

TESTIMONY OF AMBASSADOR MICKEY KANTOR
UNITED STATES TRADE REPRESENTATIVE
BEFORE THE SUBCOMMITTEE ON INTERNATIONAL TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

March 11, 1993

Mr. Chairman, I welcome the opportunity to appear before the International Trade Subcommittee today to discuss the North American Free Trade Agreement (NAFTA) and President Clinton's plan to strengthen the NAFTA through supplemental agreements on worker standards, the environment and import surges.

In his speech at the American University on February 26, President Clinton laid out his vision of economic growth in America based on expanded trade and market opening: competing in, not retreating from, the global economy. This Administration's economic strategy begins at home with the President's economic plan--increasing investment, reducing the budget deficit. But it goes on to include NAFTA, strengthened by the supplemental agreements, a completed Uruguay Round, and far more balanced trading relationships with Japan and China.

Let me summarize why the President believes that NAFTA, if strengthened through these supplemental agreements, can help promote economic growth in the United States.

In this global economy, where capital and production are mobile, we face the challenge of creating high-wage and high-skill jobs here in the United States. We have already begun to see the benefits that the United States can gain as Mexico opens its markets. Our merchandise exports have grown from about \$14.6 billion in 1987 to \$40.6 billion in 1992. This export growth has reversed what was a \$6 billion trade deficit in 1987 and turned it into a trade surplus of nearly \$6 billion last year. These increased exports have come from every region in the United States. Mexico is one of the top ten overseas markets for 38 states, and 20 states each shipped roughly \$250 million or more to Mexico in 1991.

Mexico is our fastest growing major export market, our second-largest market for manufactured goods, and our third-largest market for agricultural products. Seventy percent of Mexico's imports come from the U.S., and Mexicans already consume more U.S. goods per person than either the Europeans or the Japanese. The NAFTA will open still greater opportunities for U.S. exporters by eliminating Mexican tariffs (which average two and one-half times as high as U.S. duties), knocking down other forms of Mexican trade restrictions, and eliminating discrimination against U.S. providers of goods and services.

Today, more than 600,000 Americans owe their jobs to our exports to Mexico. This number is estimated to increase to

more than 1 million by 1995 with NAFTA. We know that U.S. workers in export-related jobs earn 17% more per hour than the average American wage. This agreement will be of particular benefit to small and medium-sized companies that are experiencing the fastest export growth. Unlike big companies, small and mid-sized firms do not have the resources to locate around high trade barriers. With trade barriers removed, U.S. firms will not have to move to Mexico to sell to Mexico.

I have emphasized, in a very abbreviated way, some of the potential economic benefits to the United States. But obviously, economic growth will not only make Mexico a better customer, but a stronger and more stable neighbor. The success of President Salinas' reforms is very much in his country's interest, but it is also, very much, in ours.

During the campaign, President Clinton concluded that while NAFTA carried with it the potential for real benefit to the U.S., that potential could be fully realized only through significant additional steps to enhance environmental quality and worker standards throughout North America. On March 17, our negotiators, led by Ambassador Yerxa, begin the process of negotiating the supplemental agreements to which the President is committed. We will not re-open the NAFTA, and we hope to see it enter into effect, as envisioned in the agreement, on January 1, 1994. But we will pursue these supplemental agreements

vigorously, we will not sacrifice substance for speed, and we will not ask you to vote on NAFTA implementing legislation until these negotiations result in full and effective agreements, with benefits that you can assess.

Through the supplemental agreements and related initiatives, we seek to strengthen NAFTA in five ways:

1. Border Cleanup. We will work with Mexico to address the serious environmental problems at the border. The NAFTA process has produced an intense focus on the depth of the problem and an unprecedented degree of cooperation in attacking it. As President Salinas told President Clinton when they met in January, Mexico has dedicated \$450 million over three years to invest in environmental projects in Mexican border cities. The joint U.S.-Mexico Border Plan, which was formulated in the period leading up to the NAFTA negotiations, set up a number of working groups and projects -- including cooperation on enforcement -- to deal with border problems. Plainly, this must be a sustained effort, and it will be costly. USTR and the other agencies are studying the various options for funding critical border activities.

2. Stronger enforcement of national laws. Mexico has solid legislation on its books to protect the environment and its

workers. Mexico's environmental laws, regulations and standards are in many respects similar to those in the United States. Its comprehensive General Ecology law embodies principles similar to ours, and the regulations and technical standards implementing this law take an approach comparable to ours. The Mexican Constitution and subsequent legislation guarantees basic worker rights, such as the right of association and the right to strike, prohibits forced labor, and regulates the working activities of children. Mexico also has detailed laws and regulations governing occupational safety and health.

The issue, of course, is enforcement of the laws, to make the protections on the books a reality for those who live and work and do business in Mexico. President Salinas has taken significant steps, but much more remains to be done. I believe that we might use the negotiations on these supplemental agreements to discuss with the Mexican government ways to strengthen the enforcement of their laws. These initiatives might include changes in the administrative and judicial processes to increase access of citizens and non-governmental organizations.

In thinking about ways to improve enforcement, it is noteworthy that all NAFTA parties committed, in Articles 1714-16 of the NAFTA, to a significant set of principles and administrative and judicial procedures for the domestic

enforcement of intellectual property rights. We will review these provisions to assess their applicability for environmental and labor issues. Procedures like these to promote due process, judicial review, and citizen access to judicial and administrative bodies can contribute to improved enforcement of the law, as well as increased public confidence in the law.

3. North American Commissions on environment and labor standards. President Clinton is committed to the creation of two tri-national commissions -- one on the environment, and one on worker standards. This is one of the most challenging assignments facing us in the negotiations, but I believe that we can create commissions that break new ground in both these areas, and contribute to enhanced quality and improved worker standards in North America.

We envision the commissions as forums for discussing and analyzing environmental and labor issues on this continent. They would have independent, expert staffs and the authority to review complaints from citizens and non-governmental organizations. They would be able to request information from environmental and labor enforcement agencies in the three countries, and publicize the request and any failure by the governments to comply. The commissions could review and report publicly on the enforcement activities of the relevant government agencies, including the implementation of NAFTA's environmental

provisions.

Our goal for the Commissions is the strongest possible improvements in environmental quality and worker standards throughout North America. At the same time, we have to bear in mind that the powers granted to the Commissions will apply to us as well as to our neighbors. The challenge is to create bodies which respect national sovereignty while accomplishing things that none of the nations in North America can do alone. From my consultations with this committee and others in Congress, I am acutely conscious of the depth of your concern that these Commissions have the requisite authority to make a real difference, and I expect the supplemental agreements will be judged accordingly.

4. Worker Adjustment and Retraining. We believe that NAFTA will create jobs in the United States and contribute significantly to economic growth. At the same time, we recognize that the agreement will undoubtedly cause some loss of jobs. This Administration recognizes that to those who lose their jobs, it is cold comfort to know that others are benefitting from expanded trade. We are committed to helping those who lose their jobs with an effective program of retraining and assistance. This is a priority of the President, and Secretary Reich is taking the lead in fashioning a comprehensive program to deal with those who lose their jobs, whether the cause is this trade

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agreement, defense cutbacks, or corporate downsizing. We know that NAFTA will be judged in part by the effectiveness of that program, and it should be.

5. Import surges. In the area of import surges, we are not looking to change the mechanisms in NAFTA, but rather want to ensure that these provisions can be effectively and fairly used for all sectors. I know that there are concerns in certain industries about whether NAFTA's provisions could result in an import surge, and I want to address those concerns. At the same time, we should remember that our exports are a much greater share of the Mexican and Canadian domestic markets than are their exports in our much larger economy. So any new measures we press for may be more likely used against U.S. exports. As with labor standards and the environment, I will be looking to you and the private sector for guidance on these matters.

In conclusion, I want to assure the subcommittee that I am well aware of the concerns that many here in Congress, and around the country, have about NAFTA. I believe that the depth of the concern reflects, in part, doubts about our economic strength that grew understandably during a long period when our government did not address our fundamental economic problems. But we are beginning to attack those problems now. In conjunction with the President's economic package, I believe that NAFTA, if strengthened by the supplemental agreements, will come

to be seen as a positive step for our nation, and an historic
step for the North American continent.

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HEURE:WILSON AND KANTOR ON BEER TRADE ISSUE

MICHAEL WILSON: ...day in day out, producing jobs opportunity, investment opportunities in each of our countries. We did spend some time talking about the two major trade negotiations or trade agreements that are under way right now. We reaffirmed our commitment to continue working towards the January 1st, 1994 implementation date for the NAFTA as well as working where we possibly could towards a successful completion of the Uruguay Round of the multilateral trade negotiations.

We do have some good news to announce as a result of this meeting and that is the accelerated tariff reduction that is a part of the Free Trade Agreement. This is the third round that we've had, a million dollars...a billion dollars worth of two-way trade are affected by this tariff reduction and it indicates the strong private sector interest in capitalizing on opportunities, of eliminating these tariff barriers and reaching the full benefits of the Free Trade Agreement as early as possible.

And so I think we have had a good meeting and believe it consistent with the level of positive trade relationships that we enjoy between our two countries and relationships that are very important

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to the ongoing economic performance. Master Kantor, I invite you to say a few words as well and then we'll open it up to questions.

KANTOR: Thank you very much, Minister Wilson, I appreciate your hosting this meeting. You've been very gracious as well as the people who work with you and we've appreciated both your hospitality and the discussions. We had productive discussions that covered bilateral issues, the Uruguay Round, the NAFTA and the supplemental agreements. I would say then, in respect of one of our highest priority issues, that of Canada's export of durham wheat, we've agreed to implement the audit process that most of you are familiar with that came out of the panel's decision. In addition, there were other concerns raised in this area concerning durham wheat and other grain products and we've agreed to pursue these discussions on a bilateral basis.

We're also announcing the completion of our, as Minister Wilson said, third round of accelerated tariff elimination negotiations and I think it's quite impressive what has happened, not only in this connection today and the...about a billion dollars worth of products involved in these accelerated tariff reductions but also what's happened in the past and I think it is characteristic of the good relationship that our two countries have which share such a long, common border. This is the largest trade by any two nations in the world by far and it is nearly free of...of points of contention although we do have some serious issues that I cited before.

Again, let me say how delighted I am to be here. I look forward to working with you. Let me also say that Minister Wilson has been...has come...came to Washington first as I was trying to resettle

my family there and was very gracious in doing so and I am delighted that he could host this first meeting which this administration is a part of.

MODERATOR: Question...use the microphones...if you'd line up at the microphones. Number six.

Q: John Burke, Global Television. I'm wondering if any of the trade irritants were addressed today and if you made any progress. I'm thinking of things such as steel, beer trade and so on. Can you bring us up to date where those stand?

WILSON: Well, John, yes, those issues were discussed. Beer trade, there's no question that the two countries are trying to develop the basis for a negotiation to resolve this issue. We had a good exchange today. We are narrowing the differences, narrowing the basis on which we should have a negotiation. We haven't reached a point where we can launch those negotiations. We'll be consulting further on this with our domestic interests but we hope to be able to launch those negotiations shortly.

On steel, again, I think the discussion was quite open today. We are looking at how we can improve the trade in steel. Both of our countries are actively involved in the multilateral steel agreement process which has been under way for some while now. We do have trade disputes between our two countries. These are subject to a quasi judicial process; this is under way right now and that process, obviously, has to follow its course. We have, on the Canadian side, raised the question of a basis for developing a better understanding of the integrated nature of the trade in steel between our two countries. I

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put forward a proposal on how we might proceed on that and we've agreed at this is something that needs further consideration. Master Kantor is going to consider my proposal and he'll be getting back to me.

On the question of wheat, that matter has been covered by Master Kantor in his opening comments. There were a number of other issues but those were the key ones.

KANTOR: First let me say in general to your question that, even though the number of our disputes or concerns are small in terms of the volume of our trade, I can say that I appreciated Minister Wilson's candor and hopefully we responded in kind in terms of trying to address the issues that do exist. These are best handled, I think, when you don't avoid them but you deal with them head on. In terms of steel, we of course continue to believe that the multilateral steel negotiations are the most effective way to address these problems and we'll continue to pursue that course. The case is that Minister Wilson, correctly sides, will continue to follow their course of action, they're quasi judicial in nature and, obviously, we always consider any issues raised by Minister Wilson seriously and we will do so in this case.

In terms of beer, we had a full, useful discussion of the beer issue. We will each consult further with our domestic interest in this regard and see if we can develop a basis for resumption of negotiations.

MODERATOR: Number three, Drew Fagan.

Q: Mr. Kantor, how would you...what's your understanding,

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I guess, or how would you look at the relationship with Canada as compared to the concerns you've had of late about the U.S. relationship with Europe and Japan. Is it a substantially better one in the big and broad picture?

KANTOR: Let me, instead of applying what they call horseshoes and hand grenades where you...a comparative game here, let me say that our relations with Canada are excellent and they continue to be so and we trust they will be so in the future. Regardless of the so-called issues that might arise, or (inaudible) on the table now might arise in the future, obviously, we hope and trust that our relationships with the European Community and Japan are good and we continue to work on those. We obviously have some points of difference with those entities. But the fact is, our relationship with Canada is strong, it is productive, it leads to high wages and good jobs and has been mutually beneficial over the years and has been, I think, enhanced by the Free Trade Agreement and we think will be further enhanced by the NAFTA with the supplemental agreements, of course.

MODERATOR: Number six, Peter Morton.

Q: Mr. Kantor, further on beer, how long do you intend for these talks to go on before you, sort of, raise the ante a bit perhaps by increasing the levy? And is it your intention to convert it from a per case levy to a hectolitre basis?

KANTOR: Well, I'm not going to get into the...what we may or may not do because we're trying to...to be constructive in

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our approach to this problem. But let me note that the summer is coming upon us and that is the season, of course, where sales in this area are heightened and so I think you might guess we'd be somewhat concerned about not reaching some conclusion prior to the summer.

Q: And on the NAFTA issue, did you discuss at all how far you want to take the environmental, specifically, the environmental regulations...both Canada and Mexico expressed concerns about extending into their...what they consider their sovereign area. Did you indicate what your intention is that way?

KANTOR: We discussed it and discussed it thoroughly and I appreciated Minister Wilson's candor and we're going to move forward in that process and I think there're some staff meetings following this meeting on that subject...the broad general subject of these supplemental agreements and we trust that we're going to be able to reach a three party agreement on these supplemental...supplementals to the NAFTA in a reasonable time.

Q: Is that, perhaps, by June or the summer as well, or?

KANTOR: I set no reasonable time.

MODERATOR: Number three.

Q: Do you still think that a supplemental agreement on the import levies is necessary; there are...is substantial stuff in the text on precisely that and the Canadian...

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WILSON: Import levies, or?

Q: Import levies, ...(inaudible)... import levies, is that still necessary from your perspective?

KANTOR: From whose...I'm sorry, who are you asking the question?

Q: The side deal.

KANTOR: Are you asking me or you asking Minister Wilson?

Q: Yeah...import surges, sorry.

KANTOR: Safeguards against surges? The answer is yes. The President, in his speech on October 4 in North Carolina, '92 and reiterated on December 17 and then on February 26, indicated that...of course this is one part. Sections 801 and 802 are what you're referring to in the NAFTA and that's what...dictates right now under the NAFTA, safeguards against surges. We continue to believe and work on supplementals which will not reopen the NAFTA, we're committed not to do that but will be in addition to what has already been agreed upon.

MODERATOR: Number six, Sean McCarthy.

Q: Mr. Kantor, can you...there's been a lot of talk about the difficulty in getting NAFTA through Congress and a lot of opposition within the Congress...can you tell us from your point of view how strong, how much in the way of real teeth(?) will the

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supplemental agreements have to have in order to convince and persuade people in Congress to pass them and can you get the deal through without opening the main body of the agreement?

KANTOR: Let me answer your second question first although I'm somewhat...trepidation, answer compound questions. Lawyers usually don't like to do that. Yes, we can...

WILSON: They like to pose them, though.

KANTOR: That's right, exactly, exactly. We can get the NAFTA with the proper supplemental agreements through the Congress without reopening the NAFTA, the body of the NAFTA itself. The President is committed not to do that and we will not do that. That's... answers, I think, your first question. Second, there is opposition in the Congress but I think, in the main, there is both support and there are a great number of members who are waiting to see what these supplemental agreements have to say before they commit themselves. Obviously, the more productive the supplemental agreements, the more likely it is we'll be able to send the NAFTA to the Congress and have it...have it ratified.

MODERATOR: That's it?

Q: On softwood, did that...was that discussed at all and, Mr. Kantor, is there any indication or are you under any pressure from your homebuilding industry to, perhaps, lift the 15 per cent provisional duty?

KANTOR: I'm never under pressure.

Q: Oh...is there any move afoot, then?

KANTOR: The answer is that as the...Minister Wilson correctly put it, these case...this will continue to move forward in the normal process and we'll wait to see what the decision is.

MODERATOR: Three questions at number five.

Q: Mr. Kantor, a couple of questions on the durham wheat issue. By accepting the audit process, does that essentially finish the main contentious issues about durham wheat imports, is there no more suggestions of anti-dumping action being taken? Is the issue resolved?

KANTOR: The answer is, if you know...the second part of my statement indicated we were going to start...begin bilateral discussions regarding this situation and we will address the issues that we face in addition to going forward with the audit process.

Q: What issues face you, then, to put it that way?

KANTOR: Well, a number of issues and I don't think it would be productive to go into them right now but I'm pleased that Minister Wilson has agreed to begin this bilateral process. I think it probably a productive way to address this issue as...as comparing (inaudible) to other actions it might be taking.

MODERATOR: Number five.

Q: To Mr. Kantor, John Flanders from the Hamilton Spectator. Mr. Wilson mentioned a proposal that he put to you about steel. I assume it's a cross border steel accord starting out with a blue ribbon panel of steel executives to get it off the ground, there's a lot of support for a bilateral steel accord in Canada. What are your direct feelings, sir, on a cross border steel accord as opposed to an MSA?

KANTOR: Well, rather than...rather than let you know first, I think I'm going to let Minister Wilson know first and I've agreed to go back and take a look at his proposal and get back to him and then you'll be the first to know.

Q: Well, it was our understanding that he was...he had put it to you a couple of...or February I guess it was and that he would...you were supposed to get back to him on it shortly. Can we expect an answer soon?

KANTOR: We've had an exchange of letters. Let me indicate that, one, we continue to believe the multilateral steel negotiations are the best forum for reaching this problem, number two, that the cases that involve steel are...should go to their conclusion but, number three, obviously I always look at the ideas of Minister Wilson because it would be...it would not be in keeping with our relationship if I didn't. But let me say we've had an exchange of letters on this issue.

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MODERATOR: Number six.

Q: Mr. Kantor, I don't know if you had a chance to see it but, in today's Globe and Mail, the Canadian forest industry bought a full page ad, it was an open letter to you, asking the United States to drop the counter...

KANTOR: I'm flattered.

Q: I'm sorry?

KANTOR: I'm flattered.

Asking the U.S. to drop the countervail on softwood lumber. What do you have to say to that and to them? I know you touched on it before but it wasn't clear whether or not they were successful in having the two of you discuss that issue today at any length.

KANTOR: Well, number one, I haven't seen the ad so I can't directly respond to something I've not seen. Number two, I think Minister Wilson made it clear where we were in that situation and we've agreed to wait until those...that case has been completed.

MODERATOR: Number five.

Mr. Kantor, my name is Robert Kozac(?) with Reuters. There was a story in the New York Times today that

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suggested that your administration would try to push through some work on the budget before you went ahead with the NAFTA. Does this sort of signal any shift in your priorities?

KANTOR: Not at all. I think that story just indicates a sequencing of and timing of when a certain piece of legislation might be sent to the Congress. The fact is, given the NAFTA and where we are with the supplemental agreements and the timeframe that we have and the goal of a 1/1/94 implementation date, there's nothing inconsistent. Frankly, with the present economic program being ratified by the Congress and sent to the White House and are getting the NAFTA there well in time to be ratified by the Congress and to reach that goal.

Are you going to change your position at all, do you think, on, as Drew from the Globe and Mail mentioned, on import surges? There was some opposition from Canada to have that included in the side negotiations. But you're ... (inaudible) ...

KANTOR: No, we're not going to change our position.

MODERATOR: Numero cinq.

Q: Une question en français pour M. Wilson.

Il y a plusieurs discussions, il y a plusieurs pourparlers qui vont se continuer sur la majorité des sujets que vous avez abordé. Est-ce qu'il y a des progrès notables sur au moins un des secteurs discutés?

WILSON: Nous avons discuté plusieurs facteurs dans (inaudible) relation ensuite de pays en ce qui concerne le commerce international. Et nous avons discuté particulièrement les problèmes avec l'acier, le blé, et aussi la bière. Il y a des autres, la liste des autres, mais ces trois les plus importants.

Q: Le fait que M. Kantor dit qu'il préfère les négociations multilatérales sur l'acier. Est-ce que vous considérez que c'est un refus de parler d'un pacte ou d'un accord bilatéral sur l'acier?

WILSON: Au Canada et aussi avec les Etats-Unis, nous deux avec l'intérêt, nous deux avons un intérêt au sujet de l'accord multilatéral en ce qui concerne l'acier. Mais j'ai fait une proposition à M. Kantor pour avoir une étude au sujet de l'acier, le commerce de l'acier. Et M. Kantor a dit qu'il veut étudier ma proposition avant de répondre à ma proposition.

MODERATOR: Number three.

Q: All the discussion seems to be on beer one. Was there any discussion of beer two as well and, if not, why aren't the two cases being negotiated together?

WILSON: Well, we did have a discussion on the entire beer issue, both beer one and beer two as you put it. The question on the beer one issue is one that directly involves the provinces and the

proposal that we have agreed to try to advance to have negotiations to deal with the matter. We have also expressed, on the Canadian side, an interest in dealing with beer two, the concerns that we have on access to beer into the United States market and I think here we had a good understanding of the issues but, I'd have to say that the primary focus was on trying to launch these negotiations on beer one.

Q: Mr. Kantor, how willing are you to get going on beer two?

KANTOR: Well we have already begun to take steps in order to address the beer two situation, however, we are, as Minister Wilson correctly put it, focused on...more on beer one and the process involved and agreed to (inaudible) if we can develop a basis for resumption of negotiations.

MODERATOR: Number three.

Q: Alan Garr, CBC. Mr. Wilson, just a minor point first. Are there going to be three supplemental accords, one on labour, one on the environment and then on one...one on import surges. Or are there just two supplemental accords?

WILSON: The topics that we're looking at, there's labour, environment, import surges, then the...Mr. Kantor may wish to comment on cross border environmental issues as relates to Mexico but it was those first...first three that we concentrated on today.

Q: And do you think that these supplemental accords will

significantly change the impact of NAFTA on Canada...or
these...

WILSON: Well I think it's early days to be able to comment on that. As you know, over a year ago we put forward proposals for parallel agreements on labour and the environment, the previous administration did not wish to pursue those discussions so we've been pleased to pick up this with the Clinton administration. The areas that we've concentrated on most today have been on labour and the environment. The mandate or the outcome of the negotiations is still to be seen at this stage but I think that the results should be positive for all three countries.

And what do you see exactly, I mean, obviously Mr. Kantor and his administration have a lot riding on these...they make a big deal out of it, you know, without these accords there will be no deal. What positive things do you see for Canadians?

WILSON: Well, I think in the case of labour which is your direct interest, there's some important statements made in the preamble as it relates to labour standards, labour relations, health and safety...health and safety standards. We would hope that there'd be a basis on which we can further the objectives of that preamble as a result of the negotiations on that particular accord, that particular agreement. On the environment, we're looking to see a greater cooperation, collaboration among the three companies on the enforcement of environmental standards, raising the awareness of sustainable development, seeing whether there're basis...bases for harmonizing

standards between the...among the three countries. So these are the areas that we're looking at but I think it's too early to draw conclusions as to what will be in the final agreements until we get further down the track with the discussions that are under way now.

MODERATOR: Last two questions. First five and then seven.

Q: Mr. Wilson, I want to come back on import surges. Is it for you...is it for Canada a point where we want a parallel agreement or we find that what is already in the NAFTA deal is sufficient for now?

WILSON: Our position has been that what is in the NAFTA is sufficient. It is essentially the same as relates or as covered by the Free Trade Agreement between the United States and Canada and we believe that it's worked well but there may be some ways that, as we get through these discussions, can expand upon this and once we've completed these discussions, we'll be able to comment further on it.

MODERATOR: Clyde Graham.

Q: Mr. Kantor, what is your specific concern regarding Canada and import surges?

KANTOR: Well it...the concern about import surges which, of course, was...the genesis of which was in the President's speech when he was Governor Clinton as a candidate on October 4 in North

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Carolina last year, does not necessarily involve only Canada. It involves all three nations in trying to ensure that we can safeguard against surges as it might affect everything...that it might affect things such as labour and other matters and so we're trying to address that in an effective way. I'm quite aware of Section 801 and 802. We're not going to reopen those but what we're going to do is reach agreement on some...on the supplemental agreement that's in addition to 801 and 802.

Q: I'm just wondering if you have...if this is aimed specifically at your experience in trade with Canada or with Mexico?

KANTOR: It's aimed at the problem in general.

Q: Is there a problem with import surges from Canada?
Has there been...

KANTOR: I didn't say that.

Q: No, I'm just asking, is there a problem with import surges from Canada?

KANTOR: I'm not aware of one now but the question is whether or not under...under the NAFTA, without a supplemental agreement, whether or not we have properly and completely addressed the issue of safeguards against surges and that's what the...the question the President raised on October 4 and the question we're addressing right

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now.

MODERATOR:

Merci beaucoup. Thank you very much.

Press Briefing Transcript
Ambassador Michael Kantor and Sir Leon Brittan

April 20, 1993
3:15 p.m.

Ambassador Michael Kantor:

...intensive and extensive discussions in a number of areas and we tried to take advantage of the time but we both apologize to you for the delay. Let me start by saying we began our discussions on the Uruguay Round at least began these discussions in the last two days on the Uruguay Round, we spoke about market access, intellectual property issues, services. We talked about the steel issue as well as Airbus. We exchanged views in all of these areas and had detailed discussions in the market access area. In addition we agreed to a series of meetings, intensive, and...meetings, leading up to the G-7 meeting in Tokyo which began in Brussels, and has gone through the last two days here in Washington. We will then continue these meetings on May 7, where we have directed the staffs to report back to us on various aspects on the market potential, being the market access, or larger market access package. And May 7 of course is when President Delors is here for his annual summit with the President of the United States. We have discussed what issues we would raise at those meetings and we have come to agreement and we will continue to pursue those. In terms of the Blair House agreements we are pleased to announce the European Community is nearing completion of all the steps they need to take to fulfill their obligations under that agreement, which we are quite pleased with. We have had lengthy discussions on public procurement. We have not reached agreement. Sir Leon and I have indicated we will talk tomorrow when he is in Brussels, at noon Washington time in an attempt to finalize an agreement. As you know, we had previously announced on the 22nd, on Thursday, if in fact we had not reached agreement, we would then of course finally impose sanctions which were proposed earlier, in... earlier this year. These talks have been intensive and extensive in this area as well. They covered very serious areas of government procurement and I would not at this time like to get into the various concerns that we have, although we will finish these discussions tomorrow by telephone. Sir Leon, would you like to...

Sir Leon Brittan:

Ladies and gentlemen may I add, first of all my own apologies for the delay in this press conference. I believe that we have in these last two days, added real momentum to the GATT process. And I believe that is good for the relations between the European Community and the United States. I believe that it is good for the world economy. Anything that we can do to bring forward the day when there is there is a comprehensive and generous-minded GATT agreement is something which would provide a much needed stimulus

for the world economy, both because of its psychological, immediate effects, and because of what it actually does for trade when its implemented. We have advanced the GATT process in a number of ways, procedurally and substantively. Procedurally Ambassador Kantor has told you about the arrangements made for a whole series of meetings between us later involving our partners and we hope to record significant progress by the G-7 summit in the Beginning of July in Tokyo. I think that there will now be a period of intensive hard work between our negotiators, those from the United States and the European Community. But we've set in hand a process may I say, that I think has been facilitated by the decision of the President on the fast track legislation. We look forward to specific details of that coming before the Congress and being enacted, I hope, at the earliest possible moment. That ... and date given in that legislation is sufficiently far away for us to have time to do work. It is sufficiently close for it to put pressure on us all to get on with doing that work. On the substance of the matter, I put forward to Ambassador Kantor, first of all, here in February and then again on March 29th in Brussels a general outline of the Community's offers in relations to outstanding points. Ambassador Kantor yesterday here gave again a general picture of the United States' response. It is, in putting those two together and trying to achieve a rapprochement that the work will now focus. So I think we have achieved real progress in that major and central task. But I want to say quite clearly that in my view the responsibility that the two of us have towards the whole world community is enormous. And we have to understand that if there are disputes between the United States and the European Community, even if those disputes cannot be immediately and instantly resolved, they pale into insignificance compared to the magnitude of the opportunities provided by the GATT Uruguay Round. I think we should handle any disputes that we have, very conscious of that. References made by Ambassador Kantor to Blair House, just to make a slight clarification which I know he will not disagree with, but of course it is those aspects of the Blair House agreements that are unrelated to the Uruguay Round that require early implementation. Those that form part of the Uruguay Round will of course be part of the total package presented to our respective constituencies at that time. Can I say with regard to the public procurement issue, we have not reached agreement. Ambassador Kantor has been clear on that and that of course is indeed the case. We will be continuing our discussions on the telephone tomorrow, and as Ambassador Kantor has said, no mutual purposes would be served by going into greater detail on where we stand today. He has announced his intentions vis-a-vis the 22nd, I have nothing further to comment on that.

Kantor:

Any questions?

Reporter:

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You said you hoped to finalize a deal on the phone. Does that mean that you have the outlines of a deal in place and...

Kantor:

Let me clarify that. We hope to reach a conclusion one way or the other tomorrow by telephone. I think Sir Leon would agree with that. I think "finalize" would carry implications that would be unfortunate at this point.

Reporter:

Is there an element of the agreement that you're just trying to put the finishing touches to?

Kantor:

Well there are elements of agreement and elements of disagreement and we will discuss all of those tomorrow by telephone and try to reach a conclusion.

Reporter:

(Inaudible question)

Kantor:

(Laughter) Not being one who's ever engaged in horseshoes or hand grenades, I'm not sure what close means, but the fact is that we have some elements of agreement and elements of disagreement in some cases we're very close in some cases not as close and it's going to require another conversation if we're going to reach agreement but we may not do so.

Brittan:

I don't think it's useful to try to present either geographical or quantitative images of the degree of closeness. We're pretty close, and I hope that we always will be in personal terms. There are outstanding issues that have not been resolved and there are some on which agreement has been reached. It would be wrong to assume that it's just a case of finishing touches. Anything else would be equally wrong, and I think it would be not helpful to our common cause to go into any further details than that.

Reporter:

If the sanctions go ahead on April 22, will this effect the ability of the U.S. and EC to work together in resolving outstanding issues in the Uruguay Round? What effect will that have on the Uruguay Round?

Brittan:

I have not answered that question specifically, but I have given you what amounts to an answer to that question in saying what I did about the relationship of dispute handling and management and the Uruguay Round, and I have spoken very clearly on that point. I think a lot depends on, if there is a dispute, how it is handled and the manner in which it is handled even if it is not resolved.

Kantor:

Let me just add to that, and I agree with what Sir Leon said, let me add that between trading partners, with this larger volume of trade which we have with each other, there are always going to be a certain small percentage of dispute and the fact is, the question is not whether or not you have disputes, it's how you work to try to work them out and in some cases you will and in some cases you won't but it does not effect larger issues such as the Uruguay Round.

Reporter:

(Inaudible question)

Kantor:

Well, number one, Sir Leon is more than capable of speaking for himself. Now, let him answer that question, but on... (laughter)... on the first of course we have now, Thursday is the date, it's the 22nd. We'll make a decision based upon what happens tomorrow.

Reporter:

What makes you think you can succeed in the next few hours where two days of intensive talks have failed, so you're not...

Brittan:

I haven't said a word. I've said that that's what we're going to do. Whether we succeed or not, wait and see.

Kantor:

You never know how tired you might get of those flights...(laughter)

Brittan:

I find those flights rather recuperative. (Laughter)

Kantor:

You must be flying an American carrier. (Laughter)

Reporter:

...Can you give us some details of the general outline...of what's coming out on market access...

Kantor:

I'll mention for a few seconds, I really don't want to get into great detail, I won't mention, and if you give me this then I will take. Obviously we've talked about non-ferrous metals, about wood, ...we've talked about textiles, about scientific and medical equipment, we've talked about construction equipment, farm construction equipment. Those are a few of the areas that were talked about and discussed and reviewed.

Brittan:

And we talked also about maritime transport...

Kantor:

We talked about electronics, semiconductors subsumed within that, computer parts as well.

Brittan:

It's all on the table.

Reporter:

(inaudible question)

Kantor:

We have mentioned those. Obviously we are much more focussed on the market access package because we have agreed that it would be productive to move as far as we can prior to the summit on market access as we move forward with the Uruguay Round. I think we've all agreed with that. We've also discussed this with the Canadian trade minister, we also discussed this, the President discussed this with Prime Minister Miyazawa and I think there is general agreement at least among the parties that I mentioned, to proceed in that manner.

Brittan:

I would agree with that. I'd only add, that of course, the question of the Dunkel text and how far you depart from it and how far you stick to it is something that we're going to have to look at, at the same time. I say at the same time not because I disagree in any way with Ambassador Kantor on priorities but simply because we have to remember that the Uruguay Round clock is ticking now. And we don't have too much time to deal with a raft of complicated issues. The time has come to make politically difficult decisions. Attempting to delay those, I think, together I hope we can address them and bring in our closest partners and major partners in time to make progress in accordance with the calendar which we have agreed.

Reporter:

What's the schedule of meetings and what level of officials have been invited?

Kantor:

There will be deputies' meetings and staff meetings all along but the major meetings are May 7 here in Washington, the middle of May in Toronto, we don't know the exact date yet but we're working on that, in fact we worked on that yesterday and today to some degree. There will be a meeting surrounding the OECD meetings in Paris. I think that's June 1st and June 2nd. Those are already scheduled, those are ministerial level meetings. But we'll have, in the interim, deputy as well as staff meetings on the same subject.

Reporter:

Is there a realistic possibility you will work out the remainder of your...by tomorrow?

Kantor:

I think anything's possible.

Reporter:

If the negotiations don't succeed, would you go ahead with the determined sanctions, even if there was a possibility that...

Kantor:

Well I think given what Sir Leon has said, that we have at least to this degree, separated these discussions. And I think, a correct attempt to make sure that one does not effect the other. And I think Sir Leon said it quite well.

Brittan:

We'll do our level best on that. But there are other people who might ...quite so easy. Sanctions never helped anybody.

Reporter:

Sir Leon, can you tell us when the Community will be able to implement...

Brittan:

According to the schedule of dates provided for in the agreement itself, we will comply with that.

Reporter:

Can you refresh us as to what that is?

Brittan:

I think I'll leave you to look it up yourselves.

Reporter:

The President, when he talked to Prime Minister Miyazawa, thought that the...

Kantor:

Well I think we'd all agree trade is a significant part of our international economic situation and one in which we all want to address, we want to build on a bilateral, and a multilateral, and

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a regional basis trading systems that work, and work effectively. The fact is that the meetings with Prime Minister Miyazawa resulted in a, as you know, a structure of meetings discussing our bilateral relations, but also an agreement on the part of Japan to join us in an attempt to address especially the market access issues leading to a successful, hopefully successful Uruguay Round by December 15.

Reporter:

Your announcement at the time spoke of sector-specific talks with the Japanese. How does that differ with what's been going on sector-by-sector in the last period of years, and, Sir Leon, how does the European experience...how do you regard sector-by-sector talks with the Japanese?

Kantor:

Well I would say at least in one very significant way, for the first time we're going to intersect sectoral talks with structural talks. Second, we're looking for measurable success, and third, we're looking for results. So in all those ways, we're putting it all together in these discussions in order to make progress. That is how that differs from what has happened before.

Brittan:

We...I think we in the community have, I would say, a different experience, and a different approach. I'm not saying that we've been notably more successful with a different approach. The new element, as far as we're concerned, is that agreement was reached with the Japanese Government that the EC-Japan ministerial meeting in Brussels in January, that there would be a detailed statistical study of the trade imbalance between the Community and Japan, which would look at it on a sectoral ...basis. That was meant to provide a tool for action in that it would enable an examination, on a sectoral basis to take place, and see in the case of each sector what the causes of the problems were of the imbalance and therefore enable us to see whether there were particular obstacles and particular things that needed to be handled. So that's our approach.

Wildman:

One more question.

Reporter:

(Inaudible question)

Kantor:

Well, we had a number of major issues to discuss, one of them was government procurement. But certainly we had lengthy discussions on the Uruguay Round as well as on Blair House as well as some other issues that I mentioned before such as steel and Airbus, so therefore all of these issues took a significant amount of time. Thank you.

**Testimony of
Ambassador Michael Kantor
United States Trade Representative
Before the Subcommittee on Trade
Committee on Ways and Means
United States House of Representative
April 21, 1993**

I welcome this opportunity to appear before the Subcommittee today to present the budget authorization request for the Office of the United States Trade Representative. Although little time has passed since the last time I was before you, a great deal has transpired in the trade arena and I look forward to bringing you up to date on issues of mutual interest and concern.

As members of this Subcommittee are aware, the Office of the United States Trade Representative has primary responsibility for developing and coordinating U.S. international trade, commodity, and trade-related direct investment policy, articulating trade policy for the Administration and for leading negotiations with other countries on these matters.

We carry out this mission with a small but highly motivated, and professional staff that is dedicated to promoting U.S. economic interests.

USTR's authorization and budget request for Fiscal Years 1994 and 1995 represents a straightforward extension of existing budgetary authority, with a very modest increase. Therefore, I will focus my testimony on an overview of the ambitious schedule before USTR so that a better understanding of our request will be considered in the context of our full agenda.

Full Agenda

Since taking office in January, President Clinton's highest priority has been to strengthen the U.S. economy. Accordingly, the President has put forth a visionary program designed to reduce the budget deficit and increase investment in areas critical to our future economic strength.

Implementation of the President's strategy starts with the enactment of the President's economic program. Yet, as members of this subcommittee are acutely aware, and the President stated in his American University speech, economic growth from expanded international trade is a crucial part of our economic strategy and future security.

This last recession and the modest recovery we have seen are distinct from previous experience in that unemployment has remained disturbingly high. Increasing U.S. exports is key to turning that problem around.

Last year alone, 6.7 million U.S. jobs were created by trade. For every billion dollars in exports, 15,000 jobs are created. Trade is clearly an engine which can drive economic recovery and job growth.

The Administration's trade agenda for fiscal years 1993 and 1994 is a mix of enforcing commitments, reaching closure on negotiations begun and found to potentially advance U.S. interests, protecting U.S. creativity from piracy, fighting to open markets to U.S. goods and services, grappling with the complex issues posed by the intersection of trade and the environment, and moving ahead with initiatives to strengthen our trading ties with the rapidly-growing nations of the Asian-Pacific.

Many of the issues must be addressed in the next year. These issues include:

° Renewal of "Fast Track" Authority for GATT

As you know, current negotiating authority and fast track implementation procedures may not be used to conclude the Uruguay Round of GATT. Those provisions required the President to notify the Congress by March 2, 1993, of his intent to enter into an agreement before June 1, 1993. Because the negotiations were not satisfactorily concluded by March 2, no such notification could be made.

The draft bill that will be sent to Congress would extend Congressional "fast track" procedures to only the Uruguay Round implementing bill. This would require the President to notify Congress no later than December 15, 1993, of his intent to enter into such agreement on April 15, 1994 -- in effect providing us with an additional ten and one-half months to conclude the Round.

The bill would also expand the 90-day period between notification to the Congress and signature of the agreement to 120 days, to afford ample time for consultation between the Administration and Congress on draft implementing legislation.

Since additional time is given for consultation between the Administration and Congress, additional time would also be provided in the bill for the submission of private sector advice. In all other respects, the fast track procedures would remain the same.

I want to emphasize that the Administration is seeking this authority only for the Uruguay Round. However, the President is deeply committed to negotiating a free trade agreement with Chile. The Administration will seek a separate extension of fast track authority for future agreements of this type. We will consult fully with Congress on this matter.

I might note that the fast track announcement, and the fact that it dealt solely with the Uruguay Round, has sent an important signal to U.S. trading partners about the priority that the Administration attaches to a strong and open multilateral trading system, and its determination to complete the Round.

° Completing the Uruguay Round of GATT

The Uruguay Round, involving more than 100 nations, began in 1986. The failure to complete the Round has been a source of disappointment and frustration to the United States and many of our trading partners. A successful Round would lower tariff and non-tariff barriers around the world, and establish new multilateral rules for world trade.

Completing the Round is the single most important step we can take to open foreign markets around the world to U.S. manufactured goods, agricultural products and services. Our most significant trading partners have underscored their commitment to complete the Round this year.

USTR, in cooperation with a number of other agencies, has identified areas where the Draft Final Act, the so-called Dunkel Draft, could be improved. We have also set our sights on an ambitious market access package, which would bring benefits to U.S. companies and workers, by increasing exports of U.S. manufactured goods, agricultural products and services.

The short-term goal is to secure basic U.S. - EC agreement market access and building on that to create a larger market access package, including significant contributions from Japan and key developing countries. Accordingly, a series of meetings is planned in the next three months with the EC, Canada and

Our clear objective is to produce concrete progress by the the G-7 summit in Tokyo in July.

° Completing the North American Free Trade Agreement

The President's desire is for a North American Free Trade Agreement that creates a formidable competitive edge for U.S. products in domestic and global markets. As part of the President's economic program, NAFTA prepares us for the competitive challenges the future will bring.

Augmented by strong and enforceable side agreements, NAFTA will result in greater economic and employment growth in the United States and the upward harmonization of wages, worker standards and enhanced environmental quality throughout North America. Mexico is already our second largest export market for manufactured goods. With the further reduction of tariffs in NAFTA, we anticipate that market will grow further.

Consequently, USTR has committed itself to negotiating strong supplemental agreements which break new ground in three areas: environmental quality, worker standards, and import surge concerns.

The Administration is committed to negotiating agreements that will ensure improved enforcement of the laws in Mexico. We also hope to create strong labor and environment commissions with the necessary teeth to review national enforcement, and to hear and follow up on complaints from citizens about deficient enforcement.

We will not sacrifice substance for speed but it would be our hope to negotiate the supplemental agreements in a timely fashion, to enable the whole NAFTA package to go to Congress for implementation in time for NAFTA to be effective on January 1, 1994. Plans for border cleanup and worker retraining and adjustment, spearheaded by EPA, State and Labor, are crucial parts of the overall NAFTA package.

° GSP Renewal

The Administration, through USTR, will seek a renewal of the Generalized System of Preferences (GSP) program.

This program promotes economic development and creates markets in developing countries and is an important tool for the promotion of our trade policy. In past years, GSP has been used to help secure gains in both intellectual property and worker rights areas. We want to sharpen its use in these areas.

Our initial aim is to prevent the program from lapsing on July 4, through a short-term extension. During the extension period, we would take a hard look at the program and consider ways of improving it. We are currently working on an extension proposal.

° Japan

No single trade issue had proven more complex or contentious than those arising from our bilateral problems with Japan. Therefore, it is vitally important that we make progress on our market access problems with Japan, many of which have been hurting U.S. companies and workers for more than a decade.

USTR will place particular focus on assuring Japan follows through on commitments already made to the U.S. government and addressing on-going sectoral issues such as auto parts, automobiles, telecommunications, semiconductors, construction, computers, and supercomputers. We will also insist on Japan assuming its share of the responsibility for the Uruguay Round.

° China

USTR has aggressively monitored implementation of the market access agreement signed in 1992. During 1992, USTR negotiators travelled twice to Beijing, pressing the Chinese to fulfill pledges made under the Agreement to open their markets to key U.S. export sectors. USTR is also discussing additional market openings for key sectors, beginning with computers and integrated circuits, heavy machinery, medical equipment, and distilled spirits.

On intellectual property rights, the Chinese continue to implement faithfully the agreement that we signed in January 1992. As a result of the agreement and follow-on discussions with the Chinese, U.S. agrichemical and pharmaceutical manufacturers now can obtain product patent protection and, for products patented in the United States between 1986 and 1993, administrative protection in China.

Finally, because China's market to U.S. services remains largely closed, USTR has -- with industry support -- constructed a new trade initiative for U.S. service firms designed to secure fair and comparable access for U.S. firms.

° Title VII

USTR conducts the annual investigation of discrimination in foreign government procurement, provided for in Title VII of the 1988 Trade Act. The investigation is a detailed, resource-intensive one, employing many information sources -- from our embassies, from the private sector, from various agencies of the government -- and significant staff time.

An interagency group, led by USTR, examines in some detail the procurement practices and policies of countries which sell to the U.S. government. The review involves a tremendous amount of cooperation among agencies of the executive branch, as well as with the Congress.

I would like to emphasize that we share the objective of the Congress, reflected in the Title VII statute, of opening foreign government procurement markets to U.S. exporters. Our efforts under Title VII to open the EC's market in the telecommunications and heavy electrical sectors reaffirms our commitment to this objective. We will continue to work diligently to see that Title VII concerns are addressed.

° Asia Pacific Economic Cooperation (APEC)

The Asia-Pacific region is collectively America's largest trading partner and the most dynamic region of economic growth in the world. Our economic future is heavily bound up with Asia, yet America's economic presence and leadership in the region has been overshadowed by a decade-long trend of steadily increasing Japanese economic presence in the region.

This year, the United States chairs the 15 nation Asia Pacific Economic Cooperation (APEC) and will host the APEC ministerial meeting in November in Seattle. Our position in APEC, at the time of a new Administration in Washington, offers the United States a great opportunity to strengthen our ties with this critical region.

° Intellectual Property Issues

USTR staff is in the process of completing review of our trading partners' protection of intellectual property rights (IPR) and market access issues under the "Special 301" provisions of the 1974 Trade Act. The results of the review must be

announced by April 30. Currently, negotiations are on-going with a number of countries seeking to avoid designation as "priority foreign countries."

While I am not currently in the position to name specific countries against which we may recommend action, I want to underscore the Administration's commitment to protecting U.S. intellectual property and engaging other countries at all levels. We recently entered into an agreement with the Philippines committing them to making the legislative and administrative changes needed for a world class intellectual property regime. USTR will continue to work aggressively to enforce U.S. intellectual property rights worldwide.

Special 301 has been a very valuable statute, but ultimately its credibility rests on our willingness to take strong action against those countries which contribute to piracy.

° Section 301 Review

On March 31, 1993, we released the eighth annual National Trade Estimates (NTE) report on foreign trade barriers. This report helped us catalog information on various trade issues and facilitated the establishment of our trade priorities and allocation of resources. Despite the evidence of extensive trade barriers maintained in 44 nations, there were no pending Section 301 investigations at the time the Administration took office.

USTR staff have begun a comprehensive review of the most significant barriers in the NTE Report and are identifying those barriers that can best be addressed through the use of Section 301, if our current bilateral or multilateral efforts do not result in market-opening measures.

° Canada

We recently achieved a successful completion of the third round of accelerated elimination of tariffs under the U.S. - Canada FTA. Agreement was reached far earlier than scheduled and tariffs on over 100 items, valued at approximately one billion dollars in two-way trade, were eliminated. The previous two rounds of accelerated tariff elimination resulted in early removal of tariffs on over \$8 billion in bilateral trade.

Lingering disputes, particularly with respect to beer and wheat require continued discussions with Canadian officials, however.

° The European Community (EC).

USTR has moved strongly on certain disputes with the EC, which have clouded this critical trading relationship. The closed nature of the EC procurement market has frustrated negotiations on the GATT Procurement Code and been a major obstacle for U.S. exporters for years, especially in the telecommunications sector.

My visit to Europe in late March and the efforts of USTR in the short-term emphasize the Administration's interest in renewed engagement in the Uruguay Round, discussions about the utilities directive, the failure of the EC to implement aspects of the Blair House agreement on agriculture, discriminatory actions against U.S. audiovisual interests, and our continuing concerns about EC subsidies to the Airbus consortium.

I have secured a commitment from the EC that the oilseeds part of the Blair House agreement would be implemented in May, with other parts of the agreement being implemented in April.

° Trade and the Environment

The issues involving the intersection of trade and environmental policy have proven to be extremely complicated and difficult. There has been no coherent U.S. policy in this area, and in the past, U.S. actions and policy in particular instances were unsupported in the international arena.

USTR is actively involved, along with other agencies, in the effort to fashion a coherent Administration policy, which would serve the Administration's objectives of both expanded trade and sustainable development.

USTR has chaired an interagency group which conducted a review focusing on three key areas: the use of trade measures to achieve environmental objectives; linkages between trade and environmental agreements; and process issues involving trade and the environment, including public participation and interagency coordination. We anticipate further effort will be necessary on this important but difficult issue.

Authorization and Budget Request

This authorization request seeks a two-year authorization for the Office of the United States Trade Representative, covering fiscal years 1994 and 1995. Our request parallels prior year authorizations. We are requesting a straightforward extension of existing budgetary authorities. The proposed budget authorization level for fiscal year 1994 is \$20,143,000, and for fiscal year 1995 the proposed level is \$20,419,000. We are also proposing to continue the existing authority allowing USTR to carry over up to \$2,500,000 of its annual budget until expended.

For FY '94 our request is a modest one. We are requesting \$20.1 million in budget authority. This represents only \$151,000 more than the level appropriated last year (\$19.9 million). This request incorporates the features of the President's program to reduce full-time equivalent positions and to cut administrative expenses. Compared with the fiscal year 1993 appropriation level we have cut those positions by 5, and trimmed our administrative expenses by slightly more than 3 percent. These cuts for the organization charged with handling trade issues for one of the world's preeminent trading powers are not insignificant. Our budget request is \$400,000 less than what is actually needed to keep pace with current service needs and in real dollar terms, is 8% less than three years ago.

It is undisputed that the Office of the United States Trade Representative has a critical mission and, as my testimony outlines, a full agenda. It is a mission the staff at USTR and I have taken on with enthusiasm. At the negotiating table, we will be representing the interests of American workers, farmers and businessmen and women, just as my counterparts represent theirs. I will do so with a relatively small staff and budget -- only 157 full-time equivalent positions -- and the assistance and participation of other agencies and departments.

In closing, Mr. Chairman, I would remind the Committee that USTR's challenges are formidable, but so is our resolve. To effectively face these challenges, I urge the Committee to approve our request for a two-year authorization covering fiscal years 1994 and 1995. In past years you have strongly supported USTR's mission to open markets and to expand trade throughout the world. Your continued support remains critical to America's economic prosperity.

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PRESS CONFERENCE WITH
UNITED STATES TRADE REPRESENTATIVE
MICKEY KANTOR

RE: TRADE AGREEMENT WITH EUROPEAN COMMUNITY

OFFICE OF THE USTR, WASHINGTON, D.C.

WEDNESDAY, APRIL 21, 1993

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Q (Inaudible)

AMB. KANTOR: Oh we never change positions. First of all before I read this statement, let me indicate that it's my view that Sir Leon must have flown on an American carrier. (Laughter)

I'm pleased to announce that the United States and the European Community have reached an agreement on government procurement. Under this agreement, the European Community will remove the discrimination against US suppliers of heavy electrical equipment. The United States will remove the "Buy America" preferences on the Tennessee Valley Authority, which is the greatest part of the purchases of federally owned utilities, and the five federal power administrations of the Department of Energy. This will result in an open-procurement market for both sides in this important sector. It will open a \$20 billion market in the European Community to US companies -- I would add parenthetically, a market that has been historically closed. In addition, both sides have agreed to extend GATT government procurement co-treatment to federal government procurement of services and previously uncovered goods. That is a comparable action on both sides.

Both sides have also agreed to continue to negotiate on the other outstanding issues, including telecommunications. Our objective remains a significantly expanded and balanced GATT procurement co-agreement and to that end the two sides have agreed to jointly sponsor an independent study the procurement opportunities that would arise on the prospective proposals now on the table. In the meantime,

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AMB. KANTOR: Well, we'll have to review that.

(MORE)

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Let me just say I finished the phone call literally four, now six minutes ago and we'll have to review that. We will though reduce the sanctions commensurate with the proportion, right, that telecommunications represents, which is very large, as you know. It is also about a \$20 billion-a-year market, because much of the telecommunications, as with the heavy electrical equipment market, is government owned, as you know, in Europe.

Q (Inaudible)

AMB. KANTOR: You'd have to ask the European Community that question. We wanted to open both markets. Let me say this is in keeping with the president's drive to open markets and expand trade -- this is consistent with it. We have on the one hand -- are delighted that we can open up the heavy electrical equipment market that's such a large market for US companies which have basically been excluded for years from that market. On the other hand, we're going to impose commensurate sanctions because of the failure to open the telecommunications market.

Keith?

Q (Inaudible)

AMB. KANTOR: Well we have to have -- two things will have to happen. One, we'll have to review and re-write the sanctions, as you know. Number two, as soon as the Council ratifies this agreement, then they will go into effect. Obviously, we have to wait for the European Council ratifies this and we also have to re-write them. But it will not be a lengthy time between now and that happening.

Q Will (there be) sanctions tomorrow on telecom?

AMB. KANTOR: Well we can't issue sanctions until we write it and this deal is not ratified. Look, if the deal is not ratified by the European Community Council, then of course the full sanctions would be imposed. So therefore, yes the sanctions will not go into effect tomorrow because we have to wait to have that happen.

Q The partial sanctions will not go into effect tomorrow?

AMB. KANTOR: They can't because we haven't even -- we just made the deal, we'd have to write them now and then we have to wait to make sure. They'll either be partial sanctions or full sanctions depending on what the Community Council does. We fully expect -- let me make this clear -- this is a very positive outcome and very positive movement.

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jointly with the European Community, including the most important, coming to a final and successful conclusion of the Uruguay Round. This is a very important, momentum-creating action on the part, I think, of both sides.

Q Can you trace what occurred in the 24 hours since we've seen you last — (off mike)?

AMB. KANTOR: Well, Sir Leon flew back to Europe. I'm sure he engaged in consultations there. We talked this -- three times this morning, beginning at noon our time, ending, as I said, just a few minutes before I walked up here, and I apologize -- I was just a couple of minutes late coming up here. And I assume in his consultations with his colleagues he reviewed the situation and agreed that movement was in order.

Q Ambassador Kantor, two things. First, on the heavy electrical, will the Europeans be lifting both elements of Article 29 -- the fifty percent and the three percent? And secondly, in terms of lifting by America on TVA and other utilities, can that be done administratively or will congressional approval be required?

AMB. KANTOR: Yes. Yes on the second. It can be done through executive order, and on the first, yes, all of Article 29 will be lifted in terms of heavy electrical equipment.

Q On the basis of what you know now, do you have any suggestions the Europeans might -- (off mike)?

AMB. KANTOR: I have no --

Q Are they as upbeat as you?

AMB. KANTOR: You'll -- first of all, that's for the Europeans to answer. Number two, we had a good and productive phone call. I think that Sir Leon acted with creativity and with expedition, and I would like to say also that Rufus Yerksa (sp) and Peter Algire (sp) and Warren Laverall (sp), John Schmidt (sp), others in this office acted with equal creativity and expedition. I think that it was a good and productive set of meetings on both sides.

Q Ambassador Kantor, how long will you wait for the Community to act on this proposal, and number two, the fact that it's a two-year agreement, does that indicate that that's really the deadline for the Uruguay Round? Two years from now?

AMB. KANTOR: (Chuckles.) No, this -- no. The answer to your second is clearly no. (Laughter.) December 15 is the deadline. Number two, let

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me go back to your first part of your question. I hope and trust and am fully confident that the European Community Council, under the leadership of President Delors will move expeditiously. And I'm fully confident of that. No, there's no need for a deadline at this point. We have an agreement in principle. We will finalize that agreement, I assume it will be ratified very, very quickly.

Q A few weeks, or —

AMB. KANTOR: Oh, I think sooner than that. Bob?

Q Well, really, just to sort of clear this up here, I mean we're really talking, aren't we, about nominal sanctions. When you refer -- brought this issue up, there were sort of three possible stages. The first one -- (inaudible due to background noise) -- portion of the first level and nothing more than that, right?

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AMB. KANTOR: That's what -- we're talking about a portion of that level we were going to -- you're right -- we're going to publish but we will impose sanctions.

Q But is that why you think and they think it's a positive step forward because --

AMB. KANTOR: You'll have to ask them what they think. I will not speak for the European Community. I don't have that confidence.

On the other hand, in speaking for this government, we're pleased we've moved forward. We want to open up that telecommunications market. We'd like to -- also want to emphasize, the opening up of what they call category A in government procurement in goods and services which I've also announced is a further market opening device -- we're talking \$7 to \$13 billion -- and it's a comparable action on both sides. Let's not forget that's been done as well. That can be lost in this controversy. I want to say again, this administration is committed to opening markets and expanding trade. Doing -- taking both these actions I think is extremely important and very helpful not only in terms of opening markets but in also in going forward to the Uruguay Round.

Q Can you explain what that means in practical terms, opening services means? What does that mean for -- (inaudible)

AMB. KANTOR: Opening -- I'm sorry.

Q What your talking about -- services. In practical terms --

AMB. KANTOR: It means I said \$7 to \$13 billion worth of opportunity. Now, how much of that they win in terms of bids is another question. But it does open it up and they weren't open before -- on either side. Let me say, this is a comparable action. This is not a unilateral action on the part of the European Community or on the part of the United States. We have used this opportunity to open our markets on government procurement even further. Now, the joint study will try to then come up with a list of balanced opportunities on both sides which we then hopefully could agree to open up even further. We will continue to discuss telecommunications in hopes that the European Community will end their discrimination in that area as well.

Yeah, right here.

Q Ambassador Kantor, two questions. What's the idea of splitting this up on the table yesterday -- (inaudible) -- and is there enough of a market left in this country on the telecommunication side to constitute a

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real incentive on the EC to take the next step? Is that market big enough to really -- and the sanctions have enough teeth to really create an incentive?

AMB. KANTOR: Let me answer your second question first, and I'll go back. Well, let me answer your first question on -- I think it would be not productive to give someone a time schedule. I have always believed, and maybe I'm -- someone accused me of being too much a lawyer, but I think negotiations are privileged in this connection, and I wouldn't want to indicate what was on or off the table at the end of yesterday. I think it would not be productive.

In terms of the incentive to open up, I think there is still incentive on both sides to promote global growth, to grow our respective economies, to promote jobs for American workers as we promote jobs around the world. Let me say that the discrimination in the telecommunications area takes away jobs from American workers. The opening up of the market -- the opening up of the market in heavy electrical equipment promotes high-wage, high-skill jobs for American workers, and that is why we worked so hard on this from our side. That is what the President is deeply committed to, and that's why he directed me to -- and this staff to take the kind of time and effort that we took in making this happen.

Q But are those telecom sanctions really de minimis when we look at the size of that government procurement market that the EC --

AMB. KANTOR: Well, I will let someone else evaluate what's de minimis and what is not de minimis. I think it is important to note that the sanctions are being imposed. It's important to note that the European Community is concerned about that, it's also important to note that this administration, while we try to open markets, is going to take -- use every tool we can to do so. This was a tool we had available to us, and we have used it. But it's more important to focus on the positive here. We are trying to promote American jobs, and we've done so by opening up this market mutually with the European Community. And I think that's a very important movement in these discussions.

Yes, sir?

Q The question was asked, but while you were passing out compliments (to the management ?) and that is --

AMB. KANTOR: I may have done it on purpose, but I wouldn't -- (chuckles) --

Q I will try again. And that is, to what extent were you given any indications that if you impose sanctions involving telecommunications, the Europeans will impose sanctions as well?

AMB. KANTOR: I have no indications one way or the other.

Q Ambassador Kantor?

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AMB. KANTOR: Yes?

Q (Inaudible due to background noise)?

AMB. KANTOR: Telecommunications? It's fairly extensive, not as extensive as it was in heavy -- or is right now in heavy electrical equipment, but it is fairly extensive. Let me add we have a small share of the European market, yet -- and foreign companies, including the US, a very small share of the European market in telecommunications, whereas non-US or foreign -- share of the US market in, say, central switches is 54 percent. So there is a big difference here. So it is substantial, it is substantial and something that does concern us a great deal.

Q How much of that is (publicly ?) controlled communications?

AMB. KANTOR: In the European Community?

Q US.

AMB. KANTOR: We have no -- we're all of ours are private companies, no Buy American. There's no discrimination in the telecommunications in this country whatsoever.

Q (Off mike) -- US sanctions be against so far as --

AMB. KANTOR: Goods and services in federal procurement.

Q (Off mike.)

AMB. KANTOR: I don't think so. I'd have to ask -- (inaudible) -- but I don't think so. I don't think that's part of goods and services under this coverage.

Yes, sir?

Q Could you describe the partial sanctions banking that will be implemented?

AMB. KANTOR: Well, I can't -- as I said before, let me make it clear -- we're now about 14 minutes after my phone call as I've calculated -- we have not rewritten the sanctions directive to be put in the Federal Register, we'll be working on that immediately, and as I said, it will be commensurate with the action taken today.

STAFF: We'll take one more question.

AMB. KANTOR: Pete?

Q Will there be further negotiations before the partial sanctions on telecom go into place?

AMB. KANTOR: I wouldn't -- there will be further negotiations in terms of a bilateral and multilateral government procurement code permanent

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agreement. We will continue to negotiate on that. We're obviously heavily negotiating the Uruguay Round in market access. We had discussions this morning, as well as yesterday, and as well as the day before. We're setting up staff meetings, as I told you. President Delors is here on the 7th of May, and I won't go -- you know the whole schedule.

But there are a number of negotiations at various levels, but we'll be looking now to a permanent bilateral, multilateral agreement, although let me say I would welcome any further movement on the part of the Community in the telecommunications area.

Q What was the obstacle, and why couldn't you resolve --

AMB. KANTOR: I -- you'll have to ask the European Community that.

STAFF: Thank you very much.

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HEARING OF THE TRADE SUBCOMMITTEE OF THE HOUSE WAYS AND MEANS COMMITTEE
SUBJECT: FAST TRACK AUTHORITY WITNESS: USTR MICKEY KANTOR
CHAIRMAN: SAM GIBBONS (D-FLORIDA) 1100 LONGWORTH HOUSE OFFICE BUILDING
K-21-01 page# 1 WEDNESDAY, APRIL 21, 1993

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AMB. KANTOR: Thank you very much, Mr. Chairman. I will truncate my
statement and with your permission and the committee's permission submit
the full statement for the record in order to save the committee time.

Let me begin by saying that I am pleased to present the budget
authorization request for the office of USTR for fiscal years '94 and '95.
Let me indicate this is a straight forward extension of existing authority
with only a very modest budget increase. I would like to give you a very
quick overview of the very full agenda that we have and the ambitious
schedule that we need to meet at USTR which I know the committee is fully
aware, but I would just go over it very quickly.

President Clinton has put forth a visionary program to strengthen our
economy. Economic growth from expanded trade is a crucial part of that
program. The administration's trade agenda is a mix of enforcing
commitments and reaching closure in negotiations begun, protecting US
creativity from piracy, opening markets to US goods and services, grappling
with the issue posed by the intersection of trade and the environment, and
moving ahead with something especially important to this administration,
strengthening ties with nations of the Asian Pacific region.

Some of the issues we're addressing is number one, the renewal of fast
track authority for the Uruguay Round. The current negotiating authority
can't be used to include the present round. As you know, the President has
indicated in a formal statement he will seek authority to close this round
on December 15 and give the Congress in 120 days notice.

Second, of course, we want to complete this Uruguay Round. Completing
the round is the single most important step to open foreign markets to US
goods, agricultural products and services. However, I would note the
Dunkel text can be improved and we will seek to improve it.

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Our short-term goal is to secure some basic United States-European Community agreements on market access, which could be built on to create a larger market access package which would increase exports of US goods, agricultural products and services. Let me note just less than 30 minutes ago, Mr. Chairman, we reached agreement and I announced that as a result of our discussions with the Europeans and our invoking of sanctions, as you know as a result of their discrimination against our heavy electrical equipment and telecommunications equipment in their market, they have removed the discrimination against our heavy electrical equipment -- heavy electrical equipment sector, which means \$20 billion a year now in procurement will be open to us that wasn't open.

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They refused to remove the telecommunications procurement discrimination, so we will invoke sanctions in that realm, and we will go forward with bilateral and multilateral discussions.

Let me add, I think this is a positive development, Mr. Chairman and members of the committee, even though we didn't get the telecommunications market open, we got the opening of the heavy electrical equipment market and we agreed to open seven to 13 billion dollars more in markets for both countries in what we call Category A, which is goods and services, which -- procured by the European countries, government agencies, and by our government. We will then institute a joint independent study to determine how we can open our markets comparably -- comparably, so we both have equal access to each other's market in government procurement. I think it's a step forward in our relationship and I think it bodes well, frankly, for the Uruguay Round.

As you know, the General System of Preferences Program creates markets in developing countries and is an important tool for the promotion of our trade policy. This administration will seek a renewal of that GSP program for one year in order to continue this important effort.

As Congressman Crane has indicated, the NAFTA will produce greater economic and employment growth in the US and the upward harmonization of wages, worker standards, and enhanced environmental quality. This -- my agency and this administration is committed to negotiating strong supplemental agreements which break new ground in three areas, environmental quality, worker standards and import surge concerns. Although, I note the agreement already addresses some of that if not a lot of that in sections 801 and 802 of the agreement itself.

On enforcement, also, we hope to create strong labor and environmental commissions and to use enforcement with teeth in order to make sure these commissions are effective without -- without adversely affecting issues of sovereignty of exercising supernational powers. We plan that this whole package will come to the Congress in time for our goal of implementing the NAFTA by January 1, 1994.

The US Trade Representative's office in connection with coordination of the entire administration and with the leadership of the President will focus on the failure of Japan to follow through on commitments already made to our country and on addressing issues of auto parts, automobiles, telecommunications, semiconductors, construction, computers, super computers and other critical areas.

Let me note, which is not in my testimony, something I think of interest to this committee. There were \$96 billion of exports from Japan to the United States in 1992, and the six areas I just mentioned were 65

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percent of those exports. I would note, our exports to Japan in that area were very small and we find the market basically closed. And it is the full intention of this administration to open those markets in whatever way we can.

President Clinton met with Prime Minister Miyazawa, as you know, last week. He had a very candid and frank discussion with the Prime Minister about these areas specifically and let me note that the Japanese government agreed to a process where we would have talks on how to achieve measurable success and results in these areas.

We will also insist that Japan assume its share of responsibility in the Uruguay Round, which they have not been as forthcoming as we believe and the European Community believes they should have been. We're going to have a meeting in the middle of May in Toronto, sponsored by the Canadians, with the Japanese representatives, the Canadian representatives, the European Community and of course I will be there in order to fully engage the most important parties to the round in this new drive towards first trying to produce an extensive, an important market access package.

We share the objective of the Congress and of this committee of opening foreign government procurement markets to US exporters. Our efforts to open the European Community's markets in the telecommunications area reaffirms our commitment to this objective and we certainly are going to pay strict attention to Title VII as we have in this connection, and will continue to enforce the law, and let me assure this committee of that.

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We are going to pay strict attention in the next year to our chairmanship of what is known as the Asian Pacific Economic Cooperation Forum. Let me note, as all of you know, and I think that others should pay some attention to, but of course I know you have, Mr. Chairman, 40 percent of our trade is with Asia. It is our largest trading region. It is also the fastest growing economic region in the world.

Frankly, we have not paid enough attention to Asia and this crosses both party lines and ideological lines, and we are going to try to use the forum of APEC and other forums we have at our disposal in order to open up more and more markets in Asia, and begin to build a framework around that trading area, which I think will be helpful to not only US workers and US jobs, but also it will be an enormous opportunity in terms of connecting American free trade agreements with an Asian -- a growing Asian trading relationship. And I think that the US as the hub of that would bear great fruit for us in terms of economic growth and of course leading global growth.

The USTR staff is in the process of completing a review of our trading partners protection, unfortunately, of intellectual property rights in the Special 301 provisions. Unfortunately, I say, because those protections have not been as forthcoming in many areas as we might have wished. The results of the review will be announced as required, on April 30.

We are firmly committed to protecting US intellectual property. The recently entered into landmark agreement with the Philippines, committing that country to changes needed for world class intellectual property regime, I think notes how focused we are on this area.

Our recently issues national trade estimates report on foreign trade barriers identified 44 countries that maintained what I might note are extensive trade barriers. We are beginning to review the most significant barriers that can be addressed through the use of Section 301 if our current bilateral and multilateral efforts are not successful.

Let me note, when I came into this position on January 22nd, I ask the question of whether or not we had any ongoing Section 301 actions, not for the purpose of enforcement, but the sake of enforcement just as a matter of trying to establish an inventory for the office and try to understand what we had on our plate. I was surprised to find there were no 301 actions, and I asked, I think, a question you might ask, Mr. Chairman, is every country in the world living up to their trade agreements with the United States?

And of course I got the obvious answer, no.

I then asked for a full review of every trade agreement we have,

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either bilateral or plurilateral, or multilateral. I now have the first effort from that. We're now reviewing that within the agency, we'll be reviewing it in the administration, of course we'll come to the Congress with the results of that review.

Let me indicate that the staff is correct, not all countries are living up to their agreements and there may be some proper subjects for actions among the more pernicious of the violations that have been occurring.

We've recently completed a third round of accelerated elimination of tariffs under the US-Canada Free Trade Agreement, our biggest trading partner. Tariffs over 100 items valued at one billion dollars were eliminated. We have some ongoing disputes with Canada but we continue to work well with the Canadian government and we certainly are working well with them in terms of these negotiations that Congressman Crane noted before, on the supplemental agreements with the NAFTA.

My March visit to Europe emphasized our interest in the engagement of the Uruguay Round, on the failure of the European Community to implement the Blair House agreement on agriculture, and other discriminatory actions by the Europeans, especially in the audio-visual area and that is something that concerns us greatly.

Let me indicate we also talked about Airhus as well. I am pleased to announce that as a result of that visit and good staff work on the part of both this staff at USTR and the staff of the European Community Trade Minister's Office, the European Community is well on its way to implementing all aspects of the Blair House agreements which were their responsibility. Up to now they had not done so, and now they have taken almost all actions necessary in the area of oilseed, corn gluten feed, malt spout pellets and enlargement. That is a welcome note here because up to this point none of that had been done.

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Let me speak for a moment on the purpose for which we are here. We are proposing a two-year extension of the USTR authorization through 94-95. Our request is for a straight-forward continuation of the existing authority. Authorization amounts for 1994 are 20 million, one -- \$20,143,000; and '95 of \$20,419,000 -- are the same as in the President's fiscal year 1994 budget. These are very modest budget levels, I might note, as you would know Mr. Chairman, that in fiscal year '91 the budget was \$20 million, '92, \$20.4 million, with the supplemental 20 million in '93, 20.1 million in '94 and 20.4 million in '95. So basically it's been a straight line budget.

I would note our full-time employees will drop by five from that huge total of 162 to 157 next year. We are going to live with the President's commitment to reduce administrative expenses by 14 percent by 1997, fiscal year '97. I might note that this staff -- I might note with pride, this is the hardest working staff I've ever been associated with. We are working harder for less, given inflation, with a much larger agenda than ever and I would just like to say that I'm extremely pleased and honored to be working with them. If you were there on Saturday or Sunday, Mr. Chairman or members the committee, I'd invite you there. You would see many of the staff members there every weekend, working not just because the budget has not been increased, but it's a matter of the pride in the work they do and the seriousness with which they take their responsibilities.

The reductions that I have spoken of will be hard to achieve, but I fully support the President's plan to reduce these administrative expenses and have already taken action this year, including freezing hiring, dismissing temporary employees and reducing overtime, adopting tougher travel policies for employees, and cutting virtually all new equipment purchases, and dropping two of our automobiles and two of our drivers, which is 40 percent of our total worldwide, automobiles. I know it's somewhat diminuous compared to other agencies that might come before you, but we did that and frankly it's a major part of our small budget.

We'll continue to achieve budget savings in '94 through additional management improvements. We fully expect to comply with the President's plan to trim administrative expenses.

With that, Mr. Chairman, I appreciate your indulgence. I look forward to your questions and members of the committee, and again I am honored and pleased to appear before you.

REP. GIBBONS: Mr. Kantor we appreciate your statement, the thoroughness and the vigor with which it was delivered.

Your budget is modest and certainly will have no great opposition in this committee. I would only warn you, based upon an abundance of

We have made it clear to them that we are not going to stand by and have intellectual property in any way offended or taken away and not protected. It is a huge cost to this country. As you know, it is on the cutting edge of the kinds of technologies that we not only need to protect, but it's going to be the fuel, I hope, the growth of this economy and the growth of many more jobs for US workers. And so, we are dead serious about enforcing Special 301 and I hope you'll be at least satisfied with what we announce on the 30th of April.

REP. KENNELLY: Thank you very much.

AMB. KANTOR: Thank you.

REP. KENNELLY: Thank you, Mr. Chairman.

REP. GIBBONS: Mr. Thomas.

REP. THOMAS: Thank you very much, Mr. Chairman.

Mr. Ambassador, welcome once again. I want to underscore all of the comments that the Chairman made this particular season when partisanship unfortunately seems to be the mode on a number of issues, that in the area of trade we have had, I think historically, an unusual degree of bipartisan support for whichever administration, and to a very great extent I believe it is because of the -- the reason that my colleague from Connecticut indicated, that whoever has occupied this position, they have been extremely talented people with very dedicated and talented staffs.

Having said that, I am somewhat concerned about folks already working on weekends, given the number of staff that you have, in regard to the Chairman's comments. If every department and agency asked for only a 1.26 percent increase and they have the productivity rate of USTR, we would not be in some of the problems that we are today from the deficit. But my concern is this. When you look at our aggressive trade policy on a worldwide basis and view it as a military campaign in terms of a European front, an Asian front, a Western hemisphere front both north and south, the troops that you have get stretched very thin, especially when you look at a calendar and there are inevitably skirmishes going on at the same in several different theaters.

I know in the past there has been an attempt to augment the staff occasionally through detailees or contract people in particular areas. Has there been any consideration or have you discussed that concept -- if you aren't going to be able to beef up your full-time staff necessarily, do you have some contingency plans or have you talked at all about making sure that there are enough bodies when there are multiple fronts that have been opened on the trade negotiation fronts?

AMB. KANTOR: First of all, we have had -- and I appreciate your kind remarks, I will hope to live up to the high standards my predecessors have set, and you're right, they have, and they've acted in a non-partisan manner and I hope to carry on that tradition. I've tried to do it thus far

MR. KANTOR: Thank you, Congressman, appreciate it.

REP. KENNELLY: Thank you, Mr. Chairman and thank you, Mr. Kantor, for coming.

We've been very fortunate in this country in having remarkably bright USTRs in modern history. And yet, some of us on this committee have been disappointed that we have not used the availability of some of the tools that we have to be a bit more aggressive in not only talking about free trade but seeing that true trade comes about, and one of the areas that I am talking about is the Special 301. And I know as recently as today that you have announced that you are going to be more attentive to that, use it more, have more consideration of the power of a 301. So I have kind of a two-part question.

First, what is your vision of the new 301, using it as I always thought it should be used and could be used but hasn't been used? And the other is where does intellectual property and patterns play a role here? This is an area where we constantly have heard we will do the research and development, we will do the high tech things, and also we have the intellectual property and then we will be able to export it. But if we can't protect it, we're going to be left as in many other areas, being out -- (impeded?).

So I would ask you about how you intend to use better the 301.

MR. KANTOR: First of all thank you, Congressperson Kennelly, for that question. No one ever accused me of not being aggressive. I've been accused of a lot of things but that's not been one of them. In fact, I note some of our leading newspapers have taken the opposite tact.

We are in, as you know, the last throes of reviewing Special 301. We make our announcement on April 30. We are serious about enforcing Special 301. I believe you will be at least interested in what we announced on that date. I have gone back with the staff and looked at the history of the various announcements and the categorizations and the types of violations that have occurred. And let me say without revealing what we're going to do, because it hasn't finished the administrative -- the process of going through the administration --

REP. KENNELLY: But do I understand this is a list that will be --

MR. KANTOR: It'll be a list and let me just say that we are not going to be shy about making sure that countries adhere to their responsibilities in this area. Let me also indicate that what you have referred to, that the huge cost to this country in intellectual property violations is a major concern of not only this office but of this administration. I have raised it with a number of countries, with their ambassadors or their trade ministers, or even their prime ministers when they've been here in Washington, in person.

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AMR. KANTOR: Without getting too far out in front of the President who I work for, let me indicate that the Pacific Basin and the Asian Pacific area is critical to us, I believe, in our future economically. We would like to use our chairmanship of APEC, as I indicated, as a way to build a framework around that organization to begin to address trade issues. What that leads to, we hope, is more open trade with all the nations of the Asian Pacific region. Now we will have also bilateral discussions, whether it be with Japan, or China, or Korea, or Taiwan, or Singapore, or others in order to continue to open those markets. But we're going to focus a requisite amount of resources to make that happen.

I might note, this office even with a small staff has been able to take the NAFTA as far as it's gotten, and it's come very far and that's not just this administration, obviously, the last administration as well. We are moving quickly on the Uruguay Round. I believe we do have the resources to make that happen.

REP. CRANE: Do you have any estimated costs of the commissions for these sidebar agreements? What's your estimate of the cost of that --

AMR. KANTOR: The current negotiations indicate it'll be fairly small and we can handle those costs, and sharing the cost of course with the other two governments, within the budget that we're asking for.

REP. CRANE: And finally, is there a possibility that there may be imposition of a small border fee to pay for the cost of NAFTA implementation? Is that under serious consideration?

AMR. KANTOR: We have not -- in our discussions we have discussed in our negotiations thus far the commissions, enforcement, surges, we have not gotten to border cleanup yet. When we do, of course, the funding of that becomes an important issue. So we have not addressed that question. Frankly, we are looking for some creative ways in which to fund what is an obvious problem, obvious to everyone, that needs to be dealt with without having a major budgetary impact, or in inhibiting trade, or putting an unusual burden on business. As you know, we have taken this country, a five point -- or a six billion dollar deficit with Mexico in trade, to a \$5.4 billion surplus. This has been very favorable to American workers and American jobs. We want to continue that. We would rather not put any burden on trade because the opening of these borders has been so helpful to us.

REP. CRANE: Well, I would hope that you would adhere to that position because of the potential for say a German firm or a Japanese firm, or any foreign firm opening up a facility in Mexico and then importing parts into the country and putting American exporters into Mexico at a disadvantage. So I'm happy to hear your response on that and thank you for your testimony.

we've come to really regret.

We have not been successful in your negotiations in terms of the telecommunications issue. You've indicated that you will continue on at least proportionately, the Title VII sanctions in that particular area, and I would just wish you to know, for whatever it's worth, that many of us who are considered free traders are strongly behind your efforts and we want to commend you and urge you to continue your actions because certainly there's no reason why our markets should be open to European, Japanese and other telecommunications products and at the same time the European market is closed and some of the other markets are closed as well.

And so, we do want you to know that we are fully behind your efforts in this area and there is very little dissension from the perspective I am seeing at this time.

I would just like to ask, if I may, one question in respect to this, and I know you do have a time commitment here that will require you to leave shortly, but in terms of the Uruguay Round, will this have -- these discussions you're having, in your opinion, will it have any bearing on the negotiations going on with the Uruguay Round?

AMB. KANTOR: Thank you, first of all, Congressman Matsui, for those kind words. This is only, as I say the first inning. We've got a long way to go but I appreciate that.

Let me note, the telecommunications market in this country is wide open. There is no discrimination whatsoever. In fact, 54 percent of our central switch market, the most expensive goods purchased by a telecommunications company, is held by foreign companies. We have a tiny percentage in Europe by comparison and that's why the sanctions are going to be invoked in this area, and one hopes that we can persuade our European friends to open that market. It is an important market and we need to do that.

But let me address your question on the Uruguay Round.

I think the -- even in light of that, the fact we could open the heavy electrical equipment market, which is \$20 billion a year in opportunities for US suppliers, which historically has never, never been open to us. We haven't sold a steam turbine since the Marshall Plan in Europe. It's very interesting, or haven't sold a gas turbine, I think it's 10 or 11 years now -- 10 years, 1983.

I believe our ability though, to open this, to reach agreement, to move on what we call the Category A procurement bodes well for our ability now to look at a market access package, a bigger market access package to try to grow our economy and grow the global economy, and then to reach some agreement on very important areas, intellectual property protection, service protection, audio-visual and other areas, problems with the Dunkel text that I think many of us share in order to reach a final agreement by December 15. I am encouraged by what happened. I am certainly not

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optimistic. I try to keep myself from becoming too optimistic or pessimistic, but I'm certainly encouraged by what happened today.

RFP. MATSUI: Thank you very much, Mr. Ambassador.

AMB. KANTOR: Thank you.

RFP. GIBBONS: Mr. Crane.

RFP. CRANE: Thank you, Mr. Chairman. I am encouraged by your response on the question of Chile and a free trade agreement with them, and I'm curious, after we get the Uruguay Round behind us and the North American Free Trade Agreement, and your dish is full already, but looking to FY-94, are you giving any thought to exploring the possibility of free trade agreements with say Korea, Taiwan, any of the Pacific Rim countries? And if so, do you have the budget resources necessary to contemplate that in FY-94?

(MORE)

dependent upon us and we have a very favorable balance of trade with them too, despite the fact we have a one-way free trade agreement with them. So I'd ask you to cast your eyes down there in a sympathetic manner.

When do you think you'll have a conclusion of your supplemental NAFTA agreements? Have you got any -- can you give us any time table to think about?

AMB. KANTOR: Well, of course that is dependent, as I say, on many factors and let me not dance around. I believe we will be finished in mid summer. I believe it will be in time to get the full package of implementation legislation plus the supplemental agreements and the NAFTA up to the Congress either right before or right after your break, and in hopes that in the early fall we can have it passed. That would be in full -- in time of course for the 1/1/94 implementation date.

REP. GIBBONS: And then, if the Uruguay Round fast track is successful and the negotiations successful, oh, about this time next year we will be deep into the Uruguay Round process.

AMB. KANTOR: We would hope and expect that would occur too, Mr. Chairman. As you can see we've got quite an agenda, together.

REP. GIBBONS: Well, I want to commend you for your success in negotiation with Sir Leon Brittan and I support what you've been doing. Keep up the good work.

AMB. KANTOR: Thank you, Mr. Chairman, I appreciate it.

REP. GIBBONS: Mr. Matsui.

REP. MATSUI: Thank you, Mr. Chairman and I thank you very much for holding these hearings, particularly a very timely period -- a very timely day in particular.

Mr. Ambassador, I'd like to thank you and congratulate you on the agreement. I think the fact that you raised this issue, you indicated Title VII actions, sanctions would be taken, and the fact that you've reached at least a tentative agreement with the Europeans at this time is very commendable and it indicates the negotiating skills and the confidence that the President has when he selected you as our USTR. So I want to congratulate you.

You've made the agreement on the basis of the heavy electrical equipment, but the issue of telecommunications of course is still outstanding. And I recall back and I believe it was now 1986 when the courts mandated AT&T to divest into the seven operating companies and spin off Western Electric. They virtually opened up our entire telecommunications industry to whomever wanted to come in. And unfortunately at that time then Attorney General William French Smith did not save that for the purpose of negotiating, to try to open up other markets. It was a mistake that obviously some six or seven years later

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***NOTE: THIS IS A CONTINUATION OF THE TRANSCRIPT FROM YESTERDAY. IT
PICKS UP AT THE POINT IT ENDED YESTERDAY.

Secondly, you've got GSP expiring this year. I would imagine that you
won't have time to make any substantive changes in it, or perhaps only
small substantive changes and you'd just like a brief extension of GSP or
something?

AMB. KANTOR: We're going to ask for a one year extension and we will
not ask for any substantive changes of GSP.

RFP. GIBBONS: All right, well fine. That's a good way to handle it
because we've all got such a big agenda.

I'm glad that you pointed out the great market opportunities that we
have in Asia. I have just come from a meeting with the New Zealanders.
This committee is going to meet with the Australians on the 2nd, for
breakfast, looking at the whole Asian situation from their point of view,
and we plan to go to Asia this August, as many of us as can get away, to
pay attention to it because there is an awful lot of trade opportunities
there and a lot of trade problems that arise there. It is our -- in macro
senses it is our biggest market and our biggest potential market.

I noticed in your statement that you said you were going to later on
ask for a fast track on I think Chile, as I recall? I would urge you to go
ahead on that if you can, get clearance throughout the agency. I don't
think there'd be any trouble in negotiating a free trade arrangement with
Chile.

AMB. KANTOR: We're deeply committed in this administration to, as
soon as the NAFTA is implemented, to immediately begin negotiations with
Chile in hopes and expectation that they would join the -- which then would
become the American Free Trade Agreement, or free trade agreement for the
Americas. We believe that is -- the President is committed to that and we
believe that would be proper.

RFP. GIBBONS: Yes, there's a whole market there that we tend to
overlook all the time. That brings me to the Caribbean, and I know the
Caribbean together is about 40 million people in 23 countries with whom we
have a free trade agreement now. And they are concerned about the
possibility of NAFTA discriminating against them. I would call to your
attention the fact that I've introduced some legislation that I'd ask you
all to look over, that would grant on a temporary basis, only for three
years to the Caribbean, the same privileges that come out of NAFTA for
Mexico, and then after that if they wanted to renew those or if you wanted
to renew those, they'd have to come in and negotiate those out. I hope
that you would give that consideration because I think we owe a special --
a special obligation to the Caribbean. They're so small and so poor and so

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experience, I applaud the staff and their vigor but you can't work day in and day out, week in and week out, weekend after weekend long hours without suffering a terrible loss of productivity, plus a loss of balance in judgment. And so, don't let them work too hard, Mr. Kantor. (Laughter)

If you do, we'll all pay the penalty if you push them too hard.

AMB. KANTOR: We'll try to be balanced, Mr. Chairman.

REP. GIBBONS: Yes, you need that, particularly in your agency where you've got to think critically and originally, and objectively and you're on just about a 24-hour clock anyway because you deal with the world and that's a difficult situation.

Let me talk to you now though, about the substance of what we're here for today. And I've got so many members I'm going to try to keep myself down to the five minutes.

You want a brief extension of fast track, unencumbered just to complete the Uruguay Round, and when will you actually send us up that for introduction so we can work a schedule out on it?

AMB. KANTOR: Our request is presently at the Office of Management and Budget. As soon as it's been cleared by that agency the administration will send that up. Obviously we would like as quick action as possible, working of course with the Congress and under your -- under the leadership of the Congress and under your time schedule, but as soon as the Office of Management and Budget is cleared, it will come up here.

END OF EXCERPT,
REMAINDER WILL BE SENT TOMORROW MORNING

could have written myself. The point is we will need to have further communications on this. I don't ask questions that I already know the answer to for the sake of asking questions, nor do I want to occupy your staff's time in terms of giving me one paragraph answers which have no content. So we're going to have to work out a time frame and some kind of a prioritizing because I only ask questions because I need answers and I would much rather have an answer of "We're not going to tell you at this time either because we don't know or we don't want to tell you." I would accept that answer far more than somebody sitting down and dreaming up a paragraph which is a series of words linked together which don't really mean or say anything to anyone.

But thank you very much for your continued ongoing work. (laughter)

AMB. KANTOR: Congressman, I'll take a look at those questions and I'll sit down and write the answers myself. And if I don't know the answer I'll tell you.

REP. THOMAS: And if the question is not on point or you don't exactly understand it, there was a reason for asking it, and if we were inarticulate in asking the question, perhaps a reclarification of what the question is might produce a useful answer, because I'm not in the business of asking question when I either know the answer to, or to just for the sake of doing it.

AMB. KANTOR: Congressman, I've known you a long time and you're not inarticulate.

REP. THOMAS: Well, I appreciate that and I enjoy looking forward to the continued relationship, even though you are understaffed, in the work that you do. And I honestly believe that, because the job you're doing is the -- as important as anyone else in this or any other administration, laying the ground work for not just us, but future Americans. So I really do appreciate the work you're doing. Thank you.

AMB. KANTOR: Thanks very much, Congressman, I appreciate that.

REP. GIBBONS: Mr. Coyne.

REP. COYNE: Thank you, Mr. Chairman.

Mr. Ambassador, I wonder if you would give me your assessment of what a successful completion of the Uruguay Round would mean to the manufacturing sector of the US economy.

AMB. KANTOR: Mr. Coyne, let me take that question this way, and it's a fair question. I think that in general we will have a net increase of employment, even above the kind of increase we've already had as a result of the incredible increase in exports into Mexico. As you know they've increased over the last three years from 12 to \$40 billion, about three and a half times.

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issues, discrete issues when it's within their area of both expertise and also the area of their portfolios. And so, I would be -- I would have to say to you I'm pleased by the kind of cooperation that has been afforded this office and continues to be afforded, and that has helped tremendously.

I don't think we need more than we've asked for. If I find that it is impossible to carry out these tasks in this situation, under this budget, then I would go to the President and ask for more. But under these circumstances and given the fact we do need to deal with the structural budget deficit, and understand we're not going to end the deficit on the back of the United States Trade Representative's Office -- I think though symbolically it's important as well as realistically. We're part of this team and we're going to try to stick to it, and we're going to stick to this program.

REP. THOMAS: I would urge you, as you continue to use detailees or contract people, if you notice a recurring dipping into the same well in terms of people, that might be an indication that you need to add someone on a permanent basis in that area, and I think you'll find unanimity on this committee in supporting that kind of modest addition to the staff of USTR rather than continuing to borrow folks from Commerce or other areas.

Very briefly, in terms of the review of the subject matter, in terms of GSP, there are some of us who have been watching that over the years and have made suggestions which have been adopted into the statute over the years. And if you are going to ask for a one year extension with no statutory changes, we may want to visit with you in terms of some of the discretionary power that the administration has and the way in which it's been exercised in the past and that perhaps we can get some substantive changes in the administrative application rather than statutory changes.

In regard to the discussion of bilaterals, I think there is a role for bilaterals. I would prefer to be scene on a multilateral basis in terms of a world trade structure, but if you're talking about additional nations in the Western hemisphere like Chile, it becomes doubly important we get NAFTA right because that will then be to a degree a model that we'll be using in other areas.

Lastly, let me say that there is already a watch begun in terms of our relationships with Mexico because it appears as though there may be some non-tariff barriers that are appearing, even before NAFTA is put in place, so that the tariff, the agreed upon tariff reductions in the North American Free Trade Agreement may in essence be meaningless if Mexico is beginning to institute some non-tariff barriers.

Lastly, let me say that I submitted a series of questions to you on March 11th, at the last hearing. We received a copy of them on April 21. A number of them are single paragraphs which in essence, Mr. Ambassador, I

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and I will continue to try to do that.

I would note that we have onboard right now 50 detailees. It will be cut to 42 but that's not really descriptive of the entire story, Mr. Thomas. We have had tremendous cooperation from the Department of Commerce, from Treasury, State, from the Council of Economic Advisers in terms of helping us on various

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Number two, I believe much of that increase in employment, and it's been estimated, everything from 125,000 up to 500,000 increase, will be in the manufacturing sector. Now, there have been 24 different studies done on this. This is the most-studied treaty in the history of this country. And so, without going through each one, which I know would probably bore every here to death, let me indicate that each one of the studies but one indicate a very -- more than a nominal growth in the manufacturing sector. It will also add a very large number to our gross domestic product, and also add to income growth in the country.

That is on top of, frankly -- that is in addition to the growth -- we had already expected a lot of growth, which is going up in terms of just because the Mexican government has opened up its borders, as you know over the past few years, and that's why we now have a trade surplus rather than a trade deficit with Mexico.

RFP. COYNE: So, as a result of the Uruguay Round you expect a dramatic increase in manufacturing employment --

AMB. KANTOR: Yes.

RFP. COYNE: -- with a successful completion -- in the United States

AMB. KANTOR: NAFTA and the Uruguay Round. I was speaking of NAFTA. I'm sorry if I missed your point.

The Uruguay Round will have an even more dramatic increase in employment in the manufacturing sector, especially if we get what we expect to get, a big market access package in areas such as non ferrous metal, wood, paper products, electronics, construction equipment, agricultural equipment and others. We have a long list. We have been discussing over the last 48 hours with the European Community. If we can reach agreement with them on a bilateral basis and multilateralize an agreement with 108 countries, it will have a huge impact on the manufacturing sector.

REP. COYNE: Do you intend to pursue a sectoral agreement in steel at the same time you negotiate the Uruguay Round?

AMB. KANTOR: We're attempting to reach the problem of really overcapacity in the steel industry, through the multilateral process not through the round itself. Now the round will touch upon some concerns in the steel area, like subsidies. As you know for -- let me give you an example.

The European Community has put about \$75 billion in subsidies into their steel industry, which has made it very difficult on US industry and led in fact to the countervailing duty and dumping cases, and the preliminary decisions which you are of course well aware of. But we will continue to try to reach an agreement on steel through that process. We will not -- we will not do anything with regard to the normal progression of the cases that are now going through the process and become finalized

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this summer, the countervailing duty and anti-dumping cases at the Department of Commerce.

REP. COYNE: As you know, when President Yeltsin was in the country a couple of weeks ago, he and the President discussed most favored nation status for Russia. What's the status of those deliberations?

AMB. KANTOR: They're under discussion in the administration. As you know, there are some particular problems that are being discussed with the President, the National Security Council and the State Department regarding continuing problems of emigration with the Soviet Union -- with Russia, excuse me, the former Soviet Union, the confederation -- independent states and especially with Russia, and those discussions are ongoing.

REP. COYNE: Thank you very much.

REP. GIBBONS: Mr. Payne.

REP. PAYNE: Thank you, Mr. Chairman.

Mr. Ambassador, I'd like to echo the words of my colleagues as I express my appreciation for the good job that you and your staff are already doing and particularly the success you've just had in the negotiations with Sir Leon Brittan. Thank you for that and I look forward to working with you, and hopefully we'll have many more successes.

I'd like to spend just a minute and talk about the fast track extension and an issue that's of real importance to my people back home.

I had voted against the fast track extension in 1991, and at that time I was concerned about the impact of phasing the multi-fiber arrangement and the across-the-board tariff reductions that -- and the impact that they might have had on the communities and families that rely on the textile industry. In my district I have 20,000 workers in the textile industry alone, and others in apparel and garment.

With the emphasis of this administration on jobs and on the economy, I would hope that we might also take another look and a serious look at the proposed agreement on textiles and how we might improve it.

For instance, we've talked here about the fact that the US must take a strong stand on opening foreign markets. Here are some examples of where we might look at opening markets.

India exports into the United States roughly a billion dollars in textiles and apparel goods. India imports from the US zero in those same areas. Pakistan exports \$586 million and imports zero. Many other examples in China and Thailand etcetera.

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It seems with these kinds of figures around the world, that any phase-out of MFA or tariff concessions should be done only with some kind of linkage or guarantee that countries worldwide would open their markets and trade would take place under some kind of equitable conditions of competition. It seems the US goal in the GATT agreement ought to be free trade but fair and equitable and with reciprocity.

Then, my question is, could you provide any kind of update as to what the President's thoughts or your thoughts are about the GATT and the fast track extension as it relates to textiles?

AMB. KANTOR: In the last 48 hours that has been an issue that has been discussed. Let me indicate without -- and I hope you will -- I know you will respect and appreciate this without becoming too detailed, that there was a proposal tabled by the past administration in the textile and apparel area which we did not find adequate in terms of especially the issue you have mentioned, which is opening up markets, some of the markets you indicated and more.

You indicate that China, I think exports in the United States about two billion dollars worth of textiles, and we are not satisfied with the market access in China as well. We believe that is one area that we must insist be opened on a multilateral basis in the Uruguay Round, if we're going to address other issues that the European Community and others want us to address in that area.

REP. PAYNE: So then, in terms of the textile negotiations, there is consideration being given to the current status of those and how they might be structured under the --

AMB. KANTOR: As of Monday afternoon, Congressman.

REP. PAYNE: Thank you very much.

AMB. KANTOR: We opened that up. We raised that issue quite precisely, went from 12 different sectors, apparels and textiles being one, and we -- I guess you might say took one table -- one offer off the table and reconstituted it.

REP. PAYNE: And I would like to offer any assistance that I might offer as you consider the positions and so forth in the textile area.

AMB. KANTOR: Congressman, given the reaction I think I'm going to need all the help I can get.

REP. PAYNE: Thank you.

REP. GIBBONS: All right, Mr. Neal.

REP. NEAL: Thank you, Mr. Chairman, but in fairness I'm informed by my staff the questions that I had have already been asked. Thank you.

REP. GIBBONS: All right, well thank you. Mr. Hoagland.

REP. HOAGLAND: Mr. Chairman -- Mr. Ambassador, I'm curious as to whether the administration has developed any kind of a policy yet on the fee issue. You know, we're going to start with a substantial loss of revenue due to the loss of tariffs if NAFTA is confirmed and what does that figure on an annual basis, once NAFTA is fully implemented, how much we would lose in tariffs a year? I think it's a pretty big hole.

AMB. KANTOR: Yeah, it's pretty big. I think over five years was it two billion dollars? I think it's over five years, if I'm not mistaken, and I will, if I'm wrong, will supply the -- I think it's a little over two billion dollars over five years. I think that's correct, five years after the implementation of the agreement.

REP. HOAGLAND: Okay. I heard some higher figures but --

AMB. KANTOR: I will correct that, Mr. Hoagland, for the record. I apologize for not having it at my fingertips, but I think that's correct. If not we will correct the record.

REP. HOAGLAND: That's fine. The figure is not that important. My concern is that if any -- if there's any proclamation authority exercised under an extension -- furthermore there is going to be an enormous number of demands from states and political subdivisions to build new highways, to improve existing highways.

Majority Leader Gephardt was here about three weeks ago, and I am sure you have seen his testimony, talking about the amount of cleanup that's going to be needed on both sides of the border. I mean estimates as to the total price tag to have the thing work right would increase traffic across the border, with traffic doubling or tripling. We're going to have to substantially increase the number of highways and the quality of those highways, and there are really two ways of funding it. We can fund it from the general revenues, or we can ask those who profit from the increased trade to help pay for it, which would mean assessing some sort of a small fee at the border.

And I'm wondering, you know, I think those of us from states that contribute a lot to the general revenues and don't get a whole lot in return, of course would probably prefer to see a fee assessed to those who profit from it. I wonder what the administration's attitude toward that is, and I wonder also what the attitude of the Canadians and Mexicans is to attaching a fee to a transaction that is otherwise supposed to be tariff free?

AMB. KANTOR: Mr. Thomas addressed the same thing in also some detail. We have not reached those discussions yet. We are going to -- there is a

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-- there is potentially a very large obligation in terms of border cleanup that we'll have to share with the Mexican government, especially that border. We are going to have to be very creative in how we fund that. What we don't want to do, of course, and I know you would agree, is in any way inhibit the growth of our export trade into Mexico by the imposition of a fee that would have a deleterious effect upon it. On the other hand we have to be realistic about our budget concerns and trying to fund border cleanup and to fund infrastructure development.

One of the problems we have, and this is beyond my competence but let me indicate, with a static budget analysis and resolution of 1990, no matter how great the growth and no matter how many jobs are created by any one of these agreements, whether it's the Uruguay Round or NAFTA, that doesn't count and every time we lose tariffs we have to find something to make up for it. And so, we're going to have to work together, I believe, and we're looking for ideas how to do that. I know Mr. Panetta is, your former colleague who is doing such a wonderful job as Budget Director in trying to fulfill these needs without busting the budget and without inhibiting higher exports.

RFP. HOAGLAND: Well my understanding is that the state of Texas has already developed a pretty substantial wish list as to additional highways they'd like to see built -- (inaudible). As you develop your policy just keep in mind those of us from states that are quite a ways from the border who are not going to profit as directly from the transactions as those that are nearby.

AMB. KANTOR: Well it's interesting and I agree, we have to, but right now every state in the union, every state has increased its exports to Mexico. That's every state. And 30 states have \$250 million or more in exports already into Mexico. It's been an amazing rise in exports and growth in that area and it has meant jobs in every state. Now I will obviously recognize that it's greater in some states than in others, and in your state maybe less than many, but there has been growth in every state.

REP. HOAGLAND: Well, it's pretty clear that in Nebraska we will profit considerably from the increased trade in financial services, in insurance, in agricultural products, in manufactured products. I mean we'll do quite well. It's just that I don't know that any of that is going to trickle down to the average taxpayer. And those who profit the most, I think ought to share at least in part of those lost revenues and need for new revenues.

AMB. KANTOR: I appreciate that. Thank you, Congressman, I appreciate that very much.

RFP. GIBBONS: Thank you very much, Mr. Ambassador we appreciate it. We got you out of here on time.

AMB. KANTOR: Thank you very much, Mr. Chairman, I appreciate your courtesies and the members of the committee.

HEARING OF THE TRADE SUBCOMMITTEE OF THE HOUSE WAYS AND MEANS COMMITTEE
SUBJECT: FAST TRACK AUTHORITY WITNESS: USTR MICKEY KANTOR
CHAIRMAN: SAM GIBBONS (D-FLORIDA) 1100 LONGWORTH HOUSE OFFICE BUILDING
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REP. GIBBONS: I won't bother you on the weekends. (laughter)

AMB. KANTOR: You can call me any time.

REP. GIBBONS: Okay.

AMB. KANTOR: Thank you.

REP. GIBBONS: See ya, bye-bye.

END