AMERICAN TRADE RELATIONS WITH INDIA

Ambassador Susan Esserman
Deputy U.S. Trade Representative

Federation of Indian Chambers of Commerce and Industry
New Delhi

November 3, 1999

Good afternoon. I am very pleased to be here in New Delhi, and especially to meet with the Federation of Indian Chambers of Commerce and Industry. I am pleased to be joined on my visit to India by Mr. Issi Siddiqui, who is the Special Advisor to our Secretary of Agriculture on international trade matters, as well as colleagues from USTR, the Department of Agriculture, and our Embassy here in Delhi.

My country is now preparing for the World Trade Organization's Third Ministerial Conference, set to open at the end of this month in Seattle. This will be the largest trade event ever held in the United States, bringing political leaders, trade ministers, members of the business community and other representatives of civil society to Seattle from all over the world. I am pleased that, for the first time, members of India's business community will join Minister Maran and his delegation at Seattle. We expect that the Ministerial Conference will launch a new Round of international trade negotiations – the first, in fact, since the creation of the WTO five years ago. And as the event approaches, we are discussing the agenda for this Round with our most important trading partners around the world.

So I have come to this historic city – now opening its fourth millennium as a center of government, commerce, education and science for India and the world – to seek your advice and ideas, share our own policy views, and discuss the opportunities before us as the work begins. I will be meeting with a broad range of Indian government officials; I also hope to gain a clear understanding of the concerns and objectives of India's business community. This afternoon, I will outline our ideas; and I believe they reflect shared interests and common opportunities for India and the United States in the WTO and the action we will collectively take in Seattle.

A FIFTY-YEAR PARTNERSHIP

To start with the fundamental point, our Administration supports a strong and prosperous India, which is a leader and full partner in the trading system. We will continued to work closely with India as we shape the WTO agenda; Indeed, an important purpose of my visit is to intensify our cooperation and collaboration. We see this as both a matter of mutual interest, and an endeavor wholly in keeping with the high aspirations of our two countries.

Our governments rest upon democracy, the rule of law, and the rights of the individual. Our countries and our Constitutions promote intellectual freedom and vigorous public discourse.

Our policies, at their best, reflect aspirations for opportunity and social justice.

And in the context of trade policy, for fifty years, since the era of President Truman and Prime Minister Nehru, we have together, through the world trading system, worked to create opportunity, lift living standards and promote the rule of law. In effect, we have attempted to realize Rabindranath Tagore's vision of a world:

> "where the mind is without fear and the head is held high; where knowledge is free; where the world has not been broken up into fragments by narrow domestic walls; where tireless striving stretches its arms towards perfection."

In 1948, just months after India's rebirth as an independent nation, we joined as founders of the General Agreement on Tariffs and Trade. Through eight negotiating Rounds, capped by the creation of the World Trade Organization in 1995, we reduced the industrial world's tariffs by 90%. And we went on to agreements that help farm families find new opportunities; protect the rights of Indian and American authors, software engineers and scientists; promote innovation and growth in the services sector; and open the industrial markets to India's textile factories and artisans.

These commitments carefully balance the priorities of all WTO members. Their implementation promotes growth and development worldwide; helps all of us win the full benefit of our comparative advantage in good times, and shields us against cycles of protection and retaliation in economic crisis; and allows Indian and American businesses to operate in a world characterized by law and fair play rather than anarchy and the rule of force.

THE WTO AND INDIAN ECONOMIC STRATEGY

The WTO and the principles it represents – transparency, open markets, the rule of law in the world economy – work in harmony with India's domestic reforms. By opening its economy to trade and domestic competition, India creates the competition that stimulates innovation, improved quality, technological progress and long-term growth.

The benefits that flow from employing the principles of the WTO are reflected in India's experience. While much work remains ahead, through the combination of domestic liberalization and an opening world economy through the world trading system:

- India's economy is growing. Growth rates, at 5% to 7% since reform began, have been high, allowing the new government to seek creation of 10 million new jobs every year.

- India's finances are strong, with foreign reserves rising by $6 billion in the past year.

- India's families are seeing life improve, as incomes grow in rural areas and cities alike.

– And of course, India has become a world leader in information technology and appears to be on the way to meeting its goal of being an IT superpower early in the next century.

THE WTO AND US-INDIAN TRADE

This era of progress and reform is also clear in the economic relationship which unites so many of you with your American trading and investment partners.

Since President Clinton took office, liberalization has helped American energy, manufacturing and other firms invest nearly $5 billion in India -- creating jobs for Indian families and bringing new technologies to the Indian economy. And our bilateral trade has doubled.

This year, we may reach three quarters of a trillion rupees -- $16 billion -- in two-way goods and services trade each year, with most of it coming from India to America. As America has cut tariffs and eliminated non-tariff barriers to Indian products since the WTO's creation in 1995, India's total exports to the U.S. have grown by $5 billion--an increase of more than 44%. Nowhere have the WTO' s benefits to India been more clear than in the textile and apparel sector, where our faithful implementation of the Agreement on Textiles and Clothing has helped achieve a 77% volume increase in imports from India.

This rapid export growth is evidence of the concrete opportunities the WTO creates for Indian business. And the value of implementing commitments for growth and technological advance is shown very clearly, for example, in the field of intellectual property. India's status as a world leader in software, film and literature has been bolstered by stronger protection of copyright at home and abroad. In the area of patent protection, there will be intense scrutiny of India's implementation of its commitment to provide patent protection by January 1, 2000. We hope and expect timely compliance with India's obligations in this area. Effective patent protection will send strong signals to investors about the the attractiveness of India as a destination for investment.

We certainly continue to have our share of disagreements -- unjustified quantitative restrictions, minimum import prices on steel imports, investment rules in the auto industry, access to India markets for services and textiles. But we are addressing these in a mature and responsible way; through bilateral consultations and negotiations and, as necessary, using the WTO's dispute process as intended. India is an active user dispute settlement. For example, India won two cases related to wool apparel products against the United States, and another against Europe. We have fully implemented the decisions in these cases, and area in the process of implementing decisions in other cases. India has taken its obligations seriously and has already complied or indicated its intention to comply withall adverse rulings. We expect India to continue to live up to its WTO obligations.

In the larger perspective, these disagreements should not and do not prevent us from taking advantage of shared interests and ideals. And given the complementary nature of our

economies, and the personal and family ties created by our million-strong Indian-American community, our potential in a more open world is immense. And let me now offer you some thoughts on how we might realize concrete and substantial opportunities through ongoing work in the WTO and as part of the negotiations we expect to launch in Seattle.

THE WORK AHEAD

Fundamentally, we believe the Round must be broad enough to create the political consensus for success and balanced enough to achieve benefits for all countries involved.. It should also be manageable enough to complete in a limited time, thus offering benefits rapidly without a posing a new major implementation or resource burden. Within this framework, it should achieve the following goals:

- Ensure that the WTO does its part to create growth and alleviate poverty around the world;

- Take up the opening of sectors such as agriculture and services, where the work has only begun and from which developing countries will gain new opportunities for exports and investment, especially in the high technology sector;

- Continue to create new opportunities for trade by reducing the world's tariff and non-tariff barriers to industrial goods;

- Ensure that the trading system stays up to date, particularly for the new industries and methods of trade created every day by the scientific and technological revolution; and

- And reform the WTO itself to make it more effective in its mission, more open and accountable, and more secure in its base of public support.

PROMOTING DEVELOPMENT

To take the first point, President Clinton has placed especial emphasis on ensuring that this Round meets the needs of developing countries; and in particular the least developed, which are the nations most afflicted by poverty and hunger. Here our proposals include the following:

- We should take special measures to open our markets for the least developed. This will help us as well as our poorer trading partners. For our part, we have committed to expansion of our duty-free treatment for the least developed nations -- for developing countries as a group, over 70% of our trade is already duty-free -- and to special programs for Africa and the Caribbean Basin. We will seek opportunities to do more in the Round.

- We should improve our technical assistance and capacity-building programs to help developing countries, including the least developed, make the commitments that offer

opportunities for exports, investment and technological progress. Together with Bangladesh and several African countries, we have presented a proposal to improve the WTO's technical assistance programs, particularly for those countries which have the greatest difficulty with implementation.

– And the agenda for the Round should, as many developing countries have maintained, be a manageable one. For example, India and others have argued that issues like investment and competition policy are not ripe for negotiations at this point, and might impose an insupportable implementation burden in any case. We have listened and we agree.

The agenda we are developing thus concentrates on top priorities and areas of common interest. It has, in fact, much in common with the domestic agenda President Narayanan laid out in his Address to Parliament last week: opening markets and advancing the rule of law; giving each of us greater opportunities in the areas in which we have comparative advantage; supporting the advance of science and technology; improving and reforming governance to create more transparency and more citizen participation. And let me offer you a few examples.

SHARED GROWTH AND PROSPERITY

First of all, as two of the world's leading economies and trading powers, we share an interest in the growth and prosperity we can create through fairer, more open markets. The WTO has already confirmed negotiations to begin this year on agriculture and in the services industries. To this, we hope to add industrial tariff and non-tariff barriers, in sectors balancing the priorities of developing and developed country exporters. A brief review is as follows:

In agriculture -- as the Kural says, "the axle-pin which carries the world"-- we can reform world trade in ways that help us both, but are especially important to the developing world. We can cooperate to create open markets that increase the opportunities available to farm families; that strengthen food security by ensuring that nations have access to diverse supplies; and that ensure that farmers can use modern science to improve productivity and reduce pressure on land and water. As a top priority, we call for the elimination of agricultural export subsidies. These hurt farmers everywhere in the world by depressing prices and flooding foreign markets; but hurt the rural families of the developing world, whose governments have fewer resources to fight back, most of all. Last week, at an informal meeting of trade ministers from a variety of countries in which the U.S. and India participated, we heard eloquent and compelling testimony from developing countries on the incredibly important role that agricultural reform plays in development and the alleviation of poverty.

In services, by opening trade in areas such as distribution, insurance and other financial services, engineering and telecommunications, we can promote the efficiency that helps countries attract investment, as we also spread beneficial technologies more rapidly around the world. The services sector, in particular, plays to India's strengths in knowledge-based industries.

And in industrial goods, by lowering tariffs and other barriers, we can create opportunities for growth and employment in developing and industrial economies, improve price and choice for consumers, and create the economies of scale that support research, development and technological progress.

One opportunity is the Accelerated Tariff Liberalization initiative begun in APEC. It would eliminate or harmonize tariffs in many areas where India is already a highly successful exporter – in gems and jewelry, Indian businesses and artisans exported $1.8 billion worth of goods to the United States; in chemicals, $200 million; in fishery products, $160 million – thus further strengthening India in its areas of comparative advantage. Likewise, the ATL offers Indian governments and businesses cheaper access to modern technologies. To cite just one example, with New Delhi already among the world's ten most polluted cities, the city government and Indian power firms can reduce costs and get more shoppers onto Chandni Chowk by removing tariffs on such products as power plant scrubbers.

BUILDING THE 21ST-CENTURY ECONOMY TOGETHER

Second, as leaders in the scientific and technological revolution, we can work together to build the high-tech economy of the 21st century.

1. Electronic Commerce

In electronic commerce, for example, India's program is one of the developing world's most imaginative and advanced. 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 in the cooperation underway between American high-tech industry and Indian software in Karnataka and elsewhere; and in the forecast that electronic commerce within India may reach $15 billion within two years. India's government fully recognizes the potential of this development, as is clear in its creation of the Ministry of Information Technology and its introduction of a draft law on electronic commerce.

The development of electronic commerce, however, depends first of all on our ability to preserve the Internet as a world which today has no borders or domestic walls; and India thus has as much interest as any country in the world in keeping the Internet free of tariffs or other barriers. The role of governments in this new and flourishing area of commerce is quite simple: to make sure that trade is not impeded by the erection of restrictive trade barriers. So we hope India and the United States will join together in Seattle to extend the current duty-free treatment of electronic transmissions.

2. ITA II

Likewise, India's success in software and film show India is capable of world leadership as an exporter in other IT sectors: computers, semiconductors, telecommunications equipment and so on. And as a buyer, access to these goods at the best prices is an essential contributor to a world-class telecommunications and computer network.

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. By reducing prices for information technology products -- semiconductors, computers, and related equipment -- India improves the competitiveness of its software industry and links it with its markets around the world. We are thus a little puzzled by the Indian government's hesitancy on the next step -- the ITA-II -- which seems to be much at odds with the high tech interests and aspirations of the Indian business community.

The ITA II includes a limited but important set of products: printed circuit board manufacturing equipment, some consumer electronics, componentry and radar and navigation equipment. All 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. Achieving a successful conclusion to ITA-II is in very close reach, and would bring benefits to all participants, particularly India. We hope that India will be ready to take the final step with us.

PROMOTING SHARED VALUES

Finally, as the world's two largest democracies, we should together move to promote good governance and combat bribery and corruption.

1. Government Procurement

An example before us now is the WTO's agreement on transparency in government procurement – that is, ensuring that government purchases of goods and services are done in the open through competitive bidding.

Recent experiences with improved procurement practices show that significant benefits for governments, citizens, and business. For example, Asian Development Bank studies reveal very significant savings for governments and taxpayers as a result of more open and transparent procurement practices. These will help governments get the best possible value for their spending, give firms greater faith that their bids will be treated fairly, and strengthen citizen confidence in government. Let me take a minute to clarify a few points on this agreement. It is not a market access agreement, but an agreement on process and procedure. The agreement would not seek to alter national preference programs. This agreement is about transparency,

efficient use of scarce public resources and good governance. We are poised to complete an agreement to support these practices worldwide; and the United States and India are natural allies in the work to conclude the talks this year. Indeed, APEC nations, which account half the world's trade, support conclusion of this agreement at Seattle.

2. Trade and Labor Working Group

In countries like India and the United States, where a robust and open press flourishes as part of democracy, there are vigorous and often contensious debates on trade. Indeed, in both countries, our respective electorates and legislatures often challenge our participation in the WTO. Our governments--and our fellow WTO Members-- need to help our people recognize and understand the benefits of trade to their lives and the economies of our nations and the role of the WTO is trading system.

I would like to take this opportunity to tell you about a proposal the United States has made in this regard. On Saturday, we formally presented our proposal for the establishment in the WTO of a Working Group on Trade and Labor. The Working Group is intended to explore the relationship between trade liberalization and benefits to our workers-- employment and the social safety net.

Let me be clear: The idea is not to call on the WTO to set labor standards or to negotiate in the area, but to provide an opportunity to share ideas on adjustment and other issues in a world of growing trade and opening borders; and ultimately, help us make sure that the workers of India, America and the world draw all the benefit they should from trade.

CONCLUSION

That is, of course, the reason our two nations set out fifty years ago to create the trading system; why we have worked together to build it; and why I am here today.

In the Ministerial and the Round, we have a unique opportunity to build an open world; a fair world; a world which reflects the values we have adopted at home and promoted abroad for half a century.

The work ahead has its foundation in concrete, shared economic interests and painstaking, detailed negotiations. Success will help Indian manufacturers find new markets, strengthen India's advantage in high technology, and support the incomes of Indian farmers; as it does these things for Americans as well. But it has a base in the broader aspirations we share.

Our vision of a more equitable, prosperous and sustainable world economy, where shared opportunities take the place of narrow domestic walls.

And our faith that with cooperation, good will and tireless striving, each generation can

work to alleviate poverty, increase living standards and opportunities for our peoples to toward the common end of making its world a better and more stable.

This is the opportunity before us; and let us make the most of it.

Thank you very much.

Toward the New Round

Ambassador Susan Esserman
Deputy U.S. Trade Representative

Cato Institute
Washington, DC

November 17, 1999

Good morning and thank you for inviting me to participate in your conference.

This is a very timely event, because in less than two weeks we will open the WTO's Ministerial Conference in Seattle. This will be the largest trade event ever in America, bringing thousands of people – from government, business, agriculture, labor, environmental groups and many other fields. It will launch a new Round of international trade negotiations, of great potential for growth, living standards, and technological progress in the years ahead.

THE TRADING SYSTEM AND ITS PRINCIPLES

I am pleased to be here to share our vision for the Ministerial and Round. But first I would like to offer a perspective about the trading system and America's stake in it.

The WTO today joins 135 economies in agreements covering industrial tariffs and non-tariff trade barriers, agriculture, services, intellectual property rights, subsidies, textiles, anti-dumping procedures, dispute settlement and a number of other areas. It is easy to get lost in the details. But fundamentally, these agreements, and the WTO as a whole represent a set of principles:

- The open markets that foster growth, prosperity, and a rising standard of living.
- The rule of law and peaceful settlement of disputes which ensure fair play.
- The shared interests and mutual benefits that strengthen peace.

In the past 50 years, through the GATT and the WTO, the United States, in partnership with our allies and our trading partners, has worked to build a more open, fair and free world economy on the foundation of these principles. And we have done so, under ten Administrations of both parties and twenty-six different Congresses for clear, straightforward reasons that reflect our own national economic interests; our support for the advance of peace, freedom and the rule of law; and the interest we share with all our trading partners in creating a more prosperous world for each succeeding generation.

VALUE OF OPEN MARKETS

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

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

Open markets also allow us to import; and imports are equally important. They create the choice, price and competition that raise family living standards. This is true for all families, but most especially the poor. Imports give businesses access to inputs -- raw materials, parts, business equipment -- that reduce overall costs and therefore improve efficiency and competitiveness.

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

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

THE RECORD AT HOME

At home, the opening of trade since the founding of the GATT has contributed importantly to American prosperity. We have held eight trade rounds in the last 50 years, helping trade to grow fifteen-fold worldwide. It is no coincidence that this period has seen the most rapid, sustained economic growth ever recorded. Since 1992 when we created the WTO:

-- We have prospered. Our economy has expanded from $7.1 trillion to $8.8 trillion in real terms, during the longest peacetime expansion in our history. Expansion of exports, totaling over $300 billion, accounted for a third of our growth until the financial crisis.

– We have created nearly 19 million new jobs, and unemployment rates have fallen to the lowest rate in the past three decades. Over 12 million jobs now depend upon our exports.

– We are more competitive, through technological progress and rising rates of investment. The U.S. has been rated by impartial observers as the world's most competitive economy for the past five years.

– And we enjoy higher living standards, with average wages reversing a twenty-year decline and growing by 6.0% in real terms; record rates of home ownership; and unprecedented growth of family assets.

And today, in this highly global economy, the WTO enables us to maximize the advantages from, and manage our interests in a global economy. To ensure that we receive fair treatment in the global economy, we need this framework of clear, transparent and enforceable rules:

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

As the world's largest exporter <u>and</u> importer, we need such a system more than any other country. Consider the alternative -- no one would suffer more than America's workers, businesses and farmers in a world of closed markets, abusive trade practices, and the rising international tensions trade conflicts can cause in difficult times.

DEVELOPMENT OF THE GATT AND WTO

At the foundation of the GATT fifty years ago, we faced the challenge of reviving the western economies after the war. But this work took place in light of the experience of the 1920s and 1930s: the tariff hikes and colonial preference schemes, capped by the Smoot-Hawley Tariff in the United States. This cut trade nearly 70% by 1934, transforming the world into something like a series of island economies, deepened the Depression, and intensified the political tensions of the era.

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

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

trading system.

It is especially affirming, given the history, that the trading system proved its worth during the recent financial crisis. We endured the worst financial crisis of the past half century - with 40% of the world in recession, seven major economies contracting by 6% or more, and the American trade imbalance at record levels. During this time, binding WTO commitments helped countries resist a backward slide into protectionism of the sort that occurred in the 20's and 30's. Such a cycle of protection and retaliation would have denied affected countries the markets they need to recover, and hurt our own companies, farmers and workers as well. The contrast to the experience of the 1930s could not be more clear; and if the postwar founders of the system were here to see it, they could be forgiven for showing some pride in the work they began.

THE ARGUMENT FOR ISOLATION

And where do we go from here?

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

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

THE CHALLENGES OF THE PRESENT

In addition to this challenge, we face new challenges at the end of the century that are quite different than the ones we confronted at the inception of the GATT 50 years ago.

-- We must pursue ever more open markets, prying open services and agriculture markets and completing the unfinished business in the industrial goods area.

– We seek to bring into the world trading system formerly communist countries and also to integrate the least developed nations more fully into the world economy;

– We seek to ensure that the WTO keeps pace with the challenges and opportunities presented by the scientific and technological revolution, in areas such as electronic commerce, telecommunications, and biotechnology;

– And we must ensure that the WTO is more open, accountable and responsive to the citizens' concerns and supportive of core labor standards and sustainable development.

TOWARDS THE NEW ROUND

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

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

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

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

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

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

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

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

And fourth, ten years after the fall of the Berlin Wall, we are integrating formerly communist countries into the world economy. From the Balkans and the Baltic states, through Russia and the former Soviet republics to China, Vietnam and Laos, a vast group of nations are

breaking with communist planning systems. Their applications to join the WTO, completed through commercially meaningful accessions, will both help them complete their domestic reforms, and strengthen the peace in the next century, by more securely integrating them into a prosperous, stable world economy.

Monday, Ambassador Barshefsky concluded our bilateral agreement with China. After thirteen years of negotiation, China and the United States have agreed upon a strong, commercially viable WTO agreement for China. It is a historic agreement that is a win for American export-related jobs, for Chinese economic reform, for our global trading system and for the long-term U.S. - China relationship. The agreement's results:

- Are comprehensive. China's market access commitments cover the range of our concerns in agriculture, industrial goods and services: tariffs, quotas, state trading, sanitary and phytosanitary standards, intellectual property, distribution and trading rights, and foreign investment. Its Protocol commitments include technology transfer, subsidies, non-market economy dumping, offsets, safeguards, state enterprises and more.

- Grant no special favors. China, like other new WTO members, will reduce its trade barriers in each area to levels comparable to those of major trade partners, including some industrial countries.

- Will have rapid results. On accession to the WTO, China will begin opening its market in virtually every area, and will complete the process within five years in almost all cases.

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

And at the same time, we must also ensure that developing countries already in the system are more fully integrated into the WTO. The WTO must do all it can to better promote the integration of the least developed into the world economy. At home, we will enhance our market access programs, beginning with Ambassador Barshefsky's expansion of the duty-free GSP program, and the legislation we support to offer greater market access for products from Africa and the Caribbean; in the new Round, we will do more.

CONCLUSION

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

The opportunity is great. But full success will only come with a foundation of public support for trade policy. The Ministerial is a unique opportunity to build this foundation.

You too 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.

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

Remarks at World Wildlife Fund Event

Ambassador Susan Esserman
Deputy U.S. Trade Representative

WTO Ministerial Conference
Seattle, Washington

November 29, 1999

Thank you all for coming today.

Let me begin by thanking Minister Asgrimsson for organizing this event and for Iceland's leadership on this issue. I would also like to recognize Claude Martin of the World Wide Fund for Nature and Kathryn Fuller of the World Wildlife Fund, for their hard work and advocacy of the fishery subsidy initiative. Their advocacy has been a model of creativity and perseverance in working on a critical trade and environmental issue, and they deserve enormous credit for helping to bring it to the center of the trade policy debate.

I would also like to recognize and applaud the work of the Department of Commerce, under the strong leadership of Secretary Daley, Rollie Schmitten of the National Oceanic and Atmospheric Administration, and their staffs. We have worked together very closely in pressing this issue forward, and will continue to do so as we bring the work to completion.

Let me just say a few words about the things that have brought us here to Seattle.

Each of us wants a prosperous world, in which our economies grow and our people can use their talents to the maximum extent.

And each of us wants a healthy world, which offers 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.

In pursuit of these goals, we have developed a set of principles -- laid out this month in the President's signature of an Executive Order on environmental reviews, and the Declaration of Principles on Environment and Trade -- that will help ensure our work in the trading system makes its full contribution to the broader goal of sustainable development. As we create growth and opportunity by opening world trade, we will help to protect the environment we hold in trust for future generations.

And there is no better example of these principles in action than the cause which unites us today: the elimination of fishery subsidies which contribute to overcapacity and threaten our marine resources.

Today, governments spend $15-20 billion dollars every year on fishery subsidies which put more boats on the water than our natural resources can handle. To grasp how much this is, $20 billion a year is more than $2 million an hour, enough to pay for two new factory ships – or well over 200 smaller commercial boats – every single day.

This is more than the oceans can take. Over 60% of the world's fishing grounds are overfished or close to it. Under such pressure, historic resources such as the Grand Banks off New England, the Alaskan pollock grounds and the Argentine hake fishery are in danger of collapse. In the coastal waters and on the high seas, fish species from tuna to swordfish and Atlantic salmon and cod are on the danger list. This cannot go on much longer without permanent damage to a resource which is humanity's common heritage; and which sound, rational policies would conserve and manage for the future.

The Food and Agriculture Organization has played a leadership role on this issue by calling for elimination of these harmful subsidies. We believe that the WTO has a key role in bringing this goal to fruition. The WTO brings together nearly all the world's major fishing nations. And the WTO is a forum with a long history of work in disciplining harmful subsidies. So it is ideally placed to help all governments accomplish their agreed goal of abolishing the subsidies that contribute to overcapacity.

In fishery subsidies, as in the agreements we reach at the WTO more generally, a decision that is politically difficult for one country can, when adopted by all WTO members, be a policy that all agree will benefit the world's fishing industries over the long run. And that is our goal.

By agreeing in the new Round to eliminate these subsidies, we can help make sure that the boats which leave Puget Sound today, a decade from now, and far into the 21st century earn a living for their owners and crew. And at the same time, we can help damaged stocks of fish begin to recover; and leave to our children the healthy, living ocean they deserve.

That is a noble goal. And I am very proud to be here with Minister Asgrimsson, Secretary Daley and our other colleagues who are here with us today as the work begins.

Thank you very much.

Deputy U.S. Trade Representative

600 17th Street, N.W.
Washington, D.C. 20508

March 8, 2000

Mr. R. Goyal	India Globe	703-978-7572
Dr. S Krishnaswami	The Hindu	301-970-3493

FROM: **Office of Ambassador Susan G. Esserman**

Tel: (202) 395-5114
Fax: (202) 395-3390

Comment:

Attached is a copy of Ambassador Esserman's remarks to yesterday's CSIS conference. Our apologies for the delay in transmitting this document.

AMERICAN TRADE RELATIONS WITH INDIA

Ambassador Susan Esserman
Deputy U.S. Trade Representative

Center for Strategic and International Studies
Washington, D.C.

February 24, 2000

Good morning, and thank you all very much.

We meet at a propitious time– on the eve of the first Presidential trip to India in more than two decades; at a time when India and the United States share a number of common goals in the trade arena based on our areas of mutual strength and interest; and most particularly, when India and the United States, as leaders in the information technology field, have the potential to expand dramatically economic opportunities for our citizens and improve the quality of life for all segments of our societies.

CONTEXT OF US-INDIAN RELATIONS

To start with the fundamental point, our Administration hopes to see a strong and prosperous India, which is a leader and full partner in a growing and vibrant world economy.

A strong bilateral relationship is first a matter of mutual interest and is also wholly in keeping with the high aspirations of our two countries. We share institutions and values that are the building blocks of a closer economic partnership: Our governments rest upon democracy, the rule of law, constitutional succession, and the rights of the individual. Our countries and our Constitutions promote intellectual freedom and vigorous public discourse. Our policies, at their best, reflect shared aspirations for increased opportunity and social justice for all of our citizens.

Moreover, India and the United States, the world's largest and the world's oldest democracies, should work together to build a global trading regime that reflects these common purposes and aspirations. I believe, on the basis of my own experience in recent months, that we are beginning to forge such a partnership. And I am hopeful that President Clinton's visit will serve to advance the emerging trade dialogue in important ways.

TRADE POLICY AND INDIAN ECONOMIC STRATEGY

While our participation and interest in trade with and investment in India historically have been constrained by a variety of trade barriers and extensive regulations in India, recent economic reforms offer hope of greater opportunities.

Over the last decade, and in the last year in particular, the Government of India has engaged in broad ranging efforts to create the kind of competitive domestic market that stimulates investment and fosters technological progress and long-term growth. The investment, trade and tax regimes have been substantially altered, and the private sector has been given a much more substantial role in banking, civil aviation, heavy manufacturing, power generation, telecommunications– all areas that were until recently the exclusive preserve of the public sector.

In the past year, the pace of economic reform has accelerated significantly. India has implemented a New Telecom Policy, reorganized of the Department of Telecommunications, and restructured the Telecom Regulatory Authority. The introduction of the Insurance Regulatory and Development Act within three days of the formation of a new government in October was an impressive signal, as was the passage of the legislation by both chambers of Parliament in early December.

The current Indian government, which set a record in December for legislative action, has also launched a number of promising new initiatives across an impressive range of subjects. New laws and ordinances have liberalized foreign exchange management, strengthened intellectual property, allowed Internet trading of shares, and opened Indian satellites operations, airports and airlines to private participation.

While much work remains ahead, the fruits of domestic liberalization and an opening world economy have already benefitted India:

- India's economy is growing at high rates. In the mid 1990's the average rate of growth averaged higher than 7 percent. Even after the East Asian financial turmoil and general global slowdown, India maintained growth rates of 5 percent.

- India's finances are stable. Inflation hovers between 2 and 3 percent, and foreign reserves have increased substantially, rising by $6 billion last year alone.

- And of course, India has become a world leader in information technology and appears to be on the way to meeting its goal of being an information technology superpower early in this century.

US-INDIAN TRADE

India's era of reform and economic progress is reflected in our growing trade and economic relationship. Since President Clinton took office, liberalization has helped American energy, manufacturing and other firms invest nearly $5 billion in India -- creating jobs for Indian families and bringing new technologies to the Indian economy. Our bilateral services trade reached nearly $4 billion in 1998–nearly double 1994 flows.

And our bilateral goods trade has doubled, reaching nearly $13 billion in two-way trade

last year. India's total exports to the U.S. have grown rapidly, topping $9 billion last year, an increase of more than 10% over 1998. This reaches across the spectrum of goods, from agricultural products to manufactures and natural resources.

Likewise, American exports to India have grown. In 1999, we exported a wide variety of goods to India, including almonds; aircraft; computers; fertilizer; heavy machinery and scientific textbooks. More Americans than ever before -- led of course by our million-strong Indian-American community -- are finding opportunities in an opening Indian market.

But India's economic engagement with the United States and the rest of the world remains severely limited. India has, by World Bank estimates of purchasing power parity, the world's fourth largest economy. But India's share of world trade amounts to only a fraction of one percent. This is not a matter of self-reliance, but a policy of self-denial. India's tariff and non-tariff barriers impede its own prospects for higher growth, rising living standards, and technological innovation. These barriers effectively raise the price of goods for families, force businesses and farmers to pay higher prices for inputs; and reduce India's overall growth prospects as competitors in China and Southeast Asia move ahead.

While India's trade barriers constrain U.S. exports to India, they also shut out the products of India's developing country neighbors in Africa, Central Asia, Southeast Asia and the island states of the Indian Ocean.

Many of their products, particularly tropical products, would be very competitive in the Indian market. A free and open Indian market would therefore serve – much as the European Union does for the Mediterranean world and Central Europe, or the United States for the Caribbean and Latin American states – as a source of growth and economic stability for a large part of the world; integrating more fully and fairly these developing economies into the global system.

MOVING FORWARD

Most recently we have seen an important sign of trade liberalization in the Indian market. After a WTO dispute panel decision against India's restrictions on imports, India agreed to lift many of the import bans and licensing requirements it has long maintained. This stretches across a very large spectrum of agricultural products, textiles and consumer goods. India will lift import restrictions on 1,400 specific products, some for the first time in fifty years. And it will do so rapidly -- half by the end of March this year, and the other half within a year.

This agreement sends a powerful signal to the investor community of new opportunity to invest and produce efficiently in India. It is critical to India's continued growth and its ability to attract and retain investment that these new policies are adhered to. It is also vitally important that India not undermine its important gains, as some in India have suggested, by raising already high tariffs and surcharges or imposing non-tariff barriers.

To create even a temporary replacement for these barriers would damage American trade interests. But more so India's. This is because the market opening inherent in our agreement is consistent with the goals of India's own reform policies: to help Indian families raise living standards as they gain a wider choice of goods; to give Indian firms opportunities to strengthen their technological base; and give Indian entrepreneurs -- so successful in Europe, the United States, Africa and Southeast Asia -- a chance to create new businesses and sources of growth at home. Indeed, India stands to be the main beneficiary of this new approach.

BUILDING THE 21ST-CENTURY ECONOMY

And the fact is, India has no reason to approach the world economy with anything other than confidence. That is already clear in the fact that India's most successful industries -- software, film, computers -- are those most closely integrated into the world economy.

And India's policies in these areas are admirable. In electronic commerce, for example, India has fostered a dynamic software industry, based on sound engineering and technical expertise, that is world class. Its knowledge base in this area includes some of the world's most imaginative and advanced producers. And, electronic commerce within India is projected to reach $15 billion in two years. E-commerce clearly is a tool that supports development: for Indian entrepreneurs, and rural collectives, and high-tech businesses hoping to form alliances with overseas partners.

The development of robust trade in information-based services and products, however, depends first of all on our ability to preserve the Internet as a world which today has no borders or domestic walls; and India thus has as much interest as any country in the world in keeping the Internet free of tariffs or other barriers. The role of governments in this new and flourishing area of commerce is quite simple: to make sure that trade is not impeded by the erection of discriminatory trade barriers. India's recent steps to liberalize aspects of the telecommunications sector support this goal, and further steps would greatly enhance growth in e-commerce and other knowledge-bases industries.

Likewise, India's success in software and film show India is capable of world leadership as an exporter in other IT sectors: computers, semiconductors, telecommunications equipment and so on. And as a buyer, access to these goods at the best prices is an essential contributor to a world-class telecommunications and computer networks.

India's decision to join the WTO's Information Technology Agreement (ITA) is clear evidence of India's intention to become a world leader in these fields. By eliminating tariffs and therefore reducing prices for information technology products -- semiconductors, computers, and related equipment -- this agreement improves the competitiveness of the Indian software industry and links it with markets around the world. And together we can do still more to enhance competitiveness in the IT sector: with India's support for a second ITA adding products such as printed circuit board manufacturing equipment, consumer electronics, and radar and

navigation equipment.

There is a striking lesson of course in this: unlike other sectors of the Indian economy, which have long been subject to government control in the name of development, India's greatest international success is in the area where the government allowed Indian entrepreneurs and individuals to take full advantage of their skills and ideas in an open marketplace. That, course, is exactly the same story behind the growth of the Silicon Valley and the Internet. It is a lesson we have learned, and as in other countries, that applies more broadly than just to the IT sector.

India and the US also have mutual interests to pursue in the WTO negotiations recently initiated on services and agriculture. We need to work productively together to pursue our mutual interests in opening markets around the world to our world class products.

The services negotiations, in particular, plays to India's strengths in knowledge-based industries. By opening trade in areas such as software distribution, telecommunications, engineering, and insurance and other financial services, we can promote the conditions that helps attract and retain investment, as we also spread beneficial technologies more rapidly around the world.

In agriculture, we can reform world trade in ways that help us both, but are especially important to the developing world. We can cooperate to create open markets that increase the opportunities available to farm families; that strengthen food security by ensuring that nations have access to diverse supplies; and that ensure that farmers can use modern science to improve productivity and reduce pressure on land and water. The United States has called for the elimination of agricultural export subsidies. These hurt farmers everywhere in the world by depressing prices and flooding foreign markets; but hurt most of all, the rural families of the developing world, whose governments have fewer resources to fight back.

CONCLUSION

As we approach the President's visit, we have an opportunity at the dawn of the new century to begin to create closer economic partnership. Success will help Indian manufacturers find new markets, strengthen India's advantage in high technology, and support the incomes of Indian farmers; as it does these things for Americans as well.

Perhaps more significantly, India and the United States, are linked by shared aspirations and values that have helped us for half a century to rise above policy differences and disagreements; these aspirations and values can in the next half century help us build an open and fair world in which goods, capital and information flow freely across the globe, yielding improvements in health, literacy, and living standards for all the world's people. We have already largely succeeded in giving our populations the political voice that is their right as free persons in free society; we need to work together to similarly unlock their potential in a freer, more prosperous economy.

This is the opportunity before us; and let us make the most of it.

Thank you very much.

Telecommunications and the International Trade System
Deputy USTR Susan G. Esserman

Center for Strategic and international Studies
Washington, DC

February 29, 2000

This month marks the second anniversary of the coming into force of the WTO Basic Telecommunications Agreement. This agreement was greeted with enormous expectations for shaping global telecommunications markets. I'd like to look back and see how those expectations were met, consider the continuing challenges in implementation, and the significance of this agreement for future trade negotiations and policy.

A look back

Five years ago, when the Uruguay Round was completed and the unfinished work on telecom negotiations was just getting re-started in the WTO, we faced a policy landscape that, today, would be unrecognizable. There were many opponents of liberalizing the telecommunications sector and bringing it under global trade rules: many argued that the sector remained a "natural monopoly", that was best operated by government-owned firms; they argued that issues of sovereignty and national security made offers of market access to foreign firms unwise; and that there was no incentive for countries to make concessions in a single-sector negotiation, that mainly benefitted large, advanced countries. At the time, only 17 of the top 20 markets were open to foreign competition. In short, the deck was stacked against multilateral success--so much so that many in U.S. industry thought that the only option was an incremental market-opening approach, through a series of bilateral negotiations with our trade partners.

The United States at that time accounted for about one third of world telecom revenues. Despite global opinion that viewed liberalization in this sector with great skepticism, we boldly offered to open our market up fully, in return for concessions from others. While that may have seemed foolhardy, we could do that because we kept uppermost in mind something that is now accepted as commonplace: that competition in this sector was not only possible, it is a major driver of growth—contributing to more revenues for all participants, and greater benefits to consumers. We knew, from long experience involving the break-up of AT&T and in efforts to foster local competition, that the net gains far outweighed any downside–and that the United States was well positioned to take advantage of further openness abroad.

At the same time, what was happening domestically in the United States market was not lost on key countries. They realized they could not afford to take the risk that the United States might be right--that we offered a model that they could benefit from.

The United States obviously expected broad-based concessions in return for our bold offer to

open our huge market. And we were richly rewarded. When the negotiations concluded in 1997, commitments made by WTO members covered over 95% of world telecom revenue, then about $600 billion dollars a year. This covered telecommunications services delivered through every technology available–wireline, co-axial cable, radio, satellite, submarine cable etc. Commitments for the 70 participants in the negotiations covered not only market access–the right to offer services in a foreign territory and set up operations there; but also, for most of those participants, adherence to a set of regulatory principles known as the Reference Paper.

The Reference Paper deserves special note. In the world of services, like in the world of goods, market access barriers do not end at the border. Just as there are non-tariff barriers that hinder the ability of a supplier to sell goods in a foreign country, there are regulatory practices and behavior of firms in the telecommunications sector that can limit a firm's ability to compete in a market. The Reference Paper drew heavily from hard-earned experience in the United States to address a key issue: how to discipline the behavior of monopoly and dominant carriers, so competition could prosper.

The Reference Paper sets out a framework of key regulatory goals that must be met if competition is to succeed–a constitution, in essence, for regulators, on six topics:

- the prevention of anti-competitive cross-subsidization;
- the imposition of interconnection obligations on "major" or dominant carriers.
- competition-neutral requirements for universal service programs;
- public availability of licensing criteria;
- independence of regulators; and,
- allocation and use of scarce resources such as radio frequencies or rights of way.

The reference paper has formed the basis for regulators around the world to reform their institutions and, to better meet the needs of growing, competitive markets. Over time, disputes over implementation and interpretation of its principles have arisen in a number of markets. Based on our own long experience with the difficulties of promoting competition, this is not surprising. The Reference paper has provided a valuable framework for addressing such problems in a pro-competitive manner, by fostering converging regulatory practices among the countries that adopted it.

Implementation of the Agreement - a story of growth

Market access opportunities flowing from this agreement have greatly exceeded expectations. The global market for telecommunications services was about 600 billion dollars in 1997; it is expected to reach double that amount in the next several years. Foreign investment, both in established carriers and in ventures building new networks, has reached tens of billions of dollars. The breadth of investment, from satellite systems, third-generation wireless radio services, underseas cables, and conventional fixed networks, is staggering. The geographic scope of investment is equally impressive–with major foreign investments occurring throughout Africa, Asia, Latin America and the Middle East, as well as in Europe. U.S. carriers are now constructing networks on every continent in the world, spending billions of dollars to extend their

networks and bring foreign citizens and U.S. users the benefits of greater connectivity.

The key factor driving global growth in telecommunications has been competition guaranteed by the WTO agreement: competitive markets have stimulated the demand for new services through lower prices and innovative use of technology, which has quickly rippled throughout the world. Even markets still dominated by monopolists have been forced to respond to meet new consumer demand–and upgrade their networks to meet the potential challenge of new competitors. While telephone service in some countries–even Japan–was formerly considered almost a luxury, countries now recognize that a competitive modern telecommunications sector is at the heart of a competitive economy.

Having long enjoyed the benefits of competitive markets, we knew that phone rates in most markets were highly overpriced. The impact competition has had on some markets, however, has been phenomenal. Prior to implementation of the WTO agreement, calls to and from Japan, for example, were typically one dollar a minute. Now, rates as low as 15 cents a minute are common. On the most competitive routes, such as between the United States and the United Kingdom, calls are priced little differently than domestic long-distance. This is, of course, as it should be–there is no reason that competitive rates should not spread globally–the technology and services are essentially the same, and there is no compelling reason for dramatic price distinctions.

The big, unanticipated part of this story, was, of course, the Internet.

The Internet would not have been possible without the competitive environment of the U.S. market. The fact that so many countries now see the benefits it offers and want to bring it to their countries is helping to ensure that pro-competitive policies in telecommunications markets worldwide take root. Countries know they can not afford to miss out on this phenomenon. And they know now that depending on a monopoly provider to roll out services is a recipe for being forever behind.

The value of the Internet, and the more efficient manner in which it uses network resources is now obvious. The Internet has stimulated uses that were not even imaginable four years ago–proof that growth and market opportunities simply cannot be predicted–and should not be controlled by a monopolist.

Implementation: Continuing challenges

The one area that has restrained growth more than any other has been the difficulty regulators have had effectively disciplining anti-competitive conduct on the part of dominant carriers–i.e. the former monopolists. From Mexico to Japan, the problems are similar: politically powerful operators, seeking to slow down the ability of new entrants to reach customers on competitive terms, have stood in the way of necessary regulatory reform. Interconnection, especially the pricing of access to the dominant network, has been a persistent problem. Companies such Telmex and NTT have succeeded in maintaining above-cost rates, disadvantaging competitors, and, ultimately, consumers. In a country like Japan, where the untapped potential growth of a competitive telecommunications market is enormous, the reluctance of the regulator to confront

these issues is astounding. This demonstrates the pressing need for continued multilateral efforts to adopt regulatory best practices, so that principles embodied in the WTO agreement can be implemented effectively. Consumers are increasingly aware of excessive prices and limited services on networks dominated by former monopolists, which is fueling domestic pressure to address these issues. In bilateral consultation with such countries, we have used WTO commitments to good effect to institute change; and where appropriate, we will pursue dispute resolution proceedings in the WTO.

On March 31, we will announce our findings in the annual statutory review of telecommunications trade commitments, our Section 1377 review. In the two years since the WTO Agreement on Basic Telecom came into effect, interventions by U.S. officials on behalf of U.S. industry abroad, in instances where trading partners' WTO obligations are implicated, have increased as expected. In several instances we have seen a rapid resolution of complaints without resort to investigations under Section 1377. Implementation problems have been so serious in other countries, particularly Japan and Mexico, that we have been in constant communication with regulatory and trade authorities about continuing concerns, including the potential for WTO dispute settlement action if implementation problems are not resolved soon.

This year's review is going to focus on problems in implementation of WTO commitments by: Canada, the European Community and particularly two of its Member States, Germany and the United Kingdom; as well as Israel, Japan, Mexico, Peru, and South Africa. The interagency enforcement team, led by USTR and assisted by the U.S. embassies in these countries, already has begun discussions with these governments. We will have further discussions as March 31 draws near. It is our goal to resolve as many of these problems as we can by then.

Lessons learned, implications for the future

Frankly, there are several key lessons learned from the telecommunications agreement, with broad implications for future trade policy:

- The United States' market's remarkable success, especially in information industries, has created a powerful incentive for others to emulate U.S. policies–and a willingness to liberalize.

  Fear of falling behind is a major incentive to liberalize. The promise of electronic commerce–which is driving the growth of networks today–is something no country dares miss.

- In rapidly developing information-industry sectors, the rationale for protectionist policies is increasingly discredited.

- Shielding one's information industry from competition creates a serious disadvantage–the innovation, investment, and technology in this sector thrive on openness.

- Even where countries have not been willing to make trade concessions at the bargaining

table, peer pressure in the market, once a liberalizing catalyst has been introduced, will help create autonomous liberalization.

Countries are competing for investment, and thus have an independent incentive to ensure the most hospitable investment climate possible. For example, India liberalized Internet access and long-distance services; Korea and Japan relaxed some of their remaining investment restrictions; Singapore eliminated restrictions on the number of carriers that could operate. Countries have been quick to learn that restrictive practices hurt them, in an area they can least afford.

- Entrenched interests of ex-monopoly operators will continue to be the main barrier to growth.

  There is too much money at stake for ex-monopoly operators to cede markets to competitors without a regulatory fight, even if it means hurting an economy's overall interests. Countries with strong and independent regulators are the countries that will benefit from competition most.

Where do we go from here?

Clearly, we have helped unleash a liberalizing trend that we should continue to support. In service negotiations in the WTO, which just began, we will be focusing on how to achieve broader and deeper telecom commitments--- from those WTO members who do not yet offer full access and have not fully adopted the Reference Paper, as well as expanding the number of countries participating in the agreement. Prospects for greatly increased liberalization are good: countries realize that liberalizing this sector is their best chance to ensure that they can fully participate in the digital economy and bring their citizens the benefits of growth and innovation.

We look forward to working with you to make this new negotiation on telecommunications services as successful as the last. Thank you.

Remarks of Ambassador Susan G. Esserman
Deputy U.S. Trade Representative
Conference of Confederation of Indian Industry
New Delhi, India
March 23, 2000

I would like to begin this morning with the President's call for the United States and India to build a dynamic and lasting partnership, based on mutual respect and mutual benefit." As he said, we should be better friends and stronger partners, recognizing that in this era of globalization our futures are intertwined.

Trade is and should increasingly be a critical part of that partnership. We have a window of opportunity to expand our trade exponentially and lift the prospects and standards of living for our people, but it is imperative that we seize it.

The capacity for this partnership rests on a set of common traditions: shared values; strong and stable democratic traditions; respect for rule of law and similar legal systems; shared economic strengths and interests in agriculture, services, and high-technology; burgeoning info-technology industries; strong and growing links, fostered by the Indo-American community, as well as education and scientific links.

I have a number of suggestions on how to expand this partnership and our bilateral trade. But this must be viewed in the context of our existing trade relationship. Let me review the facts.

Our bi-lateral trade is growing, both because of India's economic reforms and because of market opening and trade concessions that India has received from the WTO Uruguay Round Agreements.

- Since the conclusion of the Uruguay Round in 1994, in which the U.S. lowered its average tariff to just under 3%, U.S. imports from India have risen 71%, from just over $5 billion to $9 billion. During that time, our trade deficit with India has widened, nearly doubling during that period to $5.4 billion.

- This makes the United States India's largest single trading partner, accounting for over $12 billion in two way trade annually, and purchasing 21% of India's global exports.

- This trend includes the critical area of textiles. India's textiles exports to the U.S. have grown 77% since we began to phase out our textiles quotas in 1995.

- Trade in the high tech area is another area of significant growth. India's software and related services exports have grown ten-fold since 1992, reaching $2.6 billion last year. Nearly *three-quarters* of those exports go to the United States. Moreover, some think the market will continue to expand rapidly over the next decade, reaching $87 billion by 1998.

Despite this growth though, our bilateral trade is small compared its potential. In terms of "purchasing power," India already has the world's fourth largest economy. However, it accounts for only .7% of global world trade.

A major factor restricting trade are India's tariff and non-tariff barriers, which impede its own prospects for higher growth, rising living standards, and technological innovation. These barriers effectively raise the price of goods for families, force businesses and farmers to pay higher prices for inputs, and reduce India's overall growth prospects as competitors in China and Southeast Asia move ahead. This is not a matter of self-reliance, but a policy of self-denial.

Investment and trade barriers combine to restrict foreign direct investment in India. While the United States is India's largest foreign investor, India accounts for less than 1% of total U.S. global investment. Finally, consider that the five large Southeast Asian economies, with a collective population a third of India's, are our fourth largest trading partner. Or that our two way trade with China is today eight times greater than that with India – nearly $100 billion. Or consider that the U.S. bilateral trade with Singapore, an island of three million people, is *triple* our trade with India.

In view of these facts, if our trade is to expand to its true potential, we need take a new approach. First, we as governments need to seize opportunities – not shrink from them. We need to act decisively to build on our common strengths and mutual interests. That means that if we share common commercial interests, such as agriculture, services and high-tech; we should move together to open markets in the WTO and bilaterally.

We need to think of our trade relationship in terms of possibilities and partnership and not in the divisive and distrustful mind set of the past. We need to discard the false dichotomy of developing and developed countries that simply doesn't do justice to our complex and changing relationship.

We should deal with our differences in a constructive and productive fashion based on trust and dialogue. We did that recently in reaching our so-called "Article 28" agreement. This agreement enabled us to lower Indian tariffs in areas of concern to us, such as almonds and fresh fruit, and gave India benefits on other items of interest to it.

In fashioning its trade policy, India must take into account its highly diversified economy, which spans, as President Clinton said, from the hand-loom to the hyperlink. Thus, its interest in market opening in trade negotiations is necessarily different, broader and more substantial than in past years, and broader than for an economy that is smaller or more narrowly based. India has far

ranging interests in multilateral agreements to open markets – agriculture, services, industrial tariffs and high-tech. These go far beyond textiles.

We should support the expanding networks of our private sectors with forward looking trade policies – that facilitate trade and not stand in the way of it, and in doing so, creating the conditions for success. India should draw on the fact that its most successful sectors are those that are most integrated into the world economy.

That means, given our role in information technology development, for example, that we should take the lead (and not lag) in promoting policies that prevent trade restrictions from hindering the growth in this exciting new field. We have done this in the past and are now reaping the benefits. We both agreed to the Information Technology Agreement, which eliminated tariffs in a wide range of IT products, spurring growth and exports in India's critical software sector.

There is more we can do in this area: expanding and concluding the second phase of ITA II, supporting an extension of the moratorium on customs duties on e-commerce transactions, and opening services markets in a range of high technology fields, including software development services, computer services, and entertainment

Finally, we should recognize that the ability to promote trade, attract investment and raise living standards on a sustained basis depends not just on one or two successful industries, but on the development of a sound infrastructure, and a strong continuing commitment to reform.

We need, in short, to fulfill the vision of partnership that our leaders have outlined this week. There is a window of opportunity for moving ahead now. But we do not have the luxury of time. Other countries will not be standing still while we decide whether or not we can move forward together.

The pace of economic and technological change is dramatic, and the world will not wait. Other emerging economies countries – many of them here in Asia, and who are already more integrated into the world economy than India – will obviously be seeking to expand their presence in high tech fields where India is prominent. The countries of Southeast Asia have already made vast investments in their infrastructure, and are working to improve the skill levels of their workers. China is moving into the WTO, with dramatic new market opening in key services sectors, and an average industrial tariff level of just over 10%.

Clearly, India should work confidently and outwardly to pursue its interests in the world, including in the WTO. As the President said, we both have much to gain from the launch of a Round of global negotiations – opening up new opportunities as our trade interests change, promoting development, and alleviating poverty. Achieving these gains in the WTO should perhaps be more important to India than to other countries. Other countries such as Mexico, the EU, Southeast Asia and Mercosur, as well as the United States, have substantially increased

opportunities and reduced trade barriers through bilateral or regional free trade agreements in addition to their participation in the WTO. India does not participate in any such agreements and thus relies critically on the WTO to secure important market openings that reflect its interests and benefit its people.

We should thus work in the spirit of respect and trust to forge a consensus for a new round of negotiations. Here too, in this arena, we have many common interests. Both the United States and Indian economies have a strong interest in opening world markets for agriculture, for services, and electronic commerce and information technology.

In sum, as President Clinton said yesterday, we need to get our economic relationship right. We need to work harder to turn the vision of closer economic ties, articulated by our leaders this week, into concrete achievements. We have the opportunity to be: partners in the high-tech area; partners where we have common interests in the WTO; partners in our commitment to reducing trade barriers; engaged in a dialogue that anticipates problems and restrictions, and which listens to the concerns of our private sectors. Let us work confidently to seize this opportunity, so that we can be, as the President said yesterday, not just partners in spirit, but partners in fact.

U.S. TRADE POLICY IN SOUTHEAST EUROPE

Remarks of Ambassador Susan Esserman

Deputy U.S. Trade Representative

to the Southeast Europe and the WTO Conference

Budapest, Hungary

April 5, 2000

[1800 Words – Approximately 17 Min.]

Minister Martonyi, Deputy Director Andy Stoler, Ministers, Distinguished guests:

Let me tell you how happy I am to be here. Let me thank the Minister, and the Hungarian government for their leadership, generosity and hard work in all facets of the Stability Pact, and in planning this meeting. Again, thank you all very much for coming here for this important conference. I am also pleased that we are joined by Andy Stoler, who is the Deputy Director General of the WTO.

We are here today in pursuit of a noble goal. As President Clinton said in Nevski Square last November:

> "The Cold War was fought and won by free people who did not accept that there could be two Europes in the twentieth century.
>
> Now we must not, and <u>will</u> not accept that there can be two Europes, separate and unequal in the 21st century."

Hungary's experience, as one of the first Central European countries to begin the process of democratization and reform -- and now as one of the new members of the NATO and as a leader in the WTO -- is testimony to the fact that this promise will be kept. In this process, trade and the WTO have a central role; and that is why we have come to Budapest for this conference today.

TRADE AS A SUPPORT TO PEACE

I'd like to begin with a very broad perspective. Our modern trade policy rests on a commitment to open markets under the rule of law: most immediately as a way to create growth and rising living standards, but more fundamentally as a support to peace. This policy dates back in the United States to the Administration of President Franklin Roosevelt, who drew upon lessons from the Great Depression and the Second World War.

I'd like to quote from one of his wartime Fireside Chats:

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

These are insights that we, and our partners in Europe, have acted upon for a half a century, in the development of our transatlantic relationship and in the World Trade Organization. The results of our policies have borne out the hopes of President Roosevelt and our postwar leaders: for more than fifty years, in Western Europe, peace, rising living standards and shared values have grown and strengthened. And there is no reason to believe the same cannot happen in Southeast Europe as well.

TRADE AS AN ELEMENT OF THE STABILITY PACT

That of course is the conviction at the heart of the Stability Pact we have developed together. Under its principles, the participating governments from Southeast Europe will promote economic reform; and for our part, the United States and other members of the Pact will provide assistance as reform proceeds.

As the implementation of the pact moves forward, we will speed political stabilization, economic development and democratization for the region; and we will accelerate its integration into an undivided Europe and the transatlantic community.

Trade is an integral part of this program. Last July at the Sarajevo Summit, President Clinton launched the Southeast Europe Trade Expansion Initiative, under which we and the European Union have agreed to open our markets still further to the exports of Southeast Europe; and to provide increased assistance to the region's membership and full participation in the World Trade Organization.

This process is now well underway, with the submission to our Congress of the Southeast Europe Trade Preference Act. We are very much hoping that this legislation will be passed this year.

U.S.-SOUTHEAST EUROPE TRADE RELATIONS

Trade between the United States and Southeast Europe is growing, and the region is participating more fully than ever before in the trading system.

To look at some specifics, since 1995 our imports from many of the countries represented here today have increased. Let me give you a few examples:

- Our imports from Romania have grown from $249 to $434 million;

- Our imports from Macedonia are up from $90 to $135 million;

- Our imports from Moldova have grown most rapidly of all, rising from a tiny amount of $3 million in 1994 to $89 million in 1999.

- And of special importance, our imports from Bosnia and Herzegovina are up from $3 to $15 million this year. To put this in real-life terms, this means that 100,000 pieces of furniture; 90,000 sets of fishing gear; 16,000 pairs of shoes, and thousands of kilos of frozen strawberries have been shipped to the United States in the past year. Each of these means opportunity for Bosnian men and women to settle into jobs, return to the farm, and build a future for the country that has suffered so much.

We are now building on this foundation, and we very much hope that the passing of the "Southeast Europe Trade Preference Act" will provide increased opportunities for trade between Southeast Europe and the United States.

This piece of legislation will provide still greater market access for the countries in the region which have suffered the greatest economic burden from refugee relocation and the other aspects of the Kosovo crisis, offering increased export opportunities and incentives for investment in the region. Specifically, this will mean expamded duty-free coverage to products not previously covered under our Generalized System of Preferences program. These products include certain iron and steel products, certain agricultural products, footwear, glassware, ceramics, automobiles, bicycles, and clocks and watches.

Some of these are products in which this region has a comparative advantage, and will therefore be valuable as a foundation for longer term trade relationships.

STATUS OF WTO ACCESSIONS

Equally important, the United States and the Hungarian Government sought to hold this conference because we believe, as you have heard from Minister Martonyi, that membership and full participation in the WTO are absolutely essential to the region's future economic development.

The WTO principles – commitments to open markets in goods, services and agriculture; transparency; and the rule of law – help all its members promote long-term growth and technological progress. They are also, as many leaders in Central and Eastern Europe have noted, principles essential to successful reform in transition economies.

This is clear in the experience of Hungary and Romania over the years, as the two countries here which have been members of the trading system for the longest period of time. It

has been shown true again and more recently with the entry of Slovenia and Bulgaria. And we now hope to complete our work, as rapidly as possible, to bring the other countries participating here into the WTO.

I would say that this process is coming along reasonably well. The accessions of Albania and Croatia are nearly complete, and the accession of Moldova has advanced as well, although we are extremely concerned that Europe has pressured these countries to restrict market access, contrary to the spirit and purpose of the WTO and WTO agreements. We are also beginning to work with Bosnia and Herzegovina and Macedonia on their WTO accessions and we hope to intensify that process.

FUTURE WTO AGENDA

When these accessions are complete, the trading system will offer each country here a broad range of opportunities. I would like to point out three particular areas in this regard:

Technological progress: The WTO's agreements on intellectual property, services, telecommunications, and information technology offer a comprehensive set of policies to spur local innovation and the development of creative industries, and also to attract high-skill, high-wage foreign investment.

Likewise, the WTO's now widely-accepted principle of duty-free cyberspace promotes the unimpeded flow of trade in this critical area.

I would like to cite in particular in this area for commendation Bulgaria's recent progress on intellectual property rights protection, particularly in combating illegal optical media piracy, and I know that we will see Bulgaria reap the rewards of these actions through increased investment. We also would like to applaud the commitments by both Albania and Croatia in the accession process to participate in the WTO's agreements on information technology, basic telecommunications and financial services.

Opportunity for Farmers: The WTO agreements on agriculture and on sanitary and phytosanitary measures are especially important for developing countries. These open markets to products in which Southeast Europe has a strong comparative advantage, and also help countries develop modern policies to ensure food safety and protect animal and plant health.

Dispute Settlement: Finally, let me mention the area of Dispute Settlement which the Minister discussed so well. One, because it embodies the rule of law, and second, because it puts every WTO member on the same footing: each of us has promised to live by the same rules, and each of us is responsible to keep our promises. I would like to agree generally with the comments of Minister Maratonyi. The WTO can give small economies the means to exercise their rights through alliances, extensive participation, dispute settlement, and other means. Hungary is certainly a model example of effective participation in the WTO to advance its interests .

FUTURE AGENDA

And just as important, as WTO members each of us will be full partners in the development of the trading system and we very much have to look forward to the future. It is really our responsibility to move the system forward. Last February, the WTO agreed to open a new set of negotiations that will further open markets and create new opportunities for agriculture and services providers. These have especially important implications for the countries of Southeast Europe, helping to create direct new opportunities for farmers, and, particularly in the services area, to spur economic efficiency and technological progress through opening services markets.

The United States is now consulting with other WTO members to broaden these talks into a formal new Round, that would cover additional topics such as industrial goods, trade facilitation, electronic commerce, enhanced market access for the least developed and perhaps other subject areas as well. The United States has committed to a new Round of negotiations, but it will require flexibility on the part of all WTO Members to make it a reality.

CONCLUSION

As we look ahead from this conference, we must admit frankly that we have a difficult road before us. The challenges we all face are complex; and success in them will require creative thinking and a sense of shared responsibility from all of us. But we should begin the work with a sense of optimism, and let me tell you why I say that.

Some people look back at the history of the region and draw pessimistic lessons from it. Our view in the United States is just the opposite. We look back on a decade in which every country represented at this conference has confronted massive changes and challenges:

- The collapse of dictatorship; the consolidation of economic reform; and the process of democratization.

- The breakup of Yugoslavia, followed by conflict and economic hardship in the region.

- And of course the continuing disruption of regional trade resulting from the violence in Kosovo and the isolation of Serbia as it remains under non-democratic rule.

And yet, in the face of these challenges, each country here has also taken extraordinary steps.

Each Minister here today is the representative of a fairly and openly elected government. Each country has made progress on economic reform. Each nation has earned the right to hope that this new decade will be one in which dictators, poverty and violence fade forever into the past.

In this the United States will be with you every step of the way. And I am very proud to be here as the work continues; and I nowvery much look forward to your questions, your ideas and your advice.

Thank you very much.

OPENING REMARKS AT US-AFRICA WTO FORUM

Ambassador Susan Esserman
Deputy U.S. Trade Representative

Washington, D.C.

May 3, 2000

Good morning, friends and honored guests. I am proud and pleased to welcome you to Washington for this US-Africa WTO Forum. Let me begin by recognizing each of our honored guests:

Deputy Prime Minister Moses Ali of Uganda; the Trade Ministers of Gabon, Ghana, Kenya, Lesotho, Mali, Nigeria, Tanzania and Zambia; and the Ambassadors of these nations. Let me also recognize the distinguished representatives of five African regional economic organizations: the Central African Economic and Monetary Community; the Common Market for Eastern and Southern Africa; the Economic Community of West African States; the Southern African Development Community; and the West African Economic and Monetary Union.

Let me also welcome and thank National Economic Council Director Gene Sperling and Acting USAID Administrator Babbitt, for joining us at this event.

We are meeting, as Ambassador Barshefsky noted, at a very auspicious moment. With the House and Senate now agreeing upon the terms of the African Growth and Opportunity Act, we are beginning this new decade of economic partnership across the Atlantic on the most promising terms imaginable. And this conference will bring us much further, as we focus on the ways in which increased African participation and increased US-African cooperation at the World Trade Organization can strengthen our relationship and produce the growing trade and investment Africa needs.

Let me begin today, however, with some thoughts on the broader context: the goals of the trade policies we have developed together; the state of the US-African trade relationship today; and the role of both our domestic initiatives and the WTO in helping us reach the goals we share.

WORKING TOGETHER: US-AFRICAN TRADE POLICY

We are meeting at a moment of great promise. In Africa, it is a time of economic reform and democratic transition. In the United States, it is a moment of greater interest and attention to our relationship with Africa than ever before. And the African guests I just introduced have helped us to design and to realize a set of trade and economic policies through which we are making this promise real.

To review the major achievements of the recent past:

- We have completed a set of bilateral agreements that spur trade and investment, creating opportunities for working people, farmers and entrepreneurs on both sides of the Atlantic, including our Trade and Investment Framework Agreements with Ghana, Nigeria and South Africa; and our Bilateral Investment Treaty with Mozambique.

- We have worked toward a U.S. market more fully open to our African trading partners, through our expansion of duty-free preferences for least developed countries by 1,700 tariff lines two years ago, and the imminent completion of the African Growth and Opportunity Act.

- As Acting Administrator Babbitt will note, we have rethought and improved many of our assistance programs to help Africans gain access to the modern technological market-place, through initiatives like the Leland Program with its support for Africa's access to the Internet and electronic commerce.

- And we have made substantial progress towards Africa's full integration into the WTO. This has included technical assistance forums in Africa, promoting more active engagement by our African trade partners in WTO activities, and joint development of proposals and ideas; and encouragement for increased African participation in the most recent WTO agreements, where especially important steps include the decisions by Uganda and Ghana to participate in the Basic Telecommunications Agreement, and by Cote d'Ivoire to join the Financial Services Agreement.

These policy initiatives are most likely to bear fruit if governments organize themselves and their private sectors to take advantage of them. Exporters need to be aware of the new opportunities in the African Growth and Opportunity Act, and trained on how to take advantage of them. Foreign and domestic investors needs to understand that binding commitments in the WTO in telecommunications and financial services means these sectors are more attractive. Our governments can work together to ensure that the TIFAs and Bilateral Investment Treaties resolve problems quickly and encourage trade and investment to grow.

THE US-AFRICAN TRADE RELATIONSHIP TODAY

Over the next few days, we hope our presentations and exchanges will provide concrete examples of ways to strengthen trade policy formulation in each of your countries to achieve the objectives we share. And in this work, we are building on a foundation of success: when we turn from the world of policy and negotiations to the practical realities of trade and investment, we see that the US-African trade relationship is broader, more diversified and more productive than ever before.

If one sets aside the more volatile oil and precious metal sectors, African exports to the

U.S. have climbed by nearly $1 billion since the beginning of the President's Partnership Initiative. Africa's exports of machinery and apparel, sectors of special importance for job growth in Africa, have doubled. And the gains have been spread out over the continent -- to look at a few of the countries represented here today, Mali's exports to the U.S. have grown 50%; Lesotho's apparel exports still more rapidly, and Tanzania's exports have nearly tripled.

The United States has also developed important export markets in Africa, notably for high-tech products as civil aircraft, computers and scientific equipment. This means both an important source of job creation and opportunity for Americans, and technology transfers that help spark development in Africa. And American investment in Africa has grown from $6.8 billion in 1996 to over $13 billion.

But when we look closely, we also see areas in which we can do better. Last February – the most recent month for which trade figures are available – we imported $1.6 billion in goods from Africa. This is one of the largest monthly import totals from Africa ever recorded, meaning well over $50 million worth of goods crossing the Atlantic every day. But while these are impressive figures, they also show areas in which we can do better.

Despite the growth in Africa's manufactured and agricultural exports, most of our imports from Africa remain concentrated in natural resources. To be precise, in February nearly 80% of our in imports came in three commodities: 3.9 million barrels of oil, 9 million grams of platinum, and 725,000 carats of diamonds.

This makes for a glamorous sort of trade relationship. But it also shows that Africa's farmers and manufacturers still have untapped trade opportunities in the United States; and that African economies remain overly vulnerable to swings in commodity prices. And likewise, America's export growth to Africa has been slow compared to some other major export markets.

AFRICAN GROWTH AND OPPORTUNITY ACT

So while we can be pleased with the results of our work thus far, we cannot yet be satisfied. Each part of our trade relationship can be strengthened, helping us find new areas of mutual benefit, promote development and social justice, and build upon our achievements to this point. And the coming year offers us some substantial opportunities.

Most immediately, of course, is the completion of work on the African Opportunity and Growth Act. This has been a long time coming – if it was an Olympic athlete it would be more like an East African marathon champion than an American sprinter. But we have good friends in Congress – Congressman Rangel, Representatives Crane and McDermott, Senator Lugar, Senator Roth and Senator Moynihan – who have helped the President bring the bill very close to the finish line. And the support your governments have given to the legislation -- and as part of this, the decisive contribution of the African diplomatic corps in Washington -- has been of fundamental importance.

The Act strengthens and codifies each part of our African economic policy. It will help Africa diversify its exports to the United States, by opening up opportunities in apparel through quota-free guarantees and creating new duty-free preferences under the GSP. It will help us to link trade policies with debt relief and a regular trade dialogue. And it will help us build the foundation for the work which is the topic of our meeting today: Africa's full integration into the World Trade Organization.

SHARED INTERESTS AT THE WTO

The WTO is the central forum in which each of us -- as well as our European, Latin and Asian trading partners -- find our most significant opportunities to develop open markets in the products most important to our industries, and to assert our rights when disputes arise. And in the WTO, we and Africa have shared interests of central importance.

- Open trade in agriculture can relieve African farmers of the burden imposed by protectionism and export subsidies, while helping to ensure that African families have reliable supplies of food at good prices.

- More open markets in services will help African countries acquire the expertise and legal, financial, transport, information and telecommunications infrastructure that will spur more rapid and stable development in the next century.

- And a strong negotiating agenda for industrial goods, trade facilitation, and electronic commerce -- in particular, guarantees that tariffs will not be imposed on electronic transmissions over the Internet -- will be especially important to African development.

WTO INITIATIVES

Africa's full integration into the trading system, therefore, will help both to ensure that Africa makes the most of its opportunities for growth and development; and to realize goals and aspirations that we share. Here we have two special priorities for the coming year.

1. Market Access for Least-developed Countries

First, we can work together to open markets in fields of special importance for Africa, and for the world's least developed countries generally.

Most immediately, the WTO agreed in February to open negotiations on agriculture and services. In the months ahead, the agricultural negotiations will begin discussing issues of particular importance to Africa, including export subsidies, market access, and technological advance in agriculture. These discussions are laying the foundation for broad agricultural trade reform in the coming years, and I hope to work very closely with you as they proceed.

We also can do more in other areas, such as manufacturing and trade facilitation. We are therefore working to build consensus for a new, more broadly based Round that would include such issues. This is of course not a simple task; and if it is to succeed, all WTO members will need to be flexible and willing to rethink their negotiating positions. But as the President has said, we will keep working toward consensus and expect our trading partners to do the same. Any Round agenda must accommodate African goals, and over the next three days I would like to hear your advice and ideas on the best way forward.

In the interim, we support expansion of preference programs for developing countries. Our own work on the African Growth and Opportunity Act is an example; another of particular interest is the new EU-ACP Partnership Agreement, announced as a successor to the Lome program. Such programs, however, require waivers of WTO provisions requiring MFN treatment for all WTO members. In general we believe such waivers are appropriate. Thus we will support an appropriate waiver for the Partnership Agreement, as long as it is limited to preferences and does not erode basic principles like respect for dispute settlement proceedings.

2. Capacity-Building and Technical Assistance Initiative

That brings me to the second point -- the measures necessary to make sure Africans have the capacity to assert their rights and interests in the system, including dispute settlement, negotiations and the day-to-day work of the WTO.

In the next two days we will share with you our experience in building a framework for trade policy that can help you achieve some of the principal goals Africans have set: to open and keep open foreign markets for your exports; to comply with WTO obligations; and to ensure that the work of regional trade organizations in Africa complements fully the work of the WTO.

Last year we joined with Lesotho, Nigeria, Senegal and Zambia, as well as Bangladesh, to introduce a proposal to improve the technical assistance and capacity-building programs available from the WTO and other international institutions. This can serve as a starting point, and I will welcome further ideas over the next three days. In addition, we will be holding more WTO workshops and sessions, whenever possible in Africa, to offer advice and assistance on the WTO and WTO commitments, as well as our own market access programs, GSP regulations and phytosanitary rules and other topics. This will help to make sure that African governments, businesses and academics are familiar with and can take advantage of all the options the WTO offers to Africa.

For example, I am pleased to announce today that we will commit $1.75 million in technical assistance to help sub-Saharan African countries comply with the Customs Valuation Agreement and improve their customs procedures. These are areas in which WTO commitments are just now coming into force: their implementation will mean more efficient trade, and thus better prices and more reliable supplies for businesses and consumers.

Together with this will be $400,000 to fund two three-week WTO courses in sub-Saharan Africa, and provide several scholarships for a longer training session in Geneva. These will address WTO issues generally, but focus especially on dispute settlement – thus enabling African governments to better assert their rights and interests in such issues as protecting African authors, musicians and film-makers against intellectual property piracy overseas, ensuring that African agricultural exports do not encounter unfair discrimination, and so on.

CONCLUSION

These will be our topics in the coming three days. We have a comprehensive program covering dispute settlement; trade remedy laws; market access, including services and agriculture as well as goods; interaction with the international financial institutes, customs valuation, and other issues. I believe it will make a substantial contribution to the ability of each government here to take advantage of the opportunities offered by the WTO, and I look forward to our exchanges very much.

Together, these will help make world markets more open to African products, and ensure that the work of the WTO addresses African priorities as fully as possible. This in turn will mean new opportunities for Africa's farmers, working people and businesses; stronger guarantees of fairness; and the prospect of more rapid and sustainable growth and development. And thus we will move toward the larger goal, which President Clinton, Ambassador Barshefsky, and the Administration as a whole have pursued since taking office in 1993: of a strong and durable US-African economic partnership in this new century.

These issues are by no means simple; but we should proceed with confidence and optimism as we remember how far we have already come.

In the past five years, Americans and Africans have built a network of agreements, commercial relationships and shared benefit unprecedented in our history.

We have shared ideas on policy and learned from one another's experience.

We have found common ground on some of the most profound issues facing the world today – and in doing so have helped to improve life for farmers, for working people, for families on both sides of the Atlantic.

In the next three days, we can go still further. Once again, let me welcome each of you to Washington; and let me now turn to Secretary Glickman.

Remarks of Ambassador Susan G. Esserman

to the

International Trade Conference & Show Commemorating World Trade Week

Dayton, Ohio

May 16, 2000

Thank you very much. I am delighted to be here today in Dayton for this conference on international trade.

Let me thank the Miami Valley International Trade Association, the Cincinnati Export Assistance Center, the Ohio Department of Development's International Trade Division, and the Dayton Area Chamber of Commerce for organizing this event.

SUCCESS OF U.S. TRADE NATIONALLY AND IN OHIO

International trade has played a vitally important role in our country's extraordinary economic growth and in expanding opportunities for raising living standards for the American people. We have all witnessed the phenomenal performance of our economy over the last seven years including:

- the longest period of uninterrupted growth in U.S. history,
- the lowest levels of unemployment in over 30 years,
- the creation of over 21 million jobs
- and the highest growth rates by far among the Group of Seven leading

industrialized nations; in fact, the growth of our economy alone since 1992 is larger than the entire German economy.

Unquestionably, the export success of U.S. businesses coupled with the Administration's success and commitment to opening markets worldwide have played a pivotal role in this performance.

It is not coincidental that we are both the strongest economy in the world and the world's largest exporter, with U.S. exports up 56 percent since 1992, and a significant percentage of our GDP growth accountable to our trade abroad.

Nearly twelve million Americans owe their jobs to exports. And jobs related to exports pay 13-16 percent higher with better benefits.

Ohio, as the seventh largest exporting state, exemplifies the critical importance of expanding trade to the prosperity and future of its citizens.

Since 1992, Ohio's exports worldwide have increased 70 percent.

In 1999, Ohio exported 29 billion dollars of goods to over 200 countries and territories. This included $13.7 billion to Canada, 2 billion to France, 2.5 billion to Mexico, $1.2 billion to the UK, and to Japan.

Ohio has also seen considerable growth in its exports to one of the world's fastest growing markets: China. In 1999 Ohio's exports to China totaled $435 million -- more than double the exports in 1993 -- and representing almost every major product category.

And these exports make a difference. In 1999, they added over $2 billion to Dayton's economy alone and over a billion dollars in each of seven of Ohio's industry sectors: $8 billion to transportation equipment; $5.3 billion to industrial machinery; $2.5 billion to chemicals; $2.1 billion to electronic equipment; $2.2 billion to metal products; $1.9 to rubber and plastics, and $1 billion to scientific measuring instruments. Exports also accounted for gains in the hundreds of millions in virtually every other Ohio industry sector -- from paper, to agriculture to furniture.

These export gains translate into more jobs, better paying jobs, economic growth and ultimately, increased prosperity and a higher standard of living for Ohio and its citizens.

Under the Clinton administration, the U.S. has pursued a number of trade initiatives that have shaped the international trade environment to enable our industries to take full advantage of their competitive position.

This work has extended to every part of the world and every major issue related to trade. Especially notable are the passage of the North American Free Trade Agreement, conclusion of the Uruguay Round Negotiations, creating the World Trade Organization (WTO), and the trade agreements in information technology products, telecommunications, and financial services –

which together are larger in scope than the Uruguay Round Agreements and have helped us to maintain or gain our leadership in many high technology sectors. These agreements have opened markets, created new business and export opportunities for American companies and workers, and established fair and predictable rules by which trade is conducted.

One of the most important trade policy decisions -- whether to grant Permanent Normal Trade Relations status to China -- is immediately ahead of us and it will have a tremendous impact on our country, our economy, and the world.

THE STAKES

In just a little over one week, the House of Representatives will vote on permanent Normal Trade Relations for China, as China enters the World Trade Organization.

This is the most important trade and foreign policy decision America will make this year; perhaps the most important we have made in many years. The choice Congress makes will affect America's prospects on the farm and on the job; reform and the rule of law in China; and America's most fundamental national interests. But at the basic level, the WTO accession and PNTR are trade issues -- so let me speak for a few minutes on the implications they have for America's trade interests.

TRADE IMPLICATIONS

As a trade issue, the PNTR decision presents us with a simple choice.

Our agreement on World Trade Organization accession secures broad-ranging, comprehensive, one-way trade concessions on China's part. These concessions:

- Open China's markets to American exports of industrial goods, services and agriculture to a degree unprecedented in the modern era.

- Strengthen our guarantees of fair trade

- And give us far greater ability to enforce China's trade commitments.

By contrast, we change no market access policies -- not a single tariff line. We amend none of our trade laws and none of our laws controlling the export of sensitive technology. We agree only to maintain the market access policies we already apply to China, and have for over twenty years, by making China's current Normal Trade Relations status permanent.

This is the only policy issue before Congress. Regardless of our decision, China will enter the WTO. Regardless of our decision, it will continue to sell in the American market. The only question Congress will decide is whether we accept the benefits of China's accession and the agreement we negotiated; or whether by turning away from permanent NTR, we enable our competitors to get them while American entrepreneurs, farmers and factory workers are left behind.

ONE-WAY CONCESSIONS

What are these benefits?

For example, in Ohio's rural districts, new markets will open for farms. On U.S. priority products, China's agricultural tariffs will drop from an average of 31 percent to 14 percent in January 2004. Access for bulk agricultural products like Ohio corn and soybeans will grow through tariff-rate quotas that offer dramatic new opportunities, and the first rights for private trade in these products and others in the agricultural sector. China will end import bans, cap and reduce trade-distorting domestic supports, eliminate export subsidies, and base border inspections on science.

For Ohio's high-technology industries, China will eliminate tariffs and quotas on high-tech goods such as semiconductors, pharmaceuticals and computers; and deeply cut tariffs on medical equipment, scientific instruments and other high-value products. It will give us new tools to protect the results of our research on software, semiconductors and other intellectual property-related goods. And it will eliminate forced technology transfer as a condition for investment in China.

For Ohio's factories, China will open export opportunities and strengthen guarantees of fair trade for manufacturing from steel to autos, agricultural equipment, wood products, and home appliances.

Ohio is the leading state in machinery exports with two thirds of the industrial workers in this

state having jobs that benefit in whole or part from exports.

Under our bilateral agreement, Chinese tariffs on industrial goods will drop, from an average of 25 percent in 1997 to 9.4 percent by 2005.

China will allow distribution and trading rights. We will eliminate unfair investment practices like local content requirements and forced technology transfer. Beyond this, we will guarantee our right to use special methods to fight dumping for 15 years. And we will create a "product-specific safeguard" we can use to fight market-disrupting import surges for 12 years

The agreement also covers the artistic fields - books, music and film, as well as other copyright industries like software and video games - and each of the major services industries, from distribution to telecommunications, banking, insurance, motion pictures, accounting, law, travel and tourism, and other industries.

All these commitments are fully enforceable: through our trade laws; WTO dispute settlement; multilateral pressure from all 135 WTO members; increased monitoring by the U.S.; and other mechanisms such as the special anti-dumping and anti-import surge remedies.

PNTR

By contrast to these historic commitments, our sole obligation is to grant China permanent NTR. If we fail to do so, we risk losing the full benefits of the agreement we negotiated, including broad market access, special import protections, and rights to enforce China's commitments through

WTO dispute settlement.

On the other hand, Permanent NTR, in terms of our policy toward China, is no real change. NTR is simply the tariff status which every Administration and Congress in the past 20 years has reviewed and found, even at the periods of greatest strain in our relationship, to be in our fundamental national interest.

But the legislative grant of permanent NTR is critical. Without it, we will lose the vast majority of China's concessions, while our competitors take full advantage of them. Japanese auto firms could sell where Americans could not. Ohio corn and soybean producers would see other countries get the benefits of the agreement Americans negotiated; high-tech manufacturers, like Dayton's NCR, would see Europe and Japan take our markets; producers of transportation equipment - Ohio's leading export - would lose to companies in Germany and France.

WTO ACCESSION AND CHINESE REFORM

So from an economic standpoint, rejection of permanent NTR would simply be a foolish decision. And this would likely be the least of the consequences.

As China joins the WTO it will do much more than reduce tariffs and other trade barriers at the border. The WTO accession will, in fact, alter and reform policies dating to the very earliest years after the Communist revolution. China will:

- For the first time since the 1940s, permit foreign and Chinese businesses to import and export freely from China.

- Reduce, and in some cases remove entirely, state control over internal distribution of goods and the provision of services.

- Enable, again for the first time since the 1940s, foreign businesses to participate directly in information industries such as telecommunications, including the Internet.

- And subject government decisions in all fields covered by the WTO to impartial dispute settlement when necessary.

WTO ACCESSION AND U.S. NATIONAL SECURITY

But the full significance of the decision Congress will make is only clear when we consider the WTO accession as part of a larger U.S. relationship with China -- a relationship that is of fundamental importance to peace and security in Asia and worldwide in the coming decades.

We have substantial differences with China on issues relating to human rights and religious freedom; on a number of security questions; and in other areas as well. On these issues we vigorously assert our interests and values.

In the WTO accession and PNTR we have an opportunity to create a more open and reformed Chinese economy, which more fully reflects the rule of law; to increase China's stake in prosperity and security beyond its borders; and to spur jobs, growth and rising living standards for America's farmers, businesses and workers. And we have created this opportunity through a series of one-way concessions made by China.

Were we to retreat and reject these one-way concessions, we would make a very dark statement about the future possibility of a stable, mutually beneficial relationship with the world's largest country and emerging economy.

CONCLUSION

That is the ultimate and most significant point at stake as we conclude this important debate and make our decision. To reject PNTR would do more than severely damage American trade interests: it would to set back the cause of reform in China; and risk, without cause, a fundamental deterioration in our relationship with the world's largest country.

But if we have the wisdom and confidence to make the right choice, the WTO accession and PNTR offer us a remarkable opportunity: to help spur growth and opportunity at home; to strengthen prospects for long-term reform within China, and ultimately-- to expand U.S. exports increasing our overall trade and "*increasing trade in the Miami Valley.*"

That is the opportunity before us. These are the stakes. The people of the U.S., Ohio, of Dayton

-- have a great stake in this vote. And this is why it is so important that we approve permanent Normal Trade Relations for China, on the basis of our historic trade agreement.

Thank you very much, I would be happy to take some of your questions.

Markup Statement – Section 125

Ambassador Susan Esserman
Deputy U.S. Trade Representative

House Ways and Means Committee
Washington, DC

June 6, 2000

Mr. Chairman:

The Administration strongly opposes the joint resolution before the Committee, stating Congressional disapproval of America's participation in the World Trade Organization.

Today's WTO, Mr. Chairman, is the most modern expression of more than a half century of American leadership, extending from the era of Franklin Roosevelt through ten Administrations of both parties, in the development of an open, free and fair world economy. And since 1995, the WTO has fully proven its value:

- It has opened the markets of the world to America's manufactured goods, services and farm products, helping our exports grow by more than $260 billion.
- It has advanced the rule of law, through a dispute settlement mechanism which strengthens our ability to enforce the commitments of our trading partners.
- It has supported our open market policy at home, raising American living standards and increasing consumer choice.
- It has given us stronger guarantees of economic security in crisis by strengthening worldwide commitment to open markets – as our experience in the Asian financial crisis has shown.
- And it has complemented the U.S. alliances and security commitments that keep the peace, by giving nations stronger stakes in one another's prosperity and stability.

Altogether, our participation in the World Trade Organization has made a very important contribution to the era of peace and prosperity Americans have enjoyed for the past five years. And to remove the United States from this organization would be fundamentally damaging to all our international interests and goals.

- It would expose us to discrimination by virtually all major trading nations.

- It would weaken our ability to enforce trade commitments.
- It would threaten our competitiveness and living standards.
- It would create dark clouds of uncertainty and risk over the world economy.
- And it would send to the world an unmistakable signal of pessimism, lost confidence and retreat from leadership.

For all these reasons, Mr. Chairman, the Administration strongly opposes this resolution and urges its defeat.

INFORMATION TECHNOLOGY AND U.S. INDIA RELATIONS: A FRAMEWORK FOR INCREASED COOPERATION

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

The U.S. India Business Council 25th Anniversary Meeting
San Francisco, California
June 12, 2000

Good evening, I am especially delighted to be here for the 25th anniversary meeting of the USIBC. I have seen first hand the innovative and active role that this Council plays in promoting US-Indo relations and expanded commerce between our nations. We greatly appreciate the USIBC's contribution and dedication to progress and greater understanding between the United States and India.

We gather together at a moment of enormous potential for U.S.-India relations and for expanding exponentially our commercial ties and opportunities. With the historic visit of President Clinton to India, we are inaugurating a new era of cooperation and partnership, based on mutual trust, respect, and benefit. Trade is a critical part of that partnership, as clearly, in the age of globalization, our futures are intertwined.

Our leaders pledged during the President's visit "to reduce impediments to bilateral trade and expand commerce between us, especially in the knowledge based industries and high technology areas." The U.S. and India have an opportunity and responsibility to translate this aura of goodwill and our leaders' pledge into dramatic and concrete new gains in our trade and investment. But it is up to us to seize this opportunity.

We also have the opportunity to build on and further learn from the vibrant Indian community in the United States and the growing links and exchange of goods, services, people, knowledge, and the understanding this community fosters. We have gained from the important insight, experience, and perspective of this community as we seek to forge stronger ties and shape our relationship with India.

We are fortunate that companies and associations in both countries are committed to moving the economic relationship forward. We applaud, in particular, the goals and objectives of the Indo - U.S. Knowledge Trade Initiative which seeks to "project India and the United States as cooperative, progressive actors in the emerging global information economy."

Underlying the knowledge initiative are several important premises which we share:

First, it recognizes the leadership role that each country has played in pioneering the information technology revolution and the importance of this sector to economic success and greater well-being in our countries. India is emerging as an information technology powerhouse, using its software, design, and computer processing capabilities to become an ecommerce hub. U.S. companies are deeply involved in investments and partnership with Indian firms. The potential for growth, exchange, and partnership is bright, especially given the dynamism and contribution of the Indian American community. Our trade in this area is burgeoning. India's software and related services exports have grown ten-fold since 1992, reaching $2.6 billion last year. Today, nearly three-quarters of those exports go to the United States.

Second, the initiative also recognizes the important contribution of the knowledge fields to the enhancement of education and health services and the alleviation of poverty in our countries and around the world.

Third, it draws on the fact that India's most successful sectors are those that are most integrated in the world economy. Unlike other sectors of the Indian economy, which have long been subject to government control, high technology is an area where the Indian government has allowed Indian entrepreneurs and individuals to take full advantage of their skills and ideas in an open marketplace. This is the same story behind the growth of Silicon Valley and the Internet and it is a lesson that applies more broadly than just to the IT sector.

Fourth, the initiative recognizes the importance of acting with expedition. The pace of economic and technological change is dramatic, and the world will not wait. In the area of information technology, governments do not have the same luxury of time to dismantle trade barriers as occurred in the goods trade over the past 50 years. Here we must be vigilant to prevent the erection of unnecessary trade barriers in the first instance.

Moreover, other emerging economies --especially in Asia and which are already more integrated in the world economy than India --will obviously be seeking to expand their presence in high tech fields where India is prominent The countries of Southeast Asia have already made vast investments in their infrastructure, and are working to improve the skill levels of their workers. China is moving into the WTO, with dramatic new market opening in key services sectors, and an average industrial tariff level of just over 10 percent.

Finally, the vision put forward by the Knowledge Initiative recognizes that the ability to promote trade, attract investment and raise living standards on a sustained basis depends not just on one or two successful industries, but on the development of a sound infrastructure and a strong continuing commitment to reform.

The challenge for us in government is to match the leadership and ingenuity of our private sectors with forward looking trade policies that facilitate commerce and anticipate the dynamism and change expected in the information technology fields, keeping in mind the premises I have outlined. I would like to layout a framework for a government role to that end.

First, commensurate with our private sectors' primacy in this sector, we should take the lead (and not lag) in promoting policies that prevent trade restrictions from hindering the growth in this exciting new field. The role of governments is quite simple: to make sure that trade is not impeded by the erection of barriers in the first place. In the WTO, we should create a framework to enable ecommerce to flourish. Specifically, we should adopt measures in the WTO to extend the moratorium on customs duties on electronic commerce and agree that measures in this area should be non-discriminatory and should not pose unnecessary barriers to trade. These principles should be adopted now. There is no reason to wait for the launch of broader trade negotiations.

Second, we should continue to eliminate tariffs on information technology products by concluding now the second phase of the Information Technology Agreement, known as ITA II. India and the United States agreed to the Information Technology Agreement I, which eliminated tariffs in a wide range of IT products. Some have referred to this as the largest worldwide tax cut ever enacted, resulting in duty savings in billions of dollars on virtually the entire Internet hardware infrastructure: from semiconductors to computers to telecommunications equipment. India has been one of the major beneficiaries of the open markets brought about by the ITA, spurring growth and exports and improving the competitiveness of India's critical software sector.

The ITA II includes a limited but important array of products: printed circuit board manufacturing equipment, some consumer electronics, components and other products. All offer India opportunities as a center for investment in high tech industry and equally important indirect opportunities as a premier producer of the software that drives many of these new products.

Third, we should work together in the ongoing global services negotiations to open markets in a range of high tech fields including software development, computer services, ecommerce, and entertainment. Ecommerce services will be important in these ongoing services negotiations, particularly as most services can be delivered electronically, something that was not possible before. We ought to work together to also find a way to integrate ecommerce into the ongoing services negotiations.

Fourth, a regulatory approach should be adopted and maintained that promotes growth, infrastructure development, and investment critical to information technology. I'd like to briefly mention three areas.

Telecommunications: In the telecommunications sector - the lifeblood of the information economy- India's recent steps to liberalize are important and further steps would enhance growth in e-commerce and other knowledge based industries. In telecommunications, India needs the infrastructure, the technology, and skills that foreign investment brings, and a regulatory structure to ensure that the benefits of vigorous competition are realized.

Customs: We also must make sure that our customs regimes meet the needs of our new information economy and we should work together in trade facilitation matters in the WTO to this end. While information technology has become a key enabler for economic growth, it has also

brought about fundamental changes in how business is conducted. India's strength in the software area has made it a key player in the just-in-time global economy where speed has become the byword: speed of communication, speed in movement of goods, speed of changes in sourcing patterns, and speed in product cycles. Indeed, in many product areas, speed- to-market has become an increasingly important factor -- and in some areas even more important than price factors. This means--more than ever before-- that investors and the trading community need to be able to know in a real-time manner what the customs rules are, and operators need to be able to move their goods into the market place as quickly as possible. These two factors are the most important elements that will bring about an environment that can serve as a fundamental infrastructure increasingly needed for participating in the networked economy, an economy where India is poised to thrive.

Taxation: We should also avoid regulatory policies, such as in the areas of taxation, which hinder U.S. ecommerce activity and investment in India. We are greatly concerned that actions by Indian tax authorities which are out of step with other nations practices will have these adverse effects. We hope these issues will be addressed promptly.

Fifth, we must make sure our enforcement of intellectual property rights is updated to the digital environment. Electronic networks provide a revolutionary means for distributing digital products. Capturing the benefits of this electronic medium, while protecting the rights of stakeholders is one of the most important challenges we face. We will be looking to the advice of our private sectors in this area.

Finally, as I have indicated, success in the high tech sector depends on an overall competitive economy. Unquestionably, a major impediment to India's increased trade and investment are its tariff and non-tariff barriers -- among the world's highest. These barriers act to impede India's own prospects for higher growth, rising living standards, and technological innovation. These barriers effectively raise the price of goods for families, force businesses and farmers to pay higher prices for inputs, and reduce India's overall growth prospects.

We have an opportunity now – if we choose to seize it – to build upon the spirit, partnership, and goodwill to expand trade. This is not only true for the high tech sector, but other areas where we can mutually reduce barriers to export trade.

In summary, our governments must work to turn the vision of closer ties articulated by our leaders this year into concrete achievement. We have the opportunity to be partners in the high-tech area, to reduce impediments to trade in other areas and to engage in a dialogue that anticipates problems, and listens and responds constructively and expeditiously to the concerns of our private sectors. Let us work confidently to seize this opportunity, so that we can be, as the President said in India, not just partners in spirit, but partners in fact.

Thank you.

THE TRADE AGENDA IN 2000

Ambassador Susan Esserman
Deputy U.S. Trade Representative

League of Women Voters National Conference
Washington, DC

June 17, 2000

Thank you very much. I am especially honored to have the opportunity to speak to the League of Women Voters. Since its inception 80 years ago, the League has played a vital role in our public debate. It has a proud heritage of non-partisan, political organization, encouraging informed and active participation of all Americans and to improving understanding of public policy issues. It has also been part of my own family background, as my mother has for decades been involved in League activities in Illinois and Florida. Coincidentally, one of the issues she championed on behalf of the League was the defeat of the Bricker Amendment, which sought to remove from the President the authority to negotiate treaties.

It is an especially important time to review our trade policy and hear your ideas and suggestions, given League's history and interest in the trade area, the review you are conducting, and the importance of revising our policy based on input from you and other representatives of civil society and the private sector.

USTR AND U.S. TRADE POLICY

Let me begin with an introduction of our agency and its role. The Office of the U.S. Trade

Representative is one of the smallest agencies in government, with less than 200 permanent staff and a budget less than $25 million. With this we address nearly $2.5 trillion in U.S. trade with the world; monitor and enforce a network of hundreds of trade agreements; and develop the agenda of the future. To look at this agenda very briefly:

- At the World Trade Organization, we are working toward a new Round of global trade negotiations to expand market opportunities for American workers, companies, and farmers; monitoring and enforcing existing agreements that bring widespread benefits to our people; negotiating the entry of 30 prospective new members; and through this process introducing market reforms and rule of law.

- We are working on a regional and bilateral basis in each part of the world: in the Western Hemisphere, negotiations on a Free Trade Area of the Americas; in Asia, the Asia-Pacific Economic Cooperation forum, or APEC; regional integration in the Middle East including our pursuit of a Free Trade Agreement (FTA) with Jordan to promote peace and stability; the President's trade and investment initiative for Africa; and the Transatlantic Economic Partnership in Europe.

- We are also giving special attention in our trade initiatives to developing the high-tech infrastructure which will give smaller enterprises greater chances to benefit from trade and achieve more effective delivery of health and education services to remote parts of the world. In addition, we seek to ensure that trade promotes and is mutually supportive of environmental protection and respect for internationally recognized labor standards.

Incidentally, at USTR -- as much as anywhere in the government -- women set out and execute America's policy agenda. This includes the USTR herself, Ambassador Barshefsky; two of our Deputies -- myself and our Ambassador in Geneva ---; our Chief of Staff; our principal career negotiators for Japan, Europe, Africa, industry and the World Trade Organization; our lead officers on both enforcement and trade and the environment; our chief of Congressional relations; and Counsellor to the USTR Janet Hall, who is here tonight. But what is especially interesting and instructive about our work, is that so much of it – over more than half a century of American trade policy – has revolved around the attempt to undo a single act of folly.

HOOVER & ROOSEVELT

Yesterday, as it happens, is an important anniversary in American trade policy -- although it is not one we often commemorate, because it is so embarrassing. That is, seventy years ago, on June 16th, 1930, President Herbert Hoover signed the Smoot-Hawley Act -- the largest single restriction on trade in American history.

This is not only an historical curiosity, but an event with some lessons for the present. Hoover had taken office in an era which in a number of ways resembled our own: it was a time of rapid economic development, new technologies and enthusiasm for the stock market; a time when many felt the world was rushing in on us through trade, immigration and cultural change. In these years, trade had raised concerns much like those we see today.

Just as in the 1990s, trade with what President Hoover called the "young expanding

countries" in Asia and Latin America had grown rapidly. And -- just as we have seen in the recent debates on trade with Africa, the Caribbean and China -- many feared prosperity in these countries would come at our expense, believing as Hoover put it in a message to Congress, that we "cannot successfully compete against foreign producers because of lower foreign wages and a lower cost of production."

This argument appeals to powerful fears which are natural, understandable, and as alive today as they were seventy years ago. To date they have not prevailed, but in 1929 and 1930 they did to disastrous results. The result was the adoption of the Smoot-Hawley Act, and a cycle of tariff hikes and retaliation which, spreading around the world under the pressure of financial crisis, cut trade by 70% between 1930 and 1933. The result deepened and lengthened the Depression, intensified political tensions, and -- in the view of our postwar leaders -- contributed to the outbreak of war. As our Secretary of State Cordell Hull remarked on this period: "When goods do not cross borders, armies do."

American trade policy since then has rested on a more generous, more confident and also more realistic view. To quote Franklin Roosevelt:

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

better standard of living in neighboring countries with whom it trades."

The more realistic view, of course, has been the view that the League of Women Voters has expressed over many years, beginning in the Roosevelt era; broadly speaking, it is the philosophy of the Clinton Administration; and it is a strategy justified by practical experience over half a century.

To note four of the major accomplishments of trade policy:

Growth and Rising Living Standards: The opening of world markets -- as the trading system now represented by the WTO has grown through eight negotiating Rounds and as 113 new members joined its 23 postwar founders --] has helped to spark what is in effect a fifty-year boom, in which trade has expanded fifteen-fold since the 1950s, world economic production grown six-fold and per capita income nearly tripled. And the result has been historically unprecedented social progress: since the 1950s, world life expectancy has grown by twenty years, infant mortality dropped by two-thirds, and famine receded from all but the most remote or misgoverned corners of the world. America, as the world's largest importer and exporter, benefits perhaps most of all.

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

Strengthening the Rule of Law: Our trade negotiations in the WTO have promoted a rules - based approach to trade, so critical to commercial predictability. The hallmark principles of the WTO of openness, transparency, and nondiscrimination are designed to ensure that our companies and workers are treated fairly in the international trade.

Peace and Stability: As new members joined the system, the GATT and now WTO have helped us address some of the political challenges of greatest importance for world peace and stability. It helped to reintegrate Germany and Japan in the 1950s, and the nations emerging from colonial rule in the 1960s and 1970s. And it has now taken up a task of equal gravity, as after the Cold War, nearly 30 nations breaking with communist planning systems seek WTO membership to reform their economies and integrate with the world.

CLINTON ADMINISTRATION POLICY

That brings us to the present. Today, our trade policies are part of a larger effort to secure the Administration's broader goals: at home, opportunity, equity and a rising standard of living; overseas, prosperity, a stronger peace, and improving standards of environmental protection; and of safety and dignity for working people. Trade policy helps us reach these goals in several ways:

-- We expand export and job opportunities for Americans by negotiating agreements to open markets and reduce trade barriers, and by promoting American goods in foreign markets.

-- We ensure that Americans are safeguarded against unfair trade practices at home and abroad

by negotiating fair trade rules and enforcing our trade laws.

-- We bring home to America the benefits of the agreements we negotiate by rigorously monitoring and enforcing them.

-- We seek to infuse the world trading system with the hallmarks of the American legal system -- rule of law, transparency and due process -- and with contemporary concerns that trade policy contribute to improved environmental protection and promote core labor standards.

-- And we believe a network of trade agreements, and the economic ties they create, give nations a greater stake in the stability and prosperity of their neighbors, and therefore strengthen peace.

ECONOMIC BENEFITS OF TRADE

Women have a great stake in these aspects of trade. First of all, we are part of the economic life of the nation, and our country as a whole depends more on trade and good trade policies than ever before. Last year the United States exported roughly a trillion dollars worth of goods and services -- everything from airplanes to music, wheat, computers and power plants. These industries support the jobs and livelihoods of tens of millions of American families. We imported even more -- clothes, coffee, telephones, and toys -- raising living standards here -- in particular for the poorest families, who must devote more of their income to food and clothing.

Women are increasingly employed in areas which depend on exports. In high-tech sectors, such as computers and office equipment, telecommunications and medical equipment -- all areas in which we have negotiated trade agreements -- women are a significant part of the workforce. Today, women-owned businesses employ nearly 24 million people. In fact, the growth of women-owned firms in the United States has substantially outpaced overall business growth in recent years, and many of these businesses will turn increasingly to export markets. These markets present new opportunities for growth that women should embrace. Open trade promotes equal opportunity.

As consumers and family members, women benefit from the variety and competition trade offers. Fairly traded, competitively priced imports help stretch paychecks and raise the purchasing power of American families.

As parents, we want to ensure policies that create opportunities for our children. Today America accounts for 4% of the world's people and about 20% of its economic consumption. To maintain and improve our standard of living, we need access to the 5 billion people and the many markets beyond our shores.

As citizens, it is in our interest to promote policies that forge bonds between neighbors and our trade partners around the world.

And trade will be still more important to us as the years pass. Trade is playing a larger role specifically in our economy -- it made up about 10% of our GDP twenty-five years ago, and about a

third of our economy today. The same thing is true all over the world -- nearly every country relies more today on the world economy and foreign markets for prosperity than ever before. And in our international trade the WTO has an absolutely essential function in opening markets, promoting the rule of law, and ultimately supporting world economic growth.

NEXT STEPS

Where do we go from here?

In charting our trade policy, we remain informed by enduring American values: equality, rule of law, freedom, fairness. And we address new issues: the revolution in science and technology; citizen concerns about openness and access; the environmental effects of growth abroad. And in the balance of my remarks, let me look ahead to five major challenges:

1. More Open World Markets

First, promotion of jobs and growth in the United States.

This includes, although it is not limited to, opening markets abroad more fully than they are today to the goods and services Americans produce. This is a matter of fairness and equity – world trade barriers remain substantially higher overseas than they are at home. Thus, in our work at the WTO and in each region of the world, we are seeking broader and deeper opening of markets in each major industrial sector.

2. Trade and Development

Second, greater opportunities for worldwide economic development.

Here we begin by building on a set of special programs that offer poorer countries preferential access to the American market. These include the Generalized System of Preferences; the recently broadened Caribbean Basin Initiative; and the historic African Growth and Opportunity Act passed just last month. This, incidentally, owes a great deal to the advice and ideas of an African women's group, the African Federation of Women Entrepreneurs.

As we proceed with these initiatives, we supplement them with a strong technical assistance and capacity-building program that helps the least developed countries develop familiarity with our programs and the World Trade Organization, to make sure that they have the ability to use market access programs and assert their rights.

A clear lesson of the past decades is that participation in trade and the world economy helps countries to grow, and that nations which isolate themselves from trade tend to stagnate. The saddest and most dramatic example was in the news this week: the Korean peninsula was one country fifty years ago, and today South Korea is one of the world's leading industrial powers; by contrast, North Korea, which tried to wall itself off from the world economy through a "self-reliance" philosophy, now suffers from chronic famine.

It is instructive to compare Asian and African development policies over the last 30 years. Thirty years ago, African per capita income generally was higher than Asian income. While many

Asian countries pursued outward trade policies, African countries established very high trade barriers. And the result has been devastating for Africa, where disparities in the distribution of income are the most extreme, per capita income is among the lowest in the world and Africa's share of world trade has shrunk.

Moreover, other countries such as those in Southeast Europe, which are engaged in economic and political reform, strongly believe in trade liberalization to promote investment and promote respect for the rule of law. As the dynamic woman minister from Albania Ermelinda Meksi recently stated, WTO membership "will promote peace and encourage good governance. Trade...will stimulate greater productivity establishing employment and sound environmental policies, greater productivity and economic growth."

In development, trade also plays a significant role in empowering women -- especially in the developing world. As the First Lady put it very directly in her recent speech to the United Nations General Assembly Session on women "...women's progress depends upon economic progress." We should work to ensure that we fully appreciate the impact of trade and globalization so that the benefits serve all women.

International trade has been one of the most dynamic forces for economic growth in the last 50 years, growing at almost 3 times the rate of domestic growth worldwide. Our challenge is to ensure that the poorest countries enjoy the benefits.

3. 21st Century Economy

Third, the response to the revolution in science and technology.

Given America's leading position in the high-tech industries, and the importance of a strong high-tech sector to our national competitiveness, the Clinton Administration has made a special focus of protecting the results of our research and development, opening markets across the spectrum of high-tech industries, helping countries develop pro-competitive regulations in fields like telecommunications, and facilitating technological advance in new fields through initiatives in emerging fields such as electronic commerce and biotechnology.

4. Social Justice

Fourth, a rising quality of life together with economic growth.

Here we are, for example, working on an agreement to abolish tariffs on environmental goods and technology products to help countries monitor, clean up and prevent pollution, and ensure clean air and water. More broadly, we are developing a framework of oversight and early environmental reviews of major trade agreements, to ensure that we are fully aware of opportunities to use the opening of trade to protect the environment, and also of any potential threats we should avoid.

Trade can also complement and support our initiatives to build respect for internationally recognized core labor standards. These are fundamental human rights and common concerns, and they complement the goals our trade policy seeks.

And we are working to ensure that international trade institutions are open and accessible to citizens. The President has been a leader in this area insisting that international trade organizations be open to public scrutiny.

5. Strengthening Peace

Finally – and at the heart of trade policy for half a century – is the contribution the trading system can make to a more stable and enduring peace.

The China agreement is an example: by helping to develop and strengthen the rule of law within China – and by integrating China more firmly into the Pacific and world economies – we give China a greater stake in peace and stability throughout the Pacific. And while this case has received enormous publicity and debate, it is far from the only example.

I recently had the opportunity to travel to Hungary for a conference on Southeast Europe and the WTO, bringing together some of the nations that suffered most from the Balkan Wars of the past decade: frontline states like Romania, Albania and Bulgaria, whose economies and domestic reforms have been set back by the disruption of commerce and the burden of refugees; nations like Bosnia and Croatia, which have endured far worse. I cannot tell you how much hope and faith these countries put in open trade policies and in membership in the WTO in securing, growth and investment, promoting the rule of law and reinforcing democratic reform.

CONCLUSION

This brought home to me once again that -- as complex and sometimes divisive trade policy can be -- we must never forget the contribution of trade to peace. We would do well to remember the heroism and sacrifice of those in the World War II generation; the reasons President Roosevelt put our trade policies in place; the experience of the League members of the 1930s and the reasons they came to the conclusions on trade policy they have.

And as we update and rethink our policy agenda for a new era, we must also remember these lessons. We can do more and we can do better; and the League's review of trade policy over the coming year will help us. But the basic vision the League has embraced -- a world open, prosperous and governed by the rule of law; which offers the widest possible opportunities; which protects the quality of life as it promotes growth; which helps to establish the foundation for peace -- will continue to serve us well.

Thank you all very much. I look forward to answering your questions.