARENCY AND CITIZEN PARTICIPATION

Fourth, and perhaps ultimately most important, we are working to increase transparency and citizen participation in the trading system.

At home, government at its best draws ideas from many sources. Environmental protection is a case in point; citizen participation in the policy process has always been critical to our environmental reforms. Likewise, over the long run, the WTO will develop the best, and most widely supported, policies if the decisions its members make rest on the widest possible spectrum of ideas and advice.

In the past, as President Clinton said in his remarks last Wednesday, some in the trade world have treated the WTO as an elite institution. That may have worked when trade was a relatively small part of our economy; it does not work today. We are therefore working toward significant institutional changes and reforms. And we have made a reasonably good start.

Most notably, at our suggestion, the WTO held a "High-Level Meeting" this March focusing on trade and the environment. This meeting brought trade officials and members of the WTO Secretariat together with environmental officials and NGOs from all over the world. The 22-member delegation I led included senior officials of the Environmental Protection Agency, the White House's Council on Environmental Quality, the National Oceanic and Atmospheric Administration and the State Department. We hope to see more such events in the future, and a greater degree of cooperation between the WTO and international environmental organizations such as the UN Environmental Program as well.

But we should go much further. On a broad scale, the WTO can become more open, transparent and accessible to the public. Far too much of its business takes place behind closed doors. Not that this makes it exciting -- the delegates are representatives of governments whose positions are well-known, and their remarks in WTO sessions are not especially more lively than the trade speeches you hear in public. But any meeting, especially in a judicial or quasi-judicial forum like dispute settlement, that takes place behind closed doors makes people curious and often suspicious.

For the trading system to gain the support it should have -- as a source of prosperity; as a method of advancing the rule of law; as a way to promote the principles of freedom, open markets and fair play -- it has to do better. And therefore, as the Ministerial approaches, we are calling on the WTO to do better.

We have asked our WTO partners to agree to release documents and decisions more rapidly. To give the public and citizen groups more ability to meet with delegations and staff,

through improved consultative mechanisms rather than periodic meetings alone. To provide the opportunity to file amicus briefs in dispute proceedings. And to open dispute settlement proceedings to public observers. In the interim, we have a standing offer to open any proceedings to which we are a party, if our partner in the dispute agrees.

CONCLUSION

High domestic standards; thoughtful consideration of new initiatives; adherence to science in regulation; finding the areas in which environmental protection and open trade directly complement one another; creating a more open, transparent and accessible system.

Together with them, an opening world market; the advance of the rule of law; a trading system that offers Americans, and our trading partners, greater opportunities to grow, create new and better economic opportunities; and expect a rising standard of living in the years to come.

This is a careful, considered program. It is the result of a great deal of consultation with environmental groups, business associations, academics and our trading partners. Some of it is controversial overseas, and will take time to achieve.

But ultimately, it will help us reach the goal that I believe we all share: that is, a growing world economy, which offers people in America and overseas greater opportunities; and a healthy world for the generation to come. It is that simple. And the time to start is now.

Thank you very much.