ADDRESS BY US TRADE REPRESENTATIVE MICKEY KANTOR TO THE US-RUSSIA BUSINESS COUNCIL CONFERENCE THE FOUR SEASONS HOTEL, WASHINGTON DC
K-27-01 page# 1 TUESDAY, APRIL 27, 1993

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TRANSCRIPT BY: FEDERAL NEWS SERVICE
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MR. KANTOR: Thank you very much for that warm welcome. I appreciate the introduction. Very nice of you. Sometimes when you wake up in the morning, you read the paper, you don't feel as tough as you thought you were. (Laughter.) But this, too, shall pass.

I wanted first of all to talk about your previous -- one of your previous speakers. Ambassador Strauss is one of my oldest and dearest friends. When I first was designated by the President to take this job, assuming the US Senate found it in their hearts to confirm me, which they did, I called Bob Strauss first, and he gave me the most cogent and important advice that I have received, and I continue to seek his advice, which indicates I'm not as dumb as some people think. (Laughter.) But I do appreciate that.

Following Bob Strauss as a speaker is much akin to a[n] old baseball story that I like to tell, that one hot summer day in Yankee stadium -- the Yankees had a great team. This is back in the late '20s. They had Tony Lazeri and Lou Gehrig and Babe Ruth and Bill Dickey, and they all hit in a row, and they all hit for extra bases. And then Frankie Crosetti came up and smacked a single to center field, and he was criticized for stopping a rally. So that's what I feel like right now following Bob Strauss.

First, before I get into Russia specifically, let me just say what you have done over the years -- and I know many of you have been into this issue, the issue of US-Russian or US-Soviet relations and trade and keeping business going as a matter of trying to open up the former Soviet Union -- now Russia and these independent countries -- for years. And you have hung in there in a long-term struggle against very great odds, and at some expense to your companies, but I think in the long run, a very valuable if critical process. And so I'd like to commend you for what you are doing, what you have done, and what you will continue to do. And it is no different than what I am going to get into a little later in talking about hat we think the United States government needs to be doing to hang in there in the long term, not just in the short term. This is not a problem that is going to be solved tomorrow. It is much more daunting than that, it is much more difficult, as all of you know.

Let me speak just for a second about the USC (?) and trade and the global growth in the economy. I note in the Wall Street Journal this morning the IMF has just put out a report that is somewhat discouraging, showing global growth at about 2.2 percent for the year, indicating that the former Soviet states will shrink at about 11.8, although I will note as a footnote, as many of you know, some of that is a shrinkage in the government economy, not in the growing private economy.

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But nonetheless it is shrinkage and it creates, again, a major challenge not only for this country but for you and for the other G-7 countries as well.

I would indicate, though, there is some bright -- there is some positive news we can talk about this morning.

First of all, in the last four years, export growth, trade growth in this country has created about one-half the net gross domestic product growth in this country, which is good news and also interesting for a country that used to think we had a self-contained economy. Let me report to you, as you know better than I, that is no longer the case. Twenty-six percent of our gross domestic product is in trade: 900 billion plus last year in merchandise trade alone, 1.6 trillion in merchandise, services, and investment. We no longer can shrink away from our obligations, responsibilities, challenges, and, more importantly, our opportunities in trade in the world. Export jobs pay about 17 percent more on the average than other jobs in our economy. So if you really want to grow this economy, if you want to create high wage, high skilled jobs, we must and we are in this administration focussed on jobs.

Now let me speak about a[n] issue that greeted you in the Washington Post this morning and make it as clear as I possibly can make it. This administration intends to finish these NAFTA supplemental negotiations this summer. We intend to take the NAFTA to the Congress with the implementation legislation, and we intend to meet the January 1st, 1994 deadline for the implementation of the North American Free Trade Agreement. (Applause.)

Export jobs only -- export jobs only -- have grown from 300,000 to 700,000 over the last five years, connected with exports to Mexico alone. We expect the growth over the next two years with the NAFTA to be 200,000 more jobs. Let me indicate to you that'd be 900,000 jobs in this economy strictly related to exports to Mexico. But without the NAFTA, given what would happen to investment in Mexico, shrinkage of their economy, consumer spending going down, wage rates going down, if we do not get the NAFTA, that 900,000 would turn into 500,000 jobs or less, costing us 400,000 high wage high skilled jobs in this economy. Let me indicate to you we can hardly afford with 7 percent unemployment and 16 million Americans underemployed losing 400,000 jobs in this economy.

Now, this President is committed to the NAFTA with the supplemental agreement. He's committed to helping create jobs in this country and to fairly deal with all of our workers. That means we're going to have a commission on workers' standards, we're going to have a commission to protect the environment so we can sustainable development, we're going to have increased safeguards against surges, we're going to promote free and open trade with Mexico.

But that's only step one, and this is a long process. And I will not go on about it today, but let me just indicate to you the fastest-growing trade we have in the world right now is with **South America -- Chile, Argentina, Venezuela,** and other nations of South America -- who have done an interesting if not impressive job in opening up their markets. We have become an export platform into those countries. They are the next countries into what will come a free trade agreement for the Americas. That is critically important for our economic growth.

(MORE)

ADDRESS BY US TRADE REPRESENTATIVE MICKEY KANTOR TO THE US-RUSSIA BUSINESS COUNCIL CONFERENCE THE FOUR SEASONS HOTEL, WASHINGTON DC
K-27-03 page# 1 TUESDAY, APRIL 27, 1993

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If we lose the NAFTA with these supplemental agreements, let me suggest to you we will discourage market economies in South America; we will hurt the drive towards democracy in that continent and in Central America as well; we will hurt ourselves politically and economically. So, this administration is not only committed to the NAFTA with the supplemental agreements, but believes it is critical for our future health both politically and economically.

Number two, of course, we have the Uruguay Round, which has been reengaged and reinvigorated, which I'm sure Ambassador Strauss addressed earlier in his remarks. The fact is that we have had a great break in working with the European Community. For the first time, they have agreed to take up market access as an issue first, not last. They always wanted to hold that till last. We have started our market access negotiations, along with some discussions about procurement and Title 29 of the European Utility Code, which we resolved last week, at least for a two-year interim agreement. These market access discussions are underway right now.

We are engaging the Japanese and the Canadians in this discussion as the 13th and 14th of May. We will continue the discussions on June 1st and 2nd. And we hope to have a preliminary agreement, a market access package, on industrial products and services by the time we get to the G-7 in Tokyo. If we can do that, and I have every confidence that we can, we will then drive the Uruguay Round, I think, to a successful completion by December 15, after seven long years.

And President Clinton then will be able to go on to the next stages of what -- of his concerns about opening markets and expanding trade throughout the world. Let me say in doing that, as we say we want mutuality of obligation and comparability of action on the part of our trading partners, as we try to promote global growth, we are going to look to the fastest-growing area in the world as a next step, and that is Asia.

For too long, we have ignored Asia. Asia is 40 percent of our trade. That includes Canada and Mexico, who are our first and third largest trading partners. Just think of what we do in terms of paying attention, as we should, to the European Community and what we don't do in terms of paying attention to Asia. Now, we do pay attention to our bilateral relationships with Japan. We spend a lot of time on that, as we should. But the nations of Asia are the fastest-growing area of the world. The second is South America. And we must pay more attention to that.

It should not escape your notice that we are the chair this year of something called the Asian Pacific Economic Cooperation forum. And we intend to use that forum this year to try to build a growing awareness of Asia as a trading partner and try to look to how we can build a framework around that organization or a similar organization in order to take advantage of the opportunities for American workers and business in Asia.

Let me speak for a moment about Russia, what is going on there, what the President is trying to do, and speak to the issues for which you have spent -- in which you have spent so much time. As you know, the President has committed himself to an $1.8 billion aid package. That's on top of the $1.3 billion already committed to. In addition, we, of course, are committed to about $232 million in OPIC funds helpful to American business. The package meets some critical emergencies in terms of nuclear reactor safety, resettlement of military officers, and direct medical assistance.

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However, more is needed. This is not just a matter of money, and it's not just a matter of US guarantees or G-7. It's also a matter of helping, both politically and economically, the Soviet Union to build their infrastructure, to continue to -- Russia to build their infrastructure, continue to democratize, to work with the former Soviet states as we have -- I would note we've signed three bilateral investment treaties with three former Soviet republics in the last three weeks-- in order that we can -- this infrastructure can take advantage of two or three things we have done in the trade area.

One has been GATT accession. The President has directed this office, and we are working with the Russians to help them to gain GATT accession in the future. Obviously, GATT accession is of no value unless we can build a Russian economy that can take advantage, of course, of world trade and be an active player, but we are involved in that process at this moment.

We have also announced at the summit that the administration will propose legislation to eliminate Russia's exclusion from GSP -- Generalized System of Preferences. That is also important. As you know, that will eliminate many tariff barriers to the entry of Russian goods into the United States, again based upon a growing Russian economy and our ability to foster that growth. Making Russia part of the GATT has enormous economic implications for a nation that has, for all intents and purposes, been in exile from the global economy. But this process, as I've said, will not happen overnight. In the meantime, we can create some economic stepping stones to move us forward -- these bilateral agreements we've entered into with the Russians, a trade agreement, and the bilateral investment treaty with the former Soviet republics, and then intellectual property protection in the Soviet Union -- which I will report to you today is going very well, and they're adhering to their agreement -- getting the Russians involved in multilateral steel negotiations is similarly critical, and then involving them in an international -- in the international economic drive toward space launches will also be helpful in the process of trying to help the Russians economically.

As we do this, we have got to continue to foster global growth. Let me indicate to you that as the Germans -- we try to convince the Germans to lower their interest rates, the Japanese to stimulate the economy, as the President continues to try to lower this structural deficit that we have, and invest in our economy, and invest in our people, and increase our competitiveness, we're going to have to increase trade worldwide. That means not only a Uruguay Round, not only a NAFTA, not only accession to the NAFTA, not only rounds beyond that and bilateral and regional and multilateral relationships, but it also means opening markets by enforcing the law.

Let me say this administration believes the way to build confidence in a world trading system and a commitment to it is to enforce the treaties that we have entered into and enforce US law. We believe that is the best way to get other countries, as well as the United States, to adhere to a set of rules that we can all live with which will increase trade, increase confidence, and increase global growth.

So as we move forward and as we try to enforce these treaties and enforce our laws, as we will announce on Friday, we have -- on April 30th, we'll announce Special 301, we'll announce certain categories of countries and certain actions we'll take at the failure to protect intellectual property. We'll also announce on Friday under Title VII certain violations of our own Title VII in government procurement. We are doing it in the hopes we can open markets and expand trade.

And in that I would like to end by telling you what has happened with the procurement issue with the European Community, which has been such a thorn in all of our sides, and has held back the Uruguay Round, an agreement we reached just last week. When we came into office, it did not escape our attention that for one year after President Bush designated the European Community as discriminating against not only US goods but all foreign goods in something called the proposed Article 29, which would not only give a preference to European goods and government

(MORE)

ADDRESS BY US TRADE REPRESENTATIVE MICKEY KANTOR TO THE US-RUSSIA BUSINESS COUNCIL CONFERENCE THE FOUR SEASONS HOTEL, WASHINGTON DC
K-27-05-E page# 1 TUESDAY, APRIL 27, 1993

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procurement in the heavy electrical equipment and telecommunications area, not only a preference, but in a more pernicious way, would say if you didn't have 50 percent European content, you could arbitrarily be removed from the competitive proceeding.

President Bush designated -- properly designated that as a discriminatory -- potential discriminatory practice. For one year, there was negotiations. Nothing happened. On January 1st, 1993, this pernicious piece of legislation or regulation went into effect.

Let me just indicate to you that the heavy electrical equipment and telecommunications market, government procurement market, in Europe is about $33 billion a year, quite substantial. It obviously would have a negative effect upon American companies who are doing business with the European Community potentially in that area. These are high-value goods, high-wage, high-skill jobs at stake.

We then designated the Europeans not only as discriminatory; we said we'd invoke sanctions. We didn't impose the sanctions in order to allow some negotiations to go forward. We reached agreement with the Europeans on three levels, and I think these -- or four levels, and I think all four are important.

Number one, they agreed to remove the discrimination on heavy electrical equipment, about a $20 billion a year market.

They did not agree to remove the discrimination on telecommunications equipment, and we imposed sanctions.

We both agreed to open up new areas of goods and services in government procurement for the first time, which is a $7 to $13 billion market collectively, which is also important.

And, last, we removed the Buy America preference from the six government-owned federal utilities, the two most important being TVA and Bonneville.

I believe this is what comparable action and mutuality of obligation is all about. As long as two trading partners can operate with comparable action to serve both of our interests in opening markets, that is the way we should use our laws, that is the way we should use enforcement of treaties, in order to grow the global economy. And I think this agreement, although not dispositive of the entire issue and will not save Western civilization, is one that indicates that a policy of enforcement, of being consistent, of not being arbitrary and capricious, of standing up for American workers while trying to grow a global economy and asking your trading partners to come along, will be successful.

I appreciate the opportunity of being here today. I admire everything that you are doing. The office of USTR is always available to you to be helpful. That is what we are designed to do. Some of you have already been in to meet with me or the staff of USTR, which I think is the best professional staff in Washington. And I would hope -- I would hope that all of you would see this office and this administration as one who wants to promote global growth, work with you, create US jobs, grow this global economy, and increase not only our ability to progress in the future, but the ability of Russia and the former Soviet republics.

Thank you very much. (Applause.)

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NEWS CONFERENCE WITH USTR MICKEY KANTOR RE: ANNOUNCEMENT ON TITLE VII, JAPAN SUPERCOMPUTER REVIEW, SPECIAL 301 FRIDAY, APRIL 30, 1993
U-30-01 page# 1

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TRANSCRIPT BY: FEDERAL NEWS SERVICE
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AMB. KANTOR: Good afternoon. Inauspicious beginning.

I have a short statement which I will read and then obviously I'll be glad to take questions. Did everybody get the handouts up there?

Since assuming my responsibilities as United States Trade Representative I have repeatedly expressed my commitment to enforcing US law as Congress has written it and ensuring that our trading partners adhere to those agreements they enter into with us. Enforcing the law and holding countries to their agreements are crucial in several respects: To opening foreign markets to US manufactured goods, agricultural products and services, to building support here in the United States for an open trading system and ultimately to confidence in and credibility of a trading system. And I can't emphasize that enough that as we take these actions today or we take actions in the future, the whole idea is to open markets as we said before, expand trade and to build confidence and credibility in the trading system, not to act in arbitrary and capricious manner.

Congress has established April 30th as the deadline for review of two important parts of the Omnibus Trade and Competitiveness Act of 1988, Title VII dealing with our trading partner's government procurement practices and Special 301 dealing with our trading partner's treatment of US intellectual property.

Today I'm announcing the results of those reviews and the [illegible] believe are necessary to ensure the important purposes of these [illegible] are clearly carried out. Title VII requires the identification of countries which are discriminating against US firms in government procurement. These decisions are the result of a thorough review [illegible] administration of foreign government procurement practices and contacts with the business community.

S CONFERENCE WITH USTR MICKEY KANTOR RE: ANNOUNCEMENT ON TITLE VII,
AN SUPERCOMPUTER REVIEW, SPECIAL 301 FRIDAY, APRIL 30, 1993
30-02 page# 1

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I have also continued the identification of the European Community for discrimination in the heavy electrical equipment and telecommunications sectors. As I announced on April 21, Sir Leon Brittan and I have reached agreement in the heavy electrical equipment area. In fact, there were meetings this week between the staff of both the EC and of USTR working on the final language of that agreement. We're waiting approval of that agreement by the EC Council of Ministers. Unfortunately, no agreement was reached in the telecommunications area, as most of you know. As such, we intend to proceed with sanctions in that area, and that is also being drafted. As you know, we had to change these sanctions in accordance with the agreement because it covered both heavy electrical equipment and telecommunications.

I'm also reporting to the Congress that the administration has continuing concerns with other specific procurement practices in Japan, as well as practices in Australia and China, which fall short of the statutory requirements for identification. We intend to monitor these practices closely over the coming year.

Today, I'm also announcing, pursuant to Section 306 of the Trade Act of 1974, that we are undertaking a special review of Japanese government activity under the 1990 Supercomputer Agreement. The US government must take this action because our supercomputer manufacturers are clearly the most competitive in the world, and yet they continue to be effectively shut out of the Japanese government supercomputer market.

US firms have managed to gain only 11 percent of the public sector market for supercomputers in Japan, compared to our 85 percent share in Europe. We have been discussing this issue with the Japanese for over a decade and we have signed two supercomputer agreements. Yet no US supercomputer has ever won a competition head to head with a Japanese supercomputer firm. We will review the procurements that have taken place under the agreement so far, and we will also closely scrutinize each of the upcoming procurements. Based upon this review and the conduct and outcome of these procurements, USTR will determine whether or not Japan is in compliance with the terms of the agreement.

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Identification requires immediate initiation of consultations in an effort to eliminate the discrimination and appropriate Presidential actions including sanctions if the problem is not resolved within 60 days. The President by modify sanctions if he determines it to be in the public interest. This is of courses the same title under which the sanctions discussion arrived and were invoked with regard to the European Community Utilities Directive.

Based on our review, I've identified Japan for persistent and significant discrimination affecting US goods and services in the construction sector. Despite years of negotiations and two trade agreements, the Japanese construction market remains fundamentally closed to foreign firms. US construction firms, competitive worldwide, are experiencing serious market access problems in the Japanese construction market. In fact, the discriminatory practices we sited as significant and persistent are also recognized as barriers to competition. Many opinion leaders in Japan have called for fundamental reforms in the Japanese public works system. Consequently, in responding to the exhaustively documented concerns of the US interests, the Clinton administration is at the same time agreeing with Japanese citizens who are calling for change in the Japanese public works system.

Today marks the start of a 60 day consultation period under the statute during which we will seek to rectify the situation. It is our strong purpose to resolve the issue through negotiation. The first year review of the major projects agreement has been going on since last year. This review which is being led by the Commerce Department should continue and be completed rapidly.

We're also addressing construction services in the GATT government procurement code negotiations with the aim of successfully concluding the talks as soon as possible. If we are unable to resolve the problem in a satisfactory manner, we are prepared to use the tools provided in the statute.

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NEWS CONFERENCE WITH USTR MICKEY KANTOR RE: ANNOUNCEMENT ON TITLE VII, JAPAN SUPERCOMPUTER REVIEW, SPECIAL 301 FRIDAY, APRIL 30, 1993
U-30-03 page# 1

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The review will be finalized when the Japanese government has substantially completed all of its supercomputer procurements for Japan fiscal year 1993, which commenced April 1, 1993. If the administration finds that Japan is not in compliance with the agreement, it will take appropriate action.

In terms of the framework that this administration hopes to build with Japan, ensuring that trade agreements are fully carried out is critically important, and I'd like to emphasize that. These issues -- construction and supercomputers -- have been problems between us for too long and we hope to resolve them successfully. But the sectoral and structural negotiations that were discussed by the President and Prime Minister Miyazawa will continue to go on. We will proceed, looking towards the G-7, in order to set up that structure by that point in time.

(MORE)

NEWS CONFERENCE WITH USTR MICKEY KANTOR RE: ANNOUNCEMENT ON TITLE VII, JAPAN SUPERCOMPUTER REVIEW, SPECIAL 301 FRIDAY, APRIL 30, 1993
U-30-04 page# 1

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With respect to Special 301, it is natural to focus on what countries are designated as priority foreign countries. But I think it is important at the outset to realize that the goal is not to designate countries, the goal is to make progress in protecting intellectual property. This statute has contributed significantly to an increase of awareness in the importance of intellectual property protection around the world. I'm gratified to report that since January, ten countries have enacted new copyright, trademark or patent legislation or strengthened their existing legislation -- Switzerland, Taiwan, Columbia, Greece, China, Jamaica, Malta, Cyprus, Canada and the most recent addition, Russia, which adopted new copyright law yesterday.

This progress shows a growing commitment to intellectual property protection which will benefit the United States, but will also benefit the countries which have enacted the legislation. I will also contribute to a strong Uruguay Round text on intellectual property and to the successful completion of the round. This administration is committed to building on the success of Special 301 by giving fresh direction in the Special 301 review process guided by the following principles: Enforcement is critical. We will give special attention to countries that do not enforce their laws or are centers for pirates or counterfeiters. We are committed to putting an end to the annual Spring time flurry of enforcement actions and replacing it with continuous efforts throughout the year. We will not let countries take up permanent residence on any list. Instead we intend to ensure a sustained progress in addressing the problem by the following: Initiating immediate action plan which is done in the case of two countries today that include deadlines and benchmarks for evaluating a country's performance and also conducting out-of-cycle reviews to enforce these deadlines and then taking action where necessary. So it's, one, it's immediate action plans, two, it's out-of-cycle reviews and three, taking action where necessary.

In accordance with these principles today, I'm announcing decisions to identify Brazil, India and Thailand as priority foreign countries, place Taiwan and Hungary on the priority watch list and initiate immediate action plans which we hoped to have fulfilled by July 31, 1993. Place eight other countries on the priority watch list and start out-of-cycle reviews with regard to Korea, Argentina, Egypt, Poland and Turkey. We placed 17 countries on the watch list and started other out-of-cycle reviews for some of those countries including Italy. We have removed Canada, Germany and Paraguay from the watch list.

While the administration does not compile statistics on annual losses, industry sources attempt through various means to quantify losses and frankly in this area it's in the billions of dollars, which means jobs for American workers.

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NEWS CONFERENCE WITH USTR MICKEY KANTOR RE: ANNOUNCEMENT ON TITLE VII,
JAPAN SUPERCOMPUTER REVIEW, SPECIAL 301 FRIDAY, APRIL 30, 1993
U-30-05 page# 1

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With respect to the priority foreign countries which I have cited, Brazil has failed consistently to adequately and effectively protect patents as well as trademarks, copyrights, and trade secrets. Within 30 days of this announcement USTR will determine whether to initiate an investigation of Brazilian practices. An announcement of this determination will be made on or before May 30, 1993.

Serious continuing problems in the patent area led me to identify India, which was also a priority foreign country last year -- and, I might say, the year before as well. I have instructed an interagency task force to explore future actions with respect to India.

Although Thailand has enacted a patent law, it contains serious deficiencies, and enforcement of copyrights remains a serious problem. As with India, an interagency task force will immediately begin exploring future actions with respect to Thailand.

With regard to India and Thailand, investigations have already occurred in the past. So unlike -- unlike Brazil, an investigation is not necessary in these cases.

With respect to Taiwan and Hungary, we have set forth immediate action plans. If sufficient progress is not made, as I've said, by July 31, then the administration will designate them as priority foreign countries.

We are gratified that within the last week Taiwan passed a strong bilateral copyright agreement eliminating the reservations that threatened to weaken the law unacceptably. But violations of copyright and trademark remain enormous problems in Taiwan. Taiwan needs to enact legislation to control copyright piracy by cable TV stations and take strong administrative action to protect trademarks.

With regard to Hungary, you must reach a satisfactory, comprehensive, bilateral IPR agreement. We're particularly concerned that Hungary fails to provide adequate patent protection for pharmaceutical products and is a main worldwide source of copies of these products. There are a number of problems in other copyright areas, but let me also note that in the last week Hungary has -- the Hungarian ambassador has met with me with a -- a -- a commitment on the part of Hungary to try to address this issue by July 31.

The performance of a number of countries will be monitored through periodic out of cycle reviews.

I'd be happy to take questions on any of these issues. Yes, sir.

Q Sir, the (order ?) of Japan on computer purchases by the government has been cited by the Bush administration as one of the crown

NEWS CONFERENCE WITH USTR MICKEY KANTOR RE: ANNOUNCEMENT ON TITLE VII, JAPAN SUPERCOMPUTER REVIEW, SPECIAL 301 FRIDAY, APRIL 30, 1993
U-30-06 page# 1

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the kinds of sales goals that we would meet under circumstances in the case that an open market existed. The United States, as I cited, has 85 percent of the supercomputer market --

Q I'm talking about regular computers.

AMB. KANTOR: Well, in -- we're talking about supercomputers in terms of this action, the monitoring action, the 306.

Q As I understand it, you have something in here about regular computers -- monitoring?

AMB. KANTOR: Well, that's -- the monitoring is under 306. Let me make it clear, if it's not clear. The monitoring action under 306 is with regard to the supercomputers not computers.

Computers are a problem. Let me indicate that we have 40 percent of the computer market in Japan. We only have four tenths of one -- of the private computer market. [We have] only four tenths of one percent of the government, central government procurement market. We're concerned about that problem; we're not addressing that here today directly.

Yes?

Q Ambassador Kantor, with regard to India, you said that the investigation has already been completed and the interagency task force has been preparing whatever report they will be doing. Does that mean that the interagency task force could recommend retaliation at any time beginning today? There is no sort of time factor or timetable? And I have a quick follow-up.

AMB. KANTOR: The answer to that is yes, the investigations took place in the past. We have found that there has been very little action out of the Indian government. We would hope, though, during this period of review that we would get the kind of action that would protect intellectual property sufficiently.

Q And as a follow-up, India argues that they have tried to do as best that they could to US requests, but that it could be perceived as capitulation to US pressure and maybe even the survival of the government could be at stake. How do you explain to countries like India, how do you justify that this is not a US pressure when they argue that it is simply an evolution of their development?

AMB. KANTOR: Well, every country will try to justify its failure to adhere to protecting, in this case intellectual property, by saying it will lead to some sort of political result, which is not either warranted or not in the best interests of relationships with the United States.

jewels of the President's trip to Japan in January of last year. Are you indicating that you think that there was less there than met the eye, and in fact the sales have not commensurate with expectations?

AMB. KANTOR: Well, I think it's clear -- the statistics are clear we have not done -- we have not met what we believe would be in an open market

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The fact is, the Congress passed the Special 301 to protect intellectual property. When it's not protected, you're literally stealing someone's property and you're taking American jobs. What we need to do is reach an accommodation with India, Brazil, Thailand, other countries, in order that we can work together to build confidence, build a commitment to a world trading system which will be good not only for the United States but good for India as well.

Yes, ma'am?

Q Yes, my question is similar to his. If Taiwan doesn't meet your requirement by this deadline, will you take retaliatory action?

AMB. KANTOR: I have every confidence that they will. And if that doesn't happen, which I hope that it does and the President hopes that it does, then we will make a decision at that point.

Yes, back here.

Q Brazil has been on the priority watch list every year since 1989. What difference has it made to put it on this high category, this high priority classification? If it's made a difference why does it keep showing up?

AMB. KANTOR: Well, the difference we hope is if after 30 days there is no action, we will initiate an investigation, I think in the case of Brazil. And if we do that, that will be under 301. We'll then, if the investigation warrants it, initiate an action under 301. The difference is this administration enforcing the law, trying to build confidence in trading systems and agreements.

You know, it's interesting. If we want to build a world trading system or a trading system in the Americas, and want everyone to adhere to the regimes that will be part of the agreements, we've got to build confidence that we will stick by the agreements, but also our trading partners will as well. And this is just part and parcel of that same policy.

Yes, sir?

(MORE)

NEWS CONFERENCE WITH USTR MICKEY KANTOR RE: ANNOUNCEMENT ON TITLE VII,
JAPAN SUPERCOMPUTER REVIEW, SPECIAL 301 FRIDAY, APRIL 30, 1993
U-30-07 page# 1

st=commtrade,ustr,ustroff,japan,trdpol,fns10000,fns00469,fns13497,fns10213
st+=japustrd,gatt,intlprop,b526,braz
data

Q (Off mike.)

AMB. KANTOR: We're not -- there are a number of alternatives available. We're not announcing any action today with regard to Special 301 and Brazil. We are indicating that we're deeply concerned about the failure of Brazil to meet what we think are legitimate criteria which are good for growing the global economy and building a world trading system. We have every confidence that the Brazilian government will react in a positive manner to this and we certainly hope so.

Yes, sir?

Q (Off mike.)

AMB. KANTOR: Well, we would like to see that law passed, and if the law is adequate it would be very helpful.

Q Would you like to see the law passed as it is proposed or --

AMB. KANTOR: As it is proposed it's not adequate, and we have indicated that to the Brazilian government. There are going to have to be amendments to it and changes.

Yes, sir?

Q Could you explain more the immediate action plan and the out-of-cycle review? On top of the preexisting (array of measures ?) you had it seems confusing.

AMB. KANTOR: Well, no. In fact, it clarifies it and makes it -- we had no out of cycle. What was happening under 301 in Title VII is that we would have this -- we would make announcements, or USTR would make announcements on April 30 and then we'd go a whole year and we'd get to March of the next year and then there'd be this flurry of activity which in fact led to the kinds of confusion I think that you're alluding to.

If we have immediate action plans or out-of-cycle reviews, what we're doing is trying to get away from this sort of flurry of activity and monitor on a regular basis throughout the year in order that we can have real compliance rather than just compliance on a March basis.

(MORE)

NEWS CONFERENCE WITH USTR MICKEY KANTOR RE: ANNOUNCEMENT ON TITLE VII, JAPAN SUPERCOMPUTER REVIEW, SPECIAL 301 FRIDAY, APRIL 30, 1993
U-30-08 page# 1

dest=commtrade,ustr,ustroff,japan,trdpol,fns10000,fns00469,fns13497,fns10213
dest+=japustrd,gatt,intlprop,b526,braz,hung,tai,pol
data

Q (Off mike.)

AMB. KANTOR: Well, we've asked -- we've given to both Hungary and Taiwan very specific plans of action that we would like them to meet. We've discussed it with them thoroughly. We have had a number of meetings at almost every level between the governments that I have cited -- those two governments and the United States government. They understand the situation; we understand the situation. And I have full confidence that by July 31, 1993 they can meet those plans. The plans are realistic and I think they will effect the kind of changes that will allow them to come into compliance with 301, Special 301.

Yes, ma'am?

Q Ambassador, does that mean that Taiwan (gave a ?) compromise before you announced this --

AMB. KANTOR: I'm not going to characterize what Taiwan has done. That's for the Taiwanese government to speak of, not for me.

Q (Off mike.)

AMB. KANTOR: Let me just finish, if I might, finish my answer.

We have talked about an action plan; we've agreed on one. They need to fulfill it. No, it's not been fulfilled yet. We have every expectation that it can be and we hope it will be.

Q So you're talking about an action plan you've given to them (they've already promised to ?) --

AMB. KANTOR: I didn't say that. I said that we have talked about an action plan. There has been no commitment one way or the other. We have every hope and expectation it will be fulfilled because we think it's in the interest of both Taiwan and the United States, between two trading partners, that it be fulfilled.

Yes, sir?

(Cross talk.)

AMB. KANTOR: I'm sorry, I called on the gentleman -- I'll come to you next.

Q Okay.

Q Poland has been on the priority watch list for about a year already. What is the change in the status of Poland now being made? And also, if Poland enacts legislation protecting intellectual [property] ghts, would it be removed from the priority watch list?

AMB. KANTOR: Poland is scheduled for an out-of-cycle review under this new process that we've announced today. If in fact the actions of the Polish government are such they meet the criteria that we have been discussing with them, then of course they would be removed from the list.

Q Ambassador?

AMB. KANTOR: Yes, sir?

Q You just talked about the action plan which I presume you submitted to Taiwan. You said Taiwan has made no commitment one way or the other. Could you be a little more specific as to what the US action plan is all about?

AMB. KANTOR: No. (Laughter.)

Q Why not?

AMB. KANTOR: Because it's between two governments. And if you want to -- if the Taiwanese want to do that -- we've had very good discussions with the Taiwanese government, they've been fruitful. We have an action plan; we hope that it's met. We have every expectation that it will be.

Q The discussions were carried here or in Taiwan?

AMB. KANTOR: They were here.

Q Ambassador Kantor?

AMB. KANTOR: Yes. I'm sorry, I --

Q Were these -- were all these decisions --

AMB. KANTOR: Thank you for waving. I don't have on my glasses.

Q No problem. Were all of these decisions taken to the President or is this sort of below him in terms of decision-making? And secondly, are you not concerned that you're going to get into a tat-for-tat trade battle with a number of these countries?

(MORE)

STAFF: We'll take one more question and then we'll have to --

AMB. KANTOR: Yes, back here.

Q On the differentiation between out-of-cycle reviews for some countries and not for other countries, why, for instance, Italy was --

AMB. KANTOR: I'm sorry?

Q -- put on out-of-cycle reviews? If the purpose is to get a more widespread compliance throughout the year, why some were out-of-cycle reviews and some were not, for instance Italy? Why choose some?

AMB. KANTOR: Well, frankly, you make a value judgment under the statute as to where your largest problems exist and where there's the most threat to intellectual property protection. Those countries who we're most concerned about, who were not priority countries, we put into an out-of-cycle review; others we have immediate action plans. That's just a better way of monitoring progress and achieving our goal of protecting intellectual property.

Q So are you saying that Italy requires more monitoring than another country on the same list?

AMB. KANTOR: Yes, some will and some won't. It's just you have to make some value judgments as you do in these lists. There are some subjective judgments in this.

Thank you very much.

STAFF: Thank you very much.

END

dest=commtrade,ustr,ustroff,japan,trdpol,fns10000,fns00469,fns13497,fns10213
dest+=japustrd,gatt,intlprop,b526,braz,hung,tai,pol,japan,eurcom,canada,
dest+=intlprop
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AMB. KANTOR: No. This is -- first of all, these have been delegated to USTR, and not just in this administration, in the prior administration as well.

Number two, this is exactly what we're trying to avoid is the -- as you termed it, not I -- the tit-for-tat battles. When you get into that is when you act in an arbitrary or capricious manner or you don't have full discussion or you don't adhere to your trade agreements or your laws.

I think what we're doing is being fully consistent with our agreements and laws. We're trying to build confidence within and between our partners and the United States, and trying to build trading regimes on a bilateral, regional and multilateral basis. And this is the most productive way we know to do that.

Let me say, number two, we want to build confidence here in the United States when we reach trade agreements they will be fulfilled. The American people have to understand that we're here to represent their interests and try to grow this economy and grow American jobs. And in the area of intellectual property or when you are locked out of markets, construction markets, the supercomputer markets, with regard to Japan, it costs jobs to the United States.

So in all those ways, we're trying to build confidence in the system, not the opposite.

Q Could I have just one follow-up?

AMB. KANTOR: Sure.

Q Are the laws that exist now, are they then adequate for you, and what you're telling us is just the enforcement is dramatically different between you and Carla Hills or between the President and George Bush?

AMB. KANTOR: Well, I am one to not speak in terms like "dramatic." I think that's a little overstated. The fact is there is a difference. We have taken a different tact. We believe it's important to build confidence in the trading system in doing this.

We have had good reactions from a number of countries. I think the out-of-cycle reviews and the action plans will make a difference. And we hope next year when we come back -- because of the out-of-cycle reviews, because of the action plans, because of the monitoring which is going on in terms of 306 in Japan -- we'll have the kind of compliance and working together which will lead to opening markets, expanding trade, building jobs here at home, and trying to lead global growth, which the President has spoken about so articulately.

Q Mr. Ambassador?

AMB. KANTOR: Yes?

Q Are these the exceptional steps that President Clinton promised the G-7 (last time ?) that the US would be ready to take to get the Uruguay Round completed --

AMB. KANTOR: Well, we've taken a number of steps, as you know. Let me just explain some of those steps we've already taken, including fast track renewal, which, as you know, the trade subcommittee approved yesterday, I think it was. A clean fast track renewal, I might add.

Number two, we have set up a number of ministerial level meetings. We've already had -- the President's already met with President Delors and I've met twice with President Delors. I've met with Sir Leon Brittan three times now.

We also have a meeting scheduled, the annual summit, May 7, and we'll have Uruguay Round meetings surrounding that. On May 13 and 14 we'll meet in Canada, the Quad, as it's called -- Japan, Canada, the United States and the European Community -- to discuss market access in the Uruguay Round. We're going to meet surrounding the OECD meetings in Paris June 1st and 2nd. This is an extraordinary number of meetings at the ministerial level; it is the most intense series of meetings in the history of the Uruguay Round.

This President is committed to completing this round by December 15 and having a successful Uruguay Round. And I think the number of meetings, the level at which they're being held, the attention that the President has paid to it, is what he is talking about when he talks about exceptional actions in this case.

Q The last bilateral deals with Japan on construction procurement have focused on taking specific public works contracts and trying to ensure that the American companies are able to bid for them. Is that what you're after here, or are you taking a different approach (for what you want on these negotiations ?)?

AMB. KANTOR: Well, we're saying under Title VII, which is the section that concerns compliance with agreements as well as opening up markets in government procurement, we're saying that in that area the Japanese construction market, public procurement and construction services, architectural, engineering or construction, are closed, literally closed to US and foreign companies and need to be open. That's what we're saying here.

In terms of the Section 306 monitoring, that has to do with supercomputers. That is we have in fact two agreements in that area and we believe they need to be monitored to make sure those agreements will be carried out. They have not been fulfilled thus far, in our view.

NEWS CONFERENCE WITH USTR MICKEY KANTOR . RE: ANNOUNCEMENT ON TITLE VII, JAPAN SUPERCOMPUTER REVIEW, SPECIAL 301 FRIDAY, APRIL 30, 1993
U-30-09-E page# 3

STAFF: We'll take one more question and then we'll have to --

AMB. KANTOR: Yes, back here.

Q On the differentiation between out-of-cycle reviews for some countries and not for other countries, why, for instance, Italy was --

AMB. KANTOR: I'm sorry?

Q -- put on out-of-cycle reviews? If the purpose is to get a more widespread compliance throughout the year, why some were out-of-cycle reviews and some were not, for instance Italy? Why choose some?

AMB. KANTOR: Well, frankly, you make a value judgment under the statute as to where your largest problems exist and where there's the most threat to intellectual property protection. Those countries who we're most concerned about, who were not priority countries, we put into an out-of-cycle review; others we have immediate action plans. That's just a better way of monitoring progress and achieving our goal of protecting intellectual property.

Q are you saying that Italy requires more monitoring than country on the same list?

AMB. KANTOR: Yes, some will and some won't. It's just you have to make some value judgments as you do in these lists. There are some subjective judgments in this.

Thank you very much.

STAFF: Thank you very much.

END

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
PUBLIC AFFAIRS

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1993
(End of the Clinton Administration - January 20, 1997)

BOX 1

PUBLIC INFORMATION FILES

STATEMENTS AND TESTIMONIES

May-August

INDEX OF SPEECHES AND TESTIMONY
MAY-AUGUST, 1993

August 13	Statement by Ambassador Mickey Kantor - Announcement of NAFTA Supplemental Agreements On Labor and the Environment
July 27	Testimony of Ambassador Rufus Yerxa before the Subcommittee on Legislatin and National Security
July 26	Statement of Ambassador Kantor - Hearing of House Committee on Small Business
July 22	Report on the United States-Japan Framework for a New Economic Partnership
July 13	Testimony of Ambassador Michael Kantor - Report from the G-7 Economic Summit
July 12	Letter to Ambassador Kantor from Embassy of Japan re: Japan-United States Framework Agreement
July 10	Joint Statement on the United States-Japan Framework For a New Economic Partnership
July 1	Testimony of Ambassador Rufus Yerxa on Shipbuilding
June 28	Testimony of Ira Shapiro before the Subcommittee on International Trade
June 24	Quadrilateral Talks in Tokyo
June	Statement of Ambassador Charlene Barshefsky, Deputy USTR before the House Ways & Means Subcommittee on Trade
June 16	Statement of Mickey Kantor before the Atlanta Chamber of Commerce re: "NAFTA"
June 10	Testimony of Ambassador Michael Kantor before the Legislation and National Security Subcommittee of the Committee on Government Operations

June 3	Communique - The Council of the OECD
May 28	Transcript by Federal New Service re: NAFTA

INDEX OF SPEECHES AND TESTIMONY
MAY 1, 1993-JULY 31, 1993

May 4	Remarks by Ambassador Michael Kantor, U.S.T.R., before the Council of the Americas Washington Conference
May 5	"The Clinton Administration and Trade," Speech by Ambassador Michael Kantor, U.S.T.R., National Press Club
May 6	Testimony of Ambassador Mickey Kantor, U.S.T.R., before the Committee on Commerce, Science and Transportation, United States Senate
May 6	WH: Remarks by the President to the Export-Import Bank Conference
May 11	Testimony of Ambassador Michael Kantor, U.S.T.R., before the Senate Appropriations Committee, Subcommittee on Commerce. Justice, State, the Judiciary and Related Agencies
May 14	Statement by Michael Wilson (Toronto, Canada)
May 19	Written Statement of Charlene Barshefsky, Nominee Deputy U.S.T.R. before the Senate Committee on Foreign Relations
May 19	Comments by Peter F. Allgeier, Assistant U.S.T.R. for Europe and the Mediterranean, Office of the United States Trade Representative, before the Subcommittee on Space, House Committee on Science, Space, and Technology
May 20	Testimony of Ambassador Michael Kantor, United States Trade Representative, before the Senate Finance Committee
May 25	Briefing by Weekes, Yerxa, and Blanco on NAFTA
May 27	Testimony of Ira Shapiro, General Counsel, Office of the U.S. Trade Representative, before the Subcommitte on Intellectual Property, Committee on the Judiciary, House of Representatives

Remarks by
AMBASSADOR MICHAEL KANTOR
United States Trade Representative

before the
Council of the Americas
Washington Conference
Washington, D.C.
May 4, 1993

Thank you very much. I am honored and pleased to be here. First of all, let me recognize three people who are critical to this organization, and also provided such leadership over the years not only in terms of the Americas but in terms of the world in opening markets, expanding trade, and doing all the things we need to do to grow this economy as well as make trade a viable part of the interaction between nations: David Rockefeller and John Avery and George Landau--and I thank all three of you for all the help you have given past administrations and this administration, and all the help you've given me personally. And I appreciate that very, very much.

Let me say I do have this administration somewhat book-ended. I went to Vanderbilt--Al Gore is a Vanderbilt alumnus--and I went to Georgetown, and of course the president is a Georgetown alumnus. So if you wonder why I'm in this job, you only have to look to my educational background as the only criterion for my selection. This is a great opportunity for me and this administration to be here today. All of you are critically important for what we are trying to do with Canada and Mexico in terms of creating the world's largest free trade area.

In that light I'd like to introduce someone you already know, but a friend of mine, someone I've gotten to know, and not only enjoy but have great admiration for--Ambassador Montano of Mexico. Ambassador, it's nice to have you with us. We just moved from California and bought a house in your neighborhood, Ambassador. It is much smaller than your house, I would add. So I have something to aspire to in the next few years, although I said to the President I'm the only ambassador I know who doesn't have a residence. So we have to figure something out in that regard.

In his speech at the American University on February 26--many of you are familiar with that--President Clinton set forth his vision for America's role in the global economy. It was a vision rooted in his belief that we are truly at the third great moment of decision in the 20th century.

The first came after the First World War, the second after the Second World War, and now today, in this post-Cold War era. He stated in that speech: "Will we repeat the mistakes of the 1920s and 1930s by turning inward?" "Or will we repeat the successes of the 1940s and 1950s by reaching outward? His answer was clear: We will reach outward and provide leadership to the new global economy. We will compete and not retreat.

The nations of the Americas have a central place in the president's vision of global growth. In the last decade there has been a strong and consistent movement by Latin American nations towards democracy, macroeconomic discipline, and trade and investment liberalization.

Democracy and open markets clearly buttress each other. U.S. exports to the region are expanding at the rate of three times the rate of exports to the world as a whole. This is an opportunity for shared growth that should not be lost.

And let me indicate that the Americas now are the second fastest-growing region in the world. Only Asia exceeds the growth in the Americas. More than a few Latin American countries are shrinking their budget deficits, reducing their foreign debts, and opening up their previously hothouse economies to global competition. This trend provides us with an historic opportunity to make permanent reductions in trade and investment barriers--and in so doing to strengthen growth and democracy through the Americas. Passage Of NAFTA is a clear first test of our collective ability to realize the promise of the Americas. We intend to finish the NAFTA supplemental negotiations this summer. We intend to take the NAFTA to the Congress with implementing legislation. We intend to meet the January 1, 1994, deadline for the implementation of NAFTA. We will not open the text of the NAFTA for renegotiation. We will have a NAFTA by January 1, 1994.

We are optimistic about NAFTA because it is so clear that expanded trade means jobs. The job that I have is not merely a bloodless occupation, dealing in arcane subjects unconnected with the real world. It has to do with real people, real jobs, in this country.

Let me give you an example. Export jobs related to Mexico alone have grown from 300,000 to 700,000 in the last five years. It is estimated that in the next two years, with the NAFTA and with the supplemental agreements, we'll grow from 700,000 export jobs directly related to Mexico, to 900,000 jobs. That doesn't include Canada. This is a huge growth in jobs in this economy, and will help fuel the resurgence of this country.

Frankly, this agreement is not only in the best interests of Mexico and Canada; it is in the best interest of the United States of America. Without the NAFTA, that 900,000 gain in U.S. jobs would turn into 500,000 jobs. Frankly, there are 400,000 jobs at stake. If we don't get the NAFTA and these supplemental agreements, those export jobs will be lost; investment will leave Mexico, this growing consumer market will be lost to U.S. businesses. And we will pay with 400,000 jobs, something we can't afford to see happen.

We are working intensely to create supplementary agreements to the NAFTA that deal with labor rights, trade adjustment assistance, and protecting the environment. These are not just the concern of the Congress. They also reflect President Clinton's belief that the original agreement simply had too many serious omissions.

Let me run down the six major tenets of these supplemental agreements and of other matters that we must address before we send the NAFTA to the Congress. First of all, one that is unilateral to the United States: we must have an adjustment assistance program for American workers who will be dislocated. There will be some dislocations in this economy--they'll be small, they'll be localized and they can be dealt with. But we are going to have to deal with this as a country as a whole and we're going to have to work with the Congress to get it done.

Number two, we must have border clean-up. All of us understand what has happened on the border between Mexico and the United States. It is a concern of both countries, not just the United States. We must engage in a concerted program of border clean-up. The chief problem in that, as all of you know, is how to fund it. I believe, with the cooperation of the Mexican government, which we're getting on a daily basis, and with the participation of the Canadian government and with the help of the Congress of the United States, and with your advocacy, we can get border clean-up that makes sense.

Third, we need to make sure that the same kinds of reforms the Mexican government has already agreed to with regard to intellectual property rights are applied to worker standards and the environment as well. That doesn't mean all of the reforms. Some of them would be inappropriate for worker standards or for environmental concerns. But to the degree they are appropriate and to the degree I think we'd all agree protection of worker rights, worker standards and the environment are as important as protection of intellectual property, we should agree with the Mexicans to those reforms. And I believe we can get that kind of agreement.

Fourth, we should make sure that we strengthen the safeguard against surges. As you know, Articles 801 and 802 of the agreement now protect against surges of imports into any country which disrupt either employment or any particular industry. We're going to try to add some strength to those agreements with these supplementary agreements.

Fifth, we are going to try to promote wages tied to productivity. That is a subject we have discussed with both countries; it is something we need to look at very carefully and work on with both countries.

Last, but not least, we're going to establish two commissions, one on worker standards and safety, the other on the environment. And we will have teeth at the end of this process. What does that mean? We're going to have to have some enforcement powers that don't do two things: one, tread on the sovereignty of any nation--we won't agree to anything that treads on anyone's sovereignty, and, two, that these commissions don't exercise supranational powers. We can do that--I think we can accomplish an enforcement mechanism with these commissions utilizing the current enforcement mechanisms of the NAFTA itself in order to accomplish our purpose.

These supplementary agreements do not guarantee, in and of themselves that NAFTA will have smooth sailing when it reaches the floor of the House and the Senate. There must be an active political constituency making a case for NAFTA.

Put simply, momentum does not happen by chance. Early last month I met with your honorary chairperson, David Rockefeller. In that meeting he indicated the strong support of the Council for the agreement. Your support for NAFTA, your willingness to make a strong case for its passage is needed at this critical juncture.

Congress needs to know what NAFTA means in terms of jobs, investment and direct benefits to the American people. The message must be clear and simple: export, create high-wage, high-skill jobs.

NAFTA should also be seen as a way to strengthen our ability to compete in the global market place. If the United States does nothing to compete as the EC gains market strength and Japan reaches out to its Asian neighbors, we will surely find ourselves at a competitive disadvantage. NAFTA, then, represents a clear opportunity for the United States to strengthen its overall competitive position in the global economy.

Let us also keep very much in mind the importance of passage of the NAFTA to the rest of Latin America and our longer-term effort to expand U.S. exports and trade in the Americas. President Clinton has already indicated his support for additional free trade agreements for successful market-oriented economies in the region. Our efforts to secure these new agreements will come into play once NAFTA and the Uruguay Round are successfully concluded this year, and in the context of the administration's global trade policy.

Specifically, how we address the task of opening markets in the Americas is still to be decided. I am fully aware of Latin America's interest in and support for continued U.S. engagement in the region on trade and investment issues. I'm also cognizant of the U.S. private sector's view on the Americas. We intend to remain engaged and support efforts to open markets and expand trade.

Our overall policy towards Latin America and the Caribbean is clear: we will proceed by expanding the NAFTA either through accession or bilateral agreements to countries of Central and South America. We will seek a separate fast track mechanism for trade agreements in addition to our request pertaining to the Uruguay Round. Furthermore, the administration is committed to a free trade agreement with Chile and is interested in additional agreements with other economies in the region.

Every effort should be made to create "stepping stones" that will eventually lead to free trade agreements with other Latin American countries. We are open to additional "mini"-agreements, for lack of a better term, that are consistent with GATT rules. We are prepared, for example, to pursue bilateral investment treaties and bilateral intellectual property agreements. The efforts by countries of the region to lower barriers among themselves is extremely important. We strongly encourage continuing efforts at GATT-consistent regional integration. All of these efforts should be seen as "stepping stones" toward the larger goal of hemispheric free trade.

President Clinton has clearly indicated the intention of the United States to work diligently toward bringing the Uruguay Round to a successful conclusion by December 15 as his highest trade priority in addition to gaining Congressional passage of the NAFTA with appropriate side agreements. A successful conclusion to the Round is the most important overall step we can take to move towards open markets in the Americas. We want a good Uruguay Round agreement, not just a quick one. We need the contribution of everyone in the Americas to bring the Round to a successful conclusion. In preparation for the upcoming summit, we have launched a major new push for market access in the context of the Uruguay Round.

Working together, we can unleash the tremendous potential for jobs, trade and investment throughout the Americas. This will fuel the growth of jobs and a growth of businesses and investment in the United States and allow us to pursue our market-opening ambitions not only in South America and in the Americas, but also to provide the hub between the two fastest-growing regions in the world, Asia and the Americas.

With that ambitious program, I will try to find a few other things to pursue over the next few weeks. I thank you for allowing me to be here today. I thank you for your great support, and I look forward to trying to answer your questions. Thank you very much.

"THE CLINTON ADMINISTRATION AND TRADE"

SPEECH BY AMBASSADOR MICHAEL KANTOR
U.S. TRADE REPRESENTATIVE

NATIONAL PRESS CLUB

MAY 5, 1993

A little over two months ago, at American University, President Clinton set forth his vision of America's role in the global economy. It is a vision rooted in the belief that we are at the third great moment of decision in the 20th century.

"Will we repeat the mistakes of the 1920's and 1930's by turning inward?" He asked. "Or will we repeat the successes of the 1940's and 1950's by reaching outward?" His answer was clear: We will reach outward and adapt to the new global economy. We will compete, not retreat.

Trade is central to the President's vision of America's future in the world. Trade is not an abstract concept. Trade means money in people's pockets. Trade means jobs. Trade means that working men and women in Raleigh, North Carolina, make and sell electrical products for computers in seventy countries. Trade means that a minority-owned company in California exports electromechanical products to five countries. All over this country, trade means that working people can put dinner on the table and support their families.

The benefits of trade are not limited to the United States. As the President went on to declare in his speech at American University, the fabric of commerce will also shape global prosperity. "For now and for the foreseeable future," he added, "The world looks to us to be the engine of global growth and to be its leaders."

We can't live up to the twin tasks of American prosperity and global leadership unless we are competitive. The Clinton Administration is <u>committed</u> to making America competitive. We can only be competitive if trade policy is an integral part of economic policy.

Gone are the days when this nation could subordinate trade concerns to "National Security" in the traditional sense of the term. The strategy of containment was appropriate during the cold war, but it was a <u>static</u> strategy, aimed at halting Soviet expansionism. In those years we worried about the "doomsday clock" -- with hands perilously close to the midnight of nuclear war. for a long time, our strategy was mutually assured destruction.

Today our challenges are dynamic, not static. Economic strength, founded on human resources and nourished by trade is a pillar of national security in this new post-cold war age. Our security interests -- and those of others -- are inextricably linked to the growth and fairness of the global trading system.

Economic policy begins with the President's domestic economic program. The challenges are enormous. Unemployment is still at seven percent. More than one in ten Americans is on food stamps. More than sixteen million people are looking for full time work and having no luck at all.

We must provide American workers with the training they need for good jobs in the industries of the future.

We must reduce our structural deficit.

We must provide American enterprise with the capital it needs to expand and compete.

And we must provide the American economy with the stimulus of a thriving global marketplace.

The goals of the Clinton Administration's trade policy are clear. We want to open more foreign markets. We want to do more business with those whose markets are already open. We want to eliminate trade barriers that are raised against us and others.

We need to build faith in the international trading system. too many people in the American public think that trade hurts them, that trade may take away their jobs. The truth is the opposite.

The numbers speak for themselves. Every billion dollars of exports creates twenty thousand new jobs in the United States. There are now more than seven million Americans whose weekly paychecks are related to and dependent on merchandise exports alone. A majority of those people work in the manufacturing sector and they earn almost $3500 per year more than the average American worker.

And when jobs in the service sector are oriented toward trade, they also provide workers with valuable incentives. The average salary for a service worker in the export field is estimated to be 20% percent higher than the average service workers's salary.

So trade means the hands of the clock move forward, toward higher wages and better jobs for working Americans.

Take Ron Thomason, a materials expediter at Caterpillar's large bulldozer assembly plant in East Peoria, Illinois. He says, "I owe my job to exports." At the IBM facility in Rochester, Minnesota, 200 out of 900 people know that their jobs depend on exports. So do the 18 employees of a process control company in Tucson.

At the same time, we have the largest open market in the world. We take the largest share of exports from developing countries. In four major industries -- textiles and apparel, steel, autos, and footwear -- the United States imports from one to ten times as much per capita as Japan. With this record, Americans want to be sure that no one is taking advantage of them, and that others establish and maintain comparably open markets.

To achieve our trade goals we will use all the negotiating tools at our disposal. We will negotiate multilaterally... regionally... bilaterally... industry by industry. We insist only that foreign governments respect our rights under current and future international agreements. And we will respect theirs. We seek mutuality of obligation -- and comparability of action: terms that mean real partnership and mutual responsibility.

Americans are sometimes accused of "unilateralism" when we insist on enforcement of agreements. But holding countries to their agreements is the opposite. Enforcement strengthens Americans' support for an open trading system -- and it strengthens the credibility of that trading system as well.

We cannot ask businesses and their workers to take the risks of doing business in the global marketplace unless we can guarantee that agreements will be enforced. That is the essence of real partnership and mutual responsibility.

These principles are reflected in each of our major trade initiatives.

The **Uruguay Round** is of primary importance because the General Agreement on Tariffs and Trade -- The GATT -- remains the foundation of the global trading system. These negotiations are now in their seventh year. To restore momentum, we need to make progress in market access by agreeing to remove the barriers to trade in manufactured goods, services, and agriculture -- and we intend to finish the Uruguay Round by December 15.

Some are waiting for the U.S. and the E.C. to show leadership in this area before making their own contributions. For our part, we and the European Community have accepted responsibility and have agreed to aim for an outline on market access. We wlll only be successful, however, if others -- like Japan and the developing countries -- are full participants.

Recent events indicate that we can work together with the European Community and move forward to complete the round.

Last January the EC unilaterally imposed community-wide requirements on government procurement that discriminated against non-european providers. There seemed no alternative but to impose sanctions under our law. Last month, after two days of intense talks, the united states and the EC reached agreement to open up a major segment of that procurement market to both sides. The EC will remove the discrimination against U.S. suppliers of heavy electrical equipment. The United States will remove buy America preferences on certain federal power administrations, including the Tennessee Valley authority. We will continue to negotiate on remaining barriers even as we are imposing sanctions for failure to open the telecommunications market.

The North American Free Trade agreement, is a second key link in the trade-and-economy chain. In response to the lowering of trade barriers in canada and Mexico, and in anticipation of NAFTA, trade and jobs are on the rise. Exports to Canada already support an estimated million and a half U.S. jobs. Export jobs related to Mexico have grown from 300,000 to 700,000 over the last five years, with another 200,000 predicted by 1995 if NAFTA with the supplemental agreements is implemented. These jobs pay about 12% more than the national average. And for 38 of the 50 states, Mexico is one of the top ten customers. Five of the ten states selling the most to mexico are northern industrial states. Without NAFTA, the United States will be unable to lock in and extend these gains.

The current negotiations are addressing several key areas: border clean-up -- commissions on labor and environment, with provisions for enforcement -- import surges -- stronger enforcement of national laws -- and promoting higher wages and productivity. In addition, the agreement we send to congress will ensure that there is adequate adjustment assistance for workers.

Looking beyond the NAFTA, we see good prospects for additional trade agreements with successful market-oriented economies throughout the americas, beginning with chile. The combination of political and economic reform in this region is breathtaking. U.S. exports to the region are expanding at a rate that is three times the rate of export growth to the world as a whole.

A high-priority area for this administration is the **Pacific rim.** We want to serve as a catalyst connecting the Pacific rim and the Americas, the two most dynamic regions in the world today.

In 1960 the nations of the pacific accounted for 8.9 percent of the world's gross national product. By the year 2000 the figure will be nearly 26 percent. Forty percent of current U.S. international trade is with the Pacific Basin. Last year trade across the pacific exceeded trans-atlantic trade by fifty percent.

This year the United States is chairing the Asia-Pacific Economic Cooperation forum, known as APEC. Our hope is that APEC will provide the framework for expanded trade and an increased investment flow throughout the region. We intend to work with our asian partners to further these goals.

When the United States looks to the Pacific, we think first of **Japan**. There is no single country more important to our long-term interests.

For well over a century now, history has bound our two nations closely together. We have been adversaries and allies. Today, our alliance is fundamental. Our common interests and our common challenges are extensive. That's why the issues that divide us must be openly acknowledged, squarely faced, and ultimately resolved.

We are now seeking to remove restrictions on access to Japan's construction and supercomputer markets. These are but two examples of deep-rooted political, social and commercial practices and attitudes that gravely distort the workings of a free and open international trading system.

When Prime Minister Miyazawa visited Washington last month, President Clinton made it clear that the time has come for Japan to take more substantial steps to open its market and play a leadership role commensurate with its economic strength. But we need to make <u>concrete</u>, <u>measurable</u> progress on a number of sectoral and structural issues.

Japan and the United States have agreed to identify specific areas for bilateral negotiation when the Tokyo Economic Summit convenes in July of this year.

The purposes of our trade policies and actions are the same: to open markets and create trade opportunities, and in so doing to boost the global economy, strengthen the international trading system, and above all, ensure that American workers and american companies are and will remain competitive. Trade is not a zero-sum game; it is an engine of growth.

This administration will link all the resources at our disposal to achieve these goals. Whatever programs we have -- export promotion, export finance, trade-related assistance -- are tools of a comprehensive trade promotion strategy.

The trading system and its supporting institutions must adapt to the realities of the new global economy.

We will need new assumptions, a whole new set of attitudes on the part of the United States and its trading partners.

The fundamental fact is that the globalization of production and markets has changed the nature of international competition. Self-sufficiency is not realistic. "Imported" goods are no longer entirely produced in the exporting country; domestic production is often involved. Trade and investment are closely intertwined.

Similarly, domestic policies and regulations have become as important to the future of trade as trade measures adopted at the border. Domestic policies have become major competitive factors in world trade. Governments are competing to create high-wage, high-skill jobs through a variety of domestic measures.

These new realities dictate the need to address the environment, technology, and competition policies. Each of them is interrelated with trade, and each challenges our trade institutions to be more creative, open and flexible. Addressing them and other trade issues will require change.

The United States has always been willing to change. We embrace change, thrive on change, and depend on change. As the President has said, we must make change our friend.

After World War I we raised trade barriers, with disastrous results. After World War II we lowered tariffs and built global institutions to expand trade and investment even as we held communism to a standstill.

The end of the cold war is the third decisive moment in this century. We have a chance to build a new future, and to make it the brightest and most enduring of all. Instead of a doomsday clock, with hands pointing toward a nuclear midnight, we want a "growth clock," with hands pointing toward noon. Instead of mutually assured destruction we will strive for mutually assured growth.

Together, we need to summon up a small portion of the wisdom, vision, courage and sense of joint mission that our parents showed when confronted with the daunting task of defeating fascism, containing communism, and the rebuilding the postwar world. I believe we are up to the challenge.

Thank you very much.

TESTIMONY OF AMBASSADOR MICKEY KANTOR
UNITED STATES TRADE REPRESENTATIVE
BEFORE THE COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION
UNITED STATES SENATE

May 6, 1993

Mr. Chairman, I welcome the opportunity to appear before the Commerce Committee 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 and reducing the budget deficit.

The right trade policies and the right kind of trade agreements will complement and support our domestic strategy. With this objective the Administration is seeking to address our trade problems with Japan candidly and firmly -- the best basis for continued lasting friendship. Across the Atlantic, the understandings we reached with the European Community last month will open once-closed markets for U.S. products and lay the basis for concluding a better procurement agreement in the Uruguay Round.

With the same objective of promoting U.S. growth and jobs, the President supports expanded trade with Mexico and Canada. As a candidate, then-Governor Clinton endorsed the NAFTA, provided it was accompanied by effective supplemental agreements and domestic measures. He announced his support in the midst of an election campaign when it would have been, in many ways, politically easier to attack or ignore the agreement.

Let me summarize why the NAFTA, accompanied by the supplemental agreements and domestic measures, will strengthen the U.S. economy and promote more and better jobs for Americans.

One myth we should dispel is that the United States cannot compete with a low-wage country like Mexico. That is nonsense, and a disservice to U.S. workers and U.S. companies. We can and do successfully compete because our workers earn high pay with high productivity. Wages on the average are only about 20 percent of manufacturing costs, and we have a substantial competitive advantage in the other 80% -- infrastructure, transportation, and capital. As a result, Mexico is our third largest trading partner, behind only Canada and Japan; and Mexico is our fastest growing export market. Our merchandise exports to Mexico have grown from about $12.4 billion in 1986 to $40.6 billion in 1992. This export growth has reversed what was a $6 billion trade deficit in 1986 and turned it into a trade surplus of more than $5 billion last year.

Of course we should face up to our trade problems where we have problems, but I do think the critics of this trade agreement should honestly recognize that our trade relationship with Mexico is a success story by virtually every measure.

Increased exports to Mexico have come from every region of the United States. For 38 of our states, Mexico is one of the top ten overseas markets. And for 20 states, their shipments to Mexico exceeded $250 million each in 1991.

A look at the composition of our trade with Mexico may surprise you. Our surplus in <u>manufactured</u> products was more than 7.5 billion dollars. That surplus is mostly goods for consumption in Mexico. There is a myth that all we do is send components to Mexico for assembly into finished products, which are then returned to the United States. In fact, components accounted for only about a third of our trade with Mexico in 1987. In 1992, less than a quarter of our exports to Mexico (21.9%) were parts for assembly and return to the United States.

Another common myth is that the export increase is temporary because we are selling machinery that Mexicans will use to make consumer products for export to the United States. In fact, while our exports of such "capital goods" rose rapidly (by 133%) between 1987 and 1992, that growth was much slower than the 203% growth of all other U.S. exports to Mexico. Incidentally, I think our thriving capital goods industries, which support thousands and thousands of U.S. jobs, are justly proud and pleased with their export boom to Mexico. Growing and developing economies need increased capital goods -- not just one time, but continually.

Individual success stories are also striking. It is perhaps not surprising that exports of forest products, computers and construction equipment are booming. It may be more surprising that we have sectoral trade surpluses with Mexico in textiles, steel, and dairy.

The textiles story is particularly remarkable. Canada and Mexico are the two largest export markets for U.S. textile and apparel products; they are markets that are growing rapidly. U.S. exports to Mexico of fibers, textiles and apparel have increased by 26 percent on average each year since 1986, reaching $1.6 billion in 1992, resulting in a trade surplus of $81 million in the sector. U.S. exports to Canada have grown an average of

22 percent per year since 1986, reaching $1.9 billion in 1992 and resulting in a trade surplus of $846 million in the sector. The NAFTA builds on the strong, competitive position held by the industry in this sector, and offers new opportunities for our producers.

For a results-oriented trade policy, it is hard to show a better example than Mexico.

The growth in our exports is not an accident. The period of intense U.S. export growth parallels a period in which Mexico has been rapidly liberalizing a formerly protectionist trading regime. Mexican import duties that averaged 30 percent (with some as high as 100%) in 1986 came down to an average of about 10 percent by 1992. Sales of U.S. products benefit particularly from lowered tariffs, because of our proximity and the reputation for quality of U.S. products.

NAFTA will open still greater opportunities for U.S. exporters. For products made in the United States and Canada, it will eliminate all Mexican tariffs, which average two and one-half times higher than U.S. duties. It will knock down other forms of Mexican restrictions, such as import licensing schemes, measures favoring Mexican over U.S. products, and a variety of other measures that currently hamper U.S. providers of goods and services.

Let me give some specific examples of the kind of barriers that exist now in Mexico which will be <u>eliminated</u> over time for U.S. exporters:

- o Mexico's virtual prohibition on imports of cars and discrimination against U.S. automotive parts will be phased out over 10 years;

- o a ban on foreign firms establishing banks or insurance companies will be removed, with transitional market share limitations phased out by the year 2000;

- o the NAFTA will eliminate immediately tariffs on more than 20 percent, or $250 million, of U.S. exports of textile and apparel products to Mexico, providing open access to competitive U.S. producers of such products as denim, underwear, sewing thread and many household furnishings;

- o most of Mexico's steep import tariffs on U.S. telecommunications equipment will be eliminated immediately, with the remainder phased out within five years; and U.S. providers of enhanced telecommunications services will finally gain access to Mexico's market;

- o Mexico will eliminate licensing schemes on corn, wheat and other U.S. agricultural products -- which have meant until now that we sell no more corn and wheat to Mexico than the Mexican Government chooses to allow;

- o Mexico's prohibition against U.S. trucking companies carrying cargo to and from Mexico will be eliminated in six years;

- o Mexico will eliminate an assortment of requirements that investors in Mexico favor purchase of Mexican goods and services over U.S. or other foreign products.

The list could go on and on of Mexican measures that currently restrict U.S. exports and jobs -- but they will be eliminated under the NAFTA. But if we fail to approve the NAFTA, we won't get its benefits. In fact, Mexico would be entitled, based on its commitments in the GATT and other existing international agreements, to <u>increase</u> restrictions against our products.

In 1992, more than 700,000 U.S. workers owed their jobs to our exports to Mexico. With the NAFTA, this number should increase to a figure approaching 900,000 by 1995. We know that U.S. workers in jobs related to exports to Mexico earned 12% more per hour than the average American worker.

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 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.

While outlining the good that can come from the market-opening provisions of the NAFTA, we also need to face up squarely to the fact that some job displacement will occur in some sectors. That is why an effective worker adjustment assistance program is a core part of the President's program.

During the campaign, President Clinton concluded that while NAFTA carried with it the potential for real benefit to the United States, that potential could be fully realized only if we take additional steps in our domestic legislation and in the supplemental agreements to the NAFTA.

Through the supplemental agreements and through legislation we will develop in cooperation with the Congress, we seek to strengthen the NAFTA in five ways:

1. <u>Border Cleanup</u>. We will work with Mexico to address the serious environmental problems at the border. The NAFTA negotiations and associated debate have 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. USTR and the other agencies are studying the various options for funding critical border activities.

2. <u>Stronger enforcement of national laws.</u> 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, work, and do business in Mexico. President Salinas has taken significant steps, but much more remains to be done. We are discussing with the Mexican and Canadian governments in the negotiations on these supplemental agreements ways to strengthen the enforcement of national laws. The NAFTA's intellectual property provisions contain strong domestic enforcement principles which we believe can be adapted to assure strong domestic enforcement in the environment and labor areas.

3. <u>Commissions on environment and labor standards.</u> 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 environmental quality and improved worker standards in North America.

We envision the Commissions as a central means to improve enforcement of national laws, as well as a forum for improving standards and cooperation in the environment and labor areas. We are urging that the Commissions have independent, expert staffs with the necessary authority to review and follow up on submissions from the public and non-governmental organizations regarding enforcement issues. In our view they should 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. Our goal is cooperative improvement in enforcement, and an ample role for sunshine and public advice to achieve that end. But we also believe there must be consequences if a persistent pattern of serious non-enforcement is not remedied by national authorities.

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 the Congress and the private sector, 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 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 among some industries about whether NAFTA's provisions could result in an import surge, and I want to address those concerns. For example, it must be clear that declining employment in an industry is a significant factor in determining when safeguard action under NAFTA can be taken to provide relief from injurious import surges.

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 we must be attentive that we do not inadvertently create unwarranted obstacles to the growth of our own exports.

Mr. Chairman, let me close by reiterating this Administration's pledge not to ask you to vote on NAFTA until we have concluded our supplemental negotiations and, together with the Congress, developed sound implementing legislation. I am confident that we will earn Congress' support, because this country will be substantially better off with than without the NAFTA, as strengthened by the supplemental agreements and our domestic implementing steps.

Testimony of
Ambassador Michael Kantor
United States Trade Representative
Before the
Senate Appropriations Committee
Subcommittee on Commerce, Justice, State,
The Judiciary and Related Agencies
May 11, 1993

I am pleased to appear before you to present the Fiscal Year 1994 appropriation request for the Office of the United States Trade Representative. This is my first opportunity to testify before the Subcommittee, and it is my pleasure to do so today.

As members of this Subcommittee are aware, the Office of the United State 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 FY 1994 budget request is $20,143,000, which represents a very modest increase over the FY 1993 appropriation level. Before I discuss the budget in detail, let me describe the ambitious agenda that USTR faces so that our budget proposal will be considered in the context of the important work that the agency performs.

Full Agenda

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 as 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.

The 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.

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:

o Renewal of "Fast Track" Authority for GATT

On April 27, the Administration transmitted a proposal to Congress to extend authority for the President to enter into trade agreements to conclude the Uruguay Round of multilateral trade negotiations under the auspices of the General Agreement on Tariff and Trade and to apply Congressional "fast track" procedures to a bill implementing such agreements.

Our proposal would require the President to notify the Congress no later than December 15, 1993, of his intent to enter into such agreements, and to enter into such agreements no later than April 15, 1994 -- in effect providing us with an additional ten and one-half months to conclude the Round.

I am pleased that the elements of the Administration's proposal were fully reflected in legislation now being considered and I hope the Congress will pass this legislation without amendment as quickly as possible. While additional trade legislation will undoubtedly be considered later this year, I hope the Congress will move quickly on this matter so that we can bring about a successful Uruguay Round.

I want to emphasize that while the Administration is seeking this authority only for the Uruguay Round, 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 after consulting fully with Congress on this matter.

The introduction of fast track renewal legislation dealing 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.

o Completing the Uruguay Round of GATT

The failure to complete the seven-year Uruguay 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 on 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 Japan.

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

o 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 area: 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.

o GSP Renewal

The Administration is also seeking 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. Submitted on April 27, the Administration bill extends GSP for 15 months, through September 30, 1994. During the extension period, we would take a hard look at the program and consider ways of improving it.

o Japan

No single trade issue has proven more complex or contentious than those arising from out 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.

o 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.

o 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.

On April 30, USTR identified countries with discriminatory procurement practices. Japan was cited for discrimination in procurement of construction, architectural and engineering services. The European Community (EC) was identified again for the outstanding dispute on procurement of telecommunications equipment.

Title VII provides for a 60-day consultation period to rectify the identified procurement problem. For the Japanese construction issue, April 30 marks the beginning of the 60-day consultation period. For the EC, USTR recently reached an agreement on discrimination in the heavy electrical sector, but have not obtained agreement on procurement issues regarding telecommunications and therefore we intend to impose sanctions.

o 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.

o Intellectual Property Issues

On April 30, I announced the results of USTR's 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.

We identified three countries, Brazil, India and Thailand, as "priority foreign countries" for their denial of adequate and effective protection of intellectual property (such as patents, trademarks or copyrights) or fair and equitable market access for relevant U.S. products. We also placed ten other countries, including Hungary and Taiwan, on the "priority watch list" for their poor performance in these areas.

Our goal is to improve intellectual property protections in these countries. We will work with them toward that objective. For Thailand and India, I have asked that an interagency team explore possibilities for future action. For Brazil, USTR will make an announcement by the end of this month regarding the initiation of an investigation of Brazil's IPR practices.

Our review also showed significant progress by ten countries, including Russia, in the past year in enacting new or strengthened copyright, patent or trademark legislation.

I can assure you of the Administration's commitment to protecting U.S. intellectual property and engaging other countries at all levels. Special 301 has been a valuable statute, but ultimately its credibility rests on our willingness to take strong actions against those countries which contribute to piracy and engage in other illegal practices.

o Section 301 Review

On March 31, 1993, we released the eighth annual National Trade Estimates (NTE) reports 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 are continuing 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.

o 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. I am confident that we will continue to make progress with Canada, our largest trading partner.

o 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.

o 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 objective 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.

FY 1994 Budget Request

The President's Budget Request for USTR is relatively small by Federal standards, but I think adequate to carry out the large agenda and the challenges that lie ahead for USTR. The $20,143,000 proposed for FY 1994 is $151,000 more than the FY 1993 appropriation level, an increase of less than 1 percent. The 157 Full Time Equivalent staff are 5 fewer than the FY 1993 level, a reduction of 3 percent.

At these resource levels, USTR will fully comply with President Clinton's program of reducing Federal administrative expenses over the next four years. As you know, the President has proposed cumulative reductions in non-personnel cost categories below the FY 1993 level totalling 3 percent in FY 1994; 6 percent in FY 1995; 9 percent in FY 1996; and 14 percent in FY 1997. USTR's FY 1994 budget meets the 3 percent reduction target for FY 1994 through $237,000 in decreases for travel, transportation, rent and other administrative expense categories.

USTR is also complying with the President's Executive Orders and management directives, calling for a more efficient and well-run Federal Government. For example:

- USTR complies with the directive to reduce driving and transportation services, eliminating 2 automobiles and 2 drivers. While this may seem like a small decrease, it represents 40 percent of the agency's entire Washington and Geneva Office vehicle resources for mail delivery, messenger and driving services.

- USTR also complies with the President's pledge to trim 100,000 positions from the federal workforce. We have cut our staffing by 5 FTEs -- from 162 in FY 1993 to 157 in FY 1994. The President's goal is to reduce staffing by 4 percent by FY 1996. By FY 1994 alone, USTR would achieve all but one of the FY 1996 FTE reduction target. The remaining FTE would be cut in FY 1995.

- We are also reducing conference and meeting expenses. Since January, we have tried to hold conferences in rent-free

Federal facilities, such as the Old Executive Office Building, and reduced the overall number of conferences, saving thousands of dollars.

- Since January, we have also tightened management of staff travel at USTR, prohibiting premium class travel (except for trips longer than 12 hours) and mandating employees' use of airline Frequent Flyer bonus coupons, as they are earned.

Thus, a central theme of USTR's FY 1994 budget request is doing more with less. Over the next year, the agency plans to be busier and more productive than ever, concluding the Uruguay Round and NAFTA negotiations, and breaking down trade barriers and opening new markets throughout the world. We hope to accomplish this ambitious plan with virtually the same staffing level and funding the agency had 3 years ago. The task will be difficult, and we will need the Committee's support to do it.

FY 1993 Supplemental Request

To reach acceptable conclusions in the Uruguay Round and NAFTA, and to address other important work demands, USTR is requesting a $750,000 supplemental in FY 1993. Closing areas of disagreement and resolving satisfactorily outstanding issues will require an intensive effort by USTR in the latter half of FY 1993. The effort required simply cannot be accommodated at the FY 1993 appropriation level.

USTR has worked hard to operate at the reduced appropriation level in FY 1993. Beginning in October 1992, USTR implemented a series of budget retrenchment and management improvements that included: freezing hiring, cutting travel by 15 percent, dismissing temporary employees and contractors, cutting equipment by more than half, and reducing virtually every area of discretionary spending.

I am very concerned that the reduction in the FY 1993 appropriation may be too deep. The cuts in operations we have had to impose in USTR over the last seven months have left no resource flexibility for the agency to undertake renewed Round or NAFTA negotiations. The proposed $750,000 provides the margin we must have to meet the extra cost of travel, printing, telephones, conferences and related expenses to conclude these important trade agreements. I ask for the Committees' support in providing these urgently needed funds.

Summary

In past years, the Subcommittee has strongly supported USTR's mission to open markets and to expand trade throughout the world. Your continued support remains critical to the success of USTR and to America's economic prosperity.

This concludes my formal statement. I would be pleased to answer questions that you may have.

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PRESS CONFERENCE
WITH MICKEY KANTOR, UNITED STATES TRADE REPRESENTATIVE (USTR),
ROBERT E. REICH, SECRETARY OF LABOR, AND
LAURA D'ANDREA TYSON, CHAIR, COUNCIL OF ECONOMIC ADVISERS

SUBJECT: NAFTA

USTR, WASHINGTON, DC

FRIDAY, MAY 28, 1993

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TRANSCRIPT BY: FEDERAL NEWS SERVICE
620 NATIONAL PRESS BUILDING
WASHINGTON, DC 20045

AMB. KANTOR: What we're trying to accomplish today in the time that we have is really to begin a serious, in-depth discussion about the facts and numbers surrounding the debate over NAFTA with the supplemental agreement, in order to try to bring some rational discussion as we proceed toward the consideration of the NAFTA in the last summer or early fall.

There is much too much misinformation floating around. We want to raise the level of, really, understanding on all of our parts as we go forward. If we could operate off the same information, it would probably be very helpful to the dialogue, frankly, regardless of what position anyone happens to be in in this connection, because we see this -- and I think everyone else sees it as a very serious issue with great implications for growing US jobs and growing this economy over the -- both the short term and long term. And so we thought it was important to begin this discussion now.

The NAFTA with the supplemental agreements will create the largest -trade area in the world -- about 360 million people, and over -- almost $7 trillion in gross product, and that's important for a couple of reasons. We're going to need to compete in the future. In order to

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PC\KANTOR, REICH, TYSON PAGE 2
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...pete in the future, the second reason is regional trade alliances are a fact of life, and they will continue to grow, whether it's in the European Community as they continue to dock other countries with their free trade agreement with EFTA right now; or in Asia, where the Japanese, with their investments and their continuing dialogue with East Asian as well as other Asian countries, continues to grow that regional alliance, although we, in some ways are part of that. As you know, 40 percent of our trade is with the Far East.

Second, obviously, jobs is a key part of what we're talking about here -- jobs for American workers, and I'm sure that Secretary Reich will want to talk about that in just a couple of minutes.

Third, that the NAFTA with the supplemental agreement really does something that changes the situation we have faced with Mexico for the better. The opponents of this agreement are really looking at the future through a rear-view mirror. What we're doing here is changing this for the better in the US interest: one, by lowering tariff, getting rid of pernicious investment rules which are required in many cases for US businesses to locate in Mexico to do business, or providing intellectual property protection, what we're doing is opening up an 88-million person market for the United States. And there is great evidence -- and let me give you two examples that this works. From '86 until 1992, we went from ...5 -- or 275,000 jobs directly related to exports to Mexico, to 700,000 ...s directly related to exports to Mexico. These are Department of ...merce figures. Now why did that happen? What happened in 1986? Well, let me just show you here. It's interesting -- if you look at the -- this -- the dotted line, I'm sorry, we don't have colored charts, we can't afford them in this administration -- (laughter) -- the dotted line here is Mexico -- Mexican exports in the United States. The solid line ~~is~~ US exports into Mexico. (Inaudible) -- as you can see, the -- our trade deficit with Mexico was about the same all the way until 1986 (from the beginning of '83 ?).

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We didn't go any further back than that. It wasn't appropriate or necessary. In '86, as Mexico began to lower their tariff barriers, as President Salinas came into office and lowered their non-tariff barriers, that trade deficit began to narrow. Our exports went up exponentially from $12 [billion] to $40 billion. Their exports into our country grew as well. But, a $5.4 billion deficit right here in '86, right before the trade liberalization occurred, turned into a $5.7 billion trade surplus -- an $11.1 billion turnaround. And so if you -- if the past is prologue, if you understand what we're doing with the NAFTA and the supplementals is making that even more pronounced, lowering tariff barriers, as you know, eventually to zero between the two countries and non-tariff barriers will go away over a period of time, some immediately and some later, you will see what is going to happen under the NAFTA, we will continue to be, of course -- American jobs and American business -- the big winners.

Third, this enhances small and medium businesses in this country. What has happened in the past -- it's interesting -- the big losers when you come -- when there are trade barriers are small- and medium-sized companies, because, one, they can't fight the tariff walls that are set up. Mexico even today has 2-1/2 times on the average size of tariff as the United States -- 10 percent average to 4 percent average. Over 50 percent of Mexico's products come into this country for free. Tearing down that walls helps small- and medium-sized businesses who don't have the margins to contend with that, that larger businesses may have. And I think that both Chair Tyson and Secretary Reich would confirm that.

And the second is that, when you throw up these investment barriers you have to move to Mexico, small- and medium-sized businesses, in order to work -- to do business in Mexico, can't move there. Larger businesses could -- Eastman-Kodak and those automobile companies -- in order to get into that market. And so, therefore, they had been -- not virtually cut out, but not doing as well. We now have a situation where small- and medium-sized businesses are doing very well as a result of the trade liberalization which I showed you started in 1986 under President Salinas.

Next, we're taking advantage of, in the NAFTA, what has happened in Mexico, which is growth and stability. Frankly, what -- the Mexican economy is much better off than they were just six years ago when -- I hope, Laura, you will speak to that, what is -- I was in New York last night and listened to President Salinas speak, and it's very interesting what's happened there. They had 100-percent inflation rate when he came into office. It's now down to 12 percent. It'll be single digits this year. They have a budget surplus -- two straight years now a budget surplus. In fact, their wage rate as a percentage of our wage rate and Canada's wage rates have doubled over the last six years.

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So, as our trade -- we have grown a trade surplus with Mexico. As we've gone from $12 [billion] to $40 billion in trade with Mexico, their economy has been strengthened. Now, there's evidence this happens every time. There are only three examples that anybody can find of a high-wage rate country, a developed country getting a free-trade arrangement with a less-developed country. One is in Europe -- Spain, Portugal, and Greece. And what has happened -- both sides have grown, a win-win situation. The second is the Mercosur countries -- Paraguay, Uruguay, Brazil, and Argentina. The same thing's happened. The high-wage countries and the low-wage countries did well working together. And the third is, of course, Japan working with the East Asian nations in terms of their investments.

So all the evidence points to the fact, when you enter into these kinds of arrangements, a free-trade agreement between high-wage, high-skill, developed countries and a lesser-developed country, both sides win, not that there's a

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win/lose situation. We've been saying that again and again. The evidence is clear that's the situation. Let me just show you here and go through these charts real quickly, and then Bob or (one of you two ?) will wax eloquent.

This is just a chart showing what the situation is right now between the US and Mexico in terms of tariff barriers. Mexico is at 10 percent average, US at 4 percent average. Mexico eliminates much of those trade barriers as a result. We don't have to frankly -- and I said 50 percent of Mexican products come in for free anyway, the other 50 percent under very low tariff structures. So, it's frankly we're the big winners in this. You know, there are some who are saying we are lessening protection of US workers. It's just the opposite. It's just the opposite. Again, looking at the future through a rear view mirror. They're talking about the past, not what's happened in the last six years and what's going to happen in the future.

The second -- I showed you this chart and that's, I think, fairly clear and very dramatic what has happened since trade liberalization began under President Salinas.

The third chart here shows job growth, what has happened before NAFTA, up until 1992, we've grown 700,000 jobs directly related to exports to Mexico in the United States from 275,000 jobs. It's estimated it's going to go up, if you extrapolate conservatively, to 900,000 jobs by 1995, by the end of 1995.

Now, the thing that concerns us most, if NAFTA with the supplemental agreements goes down, that 900,000 projection turns into 500,000 real jobs. The real job loss is 200,000, with a projectional job loss of 400,000. I would suggest that we can ill afford to lose that many jobs in this economy, given the slow state of our recovery.

The last thing is exports to Mexico support high-wage manufacturing and service jobs. And interestingly, export jobs to Mexico pay on the average of 12 percent more than other jobs in our economy, 20 percent more in the service sector, about 2 percent more in the manufacturing sector. So, we're looking at more jobs, growth of US business, higher wages, higher-skilled jobs as the result of the NAFTA and these supplemental agreements, just the opposite from the kind of rhetoric we've been hearing lately, which is frankly unsubstantiated by any study that has -- so-called study that has been published.

So, with that, Bob, Laura, would you like to weigh in?

SEC. REICH: I just have a few things to say. And that is that --

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6

PC\KANTOR, REICH, TYSON PAGE 6
05/28/93
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AMB. KANTOR: Did I follow your script? (Laughter.)

SEC. REICH: You did, you did.

Trade is not a zero-sum game

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Trade is not a zero-sum game in which one side gains to the extent t the other side loses. Trade is a positive sum game. There is not a ite number of jobs to be parcelled out among countries. In fact, as we k at trade among countries, we look at the history of trade, we see that both countries -- all countries gain. The United States was a leader after the Second World War in opening trade in the world, and the net result of that was an extraordinary gain for us.

Mexico -- Mexico's prosperity is advantageous for us, as Mickey said. It's going to lead to more exports from the United States. It's right now easier to get a product from Mexico into the United States than a product from the United States into Mexico. And this agreement, given the buoyancy of the Mexican market, will create export jobs in the United States. NAFTA is good for American workers. And I, after having examined the studies, after having looked very, very carefully at the data, I am convinced of that. And again, I look forward to having your questions.

Laura, do you want to say something?

MS. TYSON: Well, I really was -- came prepared to answer questions, so let me just say as an introductory comment to the questions that I think it's important to emphasize that in fact NAFTA has been fairly wide in its search, and it's been fairly wide in its search by a large number of outstanding economists and outstanding economic think tanks in Mexico, in the United States and in Canada. There have been a variety of different models that have been used in approaching the question of NAFTA's benefits all of the nations. And overwhelmingly and with a surprising degree of nimity, these studies have all come to the same conclusion, which is that NAFTA, if you look at it from the US point of view, is a positive -- is positive in terms of job creation, it's positive in terms of a boost to (real-wage ?) opportunities in the United States.

So I think that that's an important base of information on which to ask questions, or to exact answers to questions, because there isn't usually such great unanimity, and the approaches to answer -- to asking a question and developing solutions are really quite different. So I might just say that.

AMB. KANTOR: John.

Q Well --

AMB. KANTOR: (You can pick ?) any one of the three, just why don't you call on anyone --

Q Well, whether -- anyone that wants to answer this can answer it. The studies that you were to discuss also find job gains from the NAFTA in

PC\KANTOR, REICH, TYSON PAGE 8
05/28/93
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absence of environmental (greater ?) side agreements like the -- the President has proposed. Does this mean that perhaps those agreements aren't necessary?

MS. TYSON: No, I wouldn't say that. I would say the following.

The studies which show a net gain in jobs, which all of them do, do correctly, (just like with ?) that, that a net gain of jobs doesn't mean that there isn't some dislocation of some industries or some communities or some workers. So it's very important, it seems to me, to have both a labor adjustment assistance program, which Secretary Reich might tell you a little bit more about, and a complement, and also to make sure that these agreements support -- bring

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to the table the interests of labor -- more fully represent the interests of labor and the interests of the environment than were represented in the original negotiation. But we are looking for a way -- and I would refer you to the Ambassador -- to structure these agreements so that we in no way undermine the benefits anticipated, but in fact add greater benefits.

Q So these side agreements, then, would prevent against dislocation but not affect the overall --

AMB. KANTOR: Well, they even help -- I believe they help the overall balance and they grow jobs even more because they harmonize up standards and, therefore, improve the infrastructure both in environment and dealing with worker standards. Therefore, it will help job growth throughout North America and especially in this country. So I would say --

Q What impact is Ross Perot having the administration's NAFTA policies?

AMB. KANTOR: Well, he has not had impact on our policies. Our policies have been the same since October 4, 1992 and have not changed one iota --

Q Then why are you trying to sell it, then?

AMB. KANTOR: Well, I'm not a very good salesman. What we're trying to do is brief. The fact is that because there has been misinformation articulated, and unfortunately, I think that some folks have been misled by others in terms of -- and now are articulating information that just isn't correct and, in fact, is the opposite of what the facts are, it seemed to us that now is the time to begin a serious discussion of what the facts are and allow all of you and the American public to judge this not on misinformation and misleading so-called studies, but on what the reality is.

Q Well, are you saying -- (inaudible) -- information?

AMB. KANTOR: I'm saying that I think that -- unfortunately, I think their office has been victimized by some who are not exactly neutral on this subject, who have not looked at this in a serious way and are not dealing with the information in what I would call valid terms.

Q Can I follow up on that? Why, though, has it taken you so long to get engaged in the political debate such that you've allowed Ross Perot, and others on the Hill, to shape the debate and, in some ways, poison the public's (first ?) impressions?

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AMB. KANTOR: We just got here. We just got here.

Q Mr. Ambassador -- actually, this would be a question for Secretary Reich. The --

AMB. KANTOR: And, in fact, let me just go further. The President started this discussion on October 4, 1992. He talked about it again on December 17th, he talked about it again on February 26th, he talked about it again when he went to the International Monetary Fund, he talked about it again at two press conferences. I have talked myself blue or red in the face at times. We have really spoke to this many times. Now, obviously, as we get closer and closer to reaching agreement on the supplementals -- I'm sorry to interrupt, I just wanted -- we are getting -- we have to become more and more precise in terms of the kind of information we're dealing with.

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Q Secretary Reich, the International Trade Commission study, the various studies that have been done of NAFTA, generally conclude that the number of jobs created would be somewhere between 35 and 94 thousand by 1996. Now, as you know, even under this current sluggish economy, that's less jobs than are created every month. So, given that, what is the big deal about NAFTA?

SEC. REICH: It's not only the number of jobs, it's also the quality of jobs. Export jobs, as Mickey pointed out -- I should say Ambassador Kantor in these formal surroundings. Excuse me.

AMB. KANTOR: Thank you very much, Secretary Reich. (Laughter.) My family appreciates that.

SEC. REICH: -- Ambassador Kantor pointed out pay on average higher than non-export jobs. And we have to also think beyond 1996. A prosperous Mexico is good for us in many ways, both economic and political.

MS. TYSON: Can I --

AMB. KANTOR: And let me just -- go ahead, Laura.

MS. TYSON: Can I say one thing to that? I think you have to ask yourself the question of what would happen if it didn't go forward. That's really the correct way to think about that. It may be that between now and 1996, by some estimates you get that number of jobs --

AMB. KANTOR: (Inaudible) -- this is just directly related to NAFTA.

MS. TYSON: But there are positives. There are positives. What the ITC concludes is that all these studies conclude that there's a positive. The positive, at least in the near term, may not be a huge number, but it is a positive number. If you don't do it, then you have to ask yourself what you will lose that we have already gained from Mexico's liberalization between 1986 and 1992, which by these estimates are something on the order of 275,000 export jobs up to 700,000 export jobs. And Mexico's effort at liberalization could easily be derailed and we could lose a number of these jobs, a large number of those jobs. So, there's a great cost to not going forward.

AMB. KANTOR: Let me take that one step further because that's absolutely correct. What these studies don't do, what the ITC didn't do, there's going to be a natural growth given the liberalization of tariff and non-tariff barriers in Mexico anyway. That growth will continue. That's not counted. All they tried to figure, what is the marginal increase of the NAFTA, but Laura is right. What happens without the NAFTA and the

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plementals is dramatic. You not only lose the NAFTA impact, you lose all the impact of trade liberalization in Mexico. That's really the key. And so, you're talking about a huge number of jobs.

Q Secretary Reich, can I ask you a question? Your Labor Department reports that the total cost of labor differential is $16 to $2 or something on that order, a factor of eight. Ross Perot, who does have some background in this area, says that when you add on the health care costs, the total program, this provides an added incentive for people just to move factories south to Mexico. If the administration is taking a holistic approach to all this, what's wrong with that argument? What's wrong with what Mr. Perot is saying?

SEC. REICH: Long term, America cannot compete on the basis of low wages. American companies that want to go abroad to use low-wage labor are already in Mexico or, if not,

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they can easily go to southeast Asia or any place around the world. The only we build up the American economy, to provide ourselves and our children with a good standard of living is through a very different strategy premised on education, training, infrastructure, and resources in the private sector, to continue to invest in America.

And therefore -- well, as a second point, the maquiladora factories already are there in Mexico. There's very, very little tariff on goods going from Mexico to the United States. Undoubtedly there will be some dislocation of low-wage workers, and we are working right now on two fronts. One is a labor side agreement which will help ensure that Mexico lived up to its labor laws. The second is a comprehensive program for workers in America dislocated by whatever cause -- military downsizing, technological change, international trade, or whatever.

We're seeing massive structural change in the United States right now. The amount of dislocation attributable, or even potentially attributable to trade with Mexico is very tiny relative to the dislocations attributable to these other factors.

AMB. KANTOR: Let me make three points because it's such a critical question that you asked. One, the evidence is just the opposite, and I gave you the three areas of the world where it's already -- you have high-wage, low-wage countries coming together and in fact just the opposite occurred. Both sides grew and both sides were helped.

The differential in wages between Greece, Spain, and Portugal and the other EC countries was about 5-to-1 -- not 10-to-1 -- you know, whether it's 5-to-1 or 10-to-1, it's still a huge differential, and of course, that didn't occur. That's number one. (Inaudible.)

Second, production and capital -- I think my two experts here -- (inaudible) -- would agree -- are mobile. If it was going to happen, it would happen now, and especially it would have happened in the past because there was every incentive before which will not exist in the future. That's why, if we're looking at this rear-view mirror -- one, you had pernicious investment rules that forced American companies, if they wanted to do business there, to go into Mexico; two, much higher tariff barrier -- way up, you know; and number three, the maquiladora program attracted US business into Mexico.

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That goes out of existence when NAFTA comes into existence. So, in those three ways, it becomes better not worse. And that's what Mr. Perot and others don't want to look at, for whatever reason. And we're not here to talk motivation, we're here to talk facts. And the facts are clear, it is much better with NAFTA and the supplemental agreements to protect US jobs and grow our economy than it is without them.

Q Mr. Ambassador, can you be more specific about how you -- (brief audio break) -- with Elected Officials for NAFTA.

AMB. KANTOR: Well, first of all, Elected Officials for NAFTA are a separate organization and they're on their own and they're independent of this office, that's number one. And they'll do whatever they're going to do. There are a number of other independent organizations, as you know, who are supporting the NAFTA and they'll be involved with their own program; we're not involved with them. That's number one.

Number two, obviously this administration is unified in terms of -- (inaudible) -- the United States in supporting NAFTA with the proper supplemental agreements. The advocacy of this President, this administration, working with both sides of the aisle -- this is a non-partisan issue on the Hill -- hopefully with a number of organizations outside who will be operating independently supporting it, will sell this -- not only sell this to the American people, will put the information out which would make it absolutely clear this is not only in the best interests of the United States, it is in our vital interests if we're going to compete in a new world and a global economy.

Q Mr. Ambassador, Mr. Perot has taken a somewhat more high profile approach than you have here today, with TV time --

AMB. KANTOR: He's a much more high profile person.

Q Do you or members of the administration have plans over the weekend to do other appearances, speeches? When do you next expect the President to -- (inaudible) -- a high profile -- (off mike)?

AMB. KANTOR: Well, there's nothing planned this weekend. I intend to take my daughter fishing. I don't know what everybody else plans to do.

You know, there are those who are going to oppose this, the NAFTA and the supplemental agreements, for reasons which are somewhat mysterious to some of us, may be clear to them. We are prepared and ready to engage in that debate. Obviously, it is a much more rational debate after the supplemental agreements have been reached and the NAFTA is ready to go the Congress because then we know exactly what it looks like.

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I would suggest that in Mr. Perot's testimony, in his first appearance here when he spoke to the NAFTA, he praised the President for seeking these supplemental agreements and indicated, in fact, it was the right direction in which to go. He seems to have abandoned that position over the last few weeks.

Q Mr. Secretary -- Mr. Ambassador, has anybody --

AMB. KANTOR: You almost promoted me! I -- (inaudible) --

Q That was close! (Inaudible.)

Has anybody here tried to talk to Ross Perot about this and explain to him what you're trying to explain to us, or make your side? I work for CNN and we've got a poll we're going to release at 4:30 (this afternoon ?) that says 25 percent believe Bill Clinton and you all when you say this is going to create jobs, and 64 percent agree with Perot when he says it's going to cost jobs. So if you all are right and he is wrong, why don't you talk to him?

AMB. KANTOR: Well, how do you know we haven't?

Q I'm asking you if you have.

AMB. KANTOR: Yeah, I've had some conversations with Ross. He's a friend of mine. I've talked to him about it.

Q Well, if you're right, I mean, doesn't the truth win out in this, or not? I mean, why haven't you been able to convince him, I guess --

Q What'd you tell him?

AMB. KANTOR: I told him what I'm telling you.

Q What did he say?

AMB. KANTOR: He said I was articulate and bright and able and -- (laughter) -- acting in the public interest and obviously was not in total agreement.

Q (Inaudible) -- seriously?

AMB. KANTOR: We just had a conversation. We haven't in a while.

Q Mr. Kantor, there seems to be strong opposition from Canada and Mexico to the issue of trade sanctions. Do you see room for compromise on that issue?

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PC\KANTOR, REICH,TYSON PAGE 17
05/28/93
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AMB. KANTOR: We're not here to talk about the negotiations. There will be meetings week after next, continuing. Last night President Salinas in New York made it clear that he was in favor of the side agreements. Obviously he didn't talk about it in great detail. I thought that was a welcome -- a welcome statement. He also praised President Clinton for his courage in supporting the NAFTA and the supplemental agreements, beginning with the campaign, where it was a very difficult position to make in a political context.

He also indicated something interesting last night. Secretary Reich had talked about Mexico considering time wage -- a minimum wage and productivity last night in New York.

(Cross talk.)

Q Mickey, the crucialness (?) of passing a NAFTA with a stantial worker adjustment agreement, that's almost identical to what rge Bush was talking about, and that -- and you sound just the same. I mean, where is the new, improved part here, which seems to be what everyone is waiting for? Are sanctions, as part of --

AMB. KANTOR: Wait, wait a minute. Let's go through, we'll go through it. One, taking the intellectual property court reforms, which are appropriate, in the NAFTA itself and extending them to workers standards and environment, as you know, that's one thing. Obviously, worker assistance, which Secretary Reich is working so hard on and has worked successfully on, is number two. Number three, of course, is the safeguard against surge language, which we are drafting right now, which will be a discussion point, frankly, in the next meeting that I referred you to earlier. Number four are the commissions. Number five, of course, is the discussion we've had of promoting wages tied to productivity, and number six, of course, is the border clean-up.

So in all those areas it will have a significant effect in a -- and these are -- if you go back and read, which I know you'd all like to do this weekend, the President's speech on October 4, 1992, you will precisely that formula laid out in that speech. We have not deviated one iota from that formula, that characterization of what we wanted to do.

Q Mr. Ambassador, there has been a lot of press coverage in the last few days of the amount of money that has been spent by Mexican interests and other pro-NAFTA interests to push the treaty through. Do you k politically that will have any effect on the chances of passing --

AMB. KANTOR: I don't know. We -- they're a sovereign nation, and you know, we operate on the First Amendment in this country, and we have no

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wledge of or involvement in or -- we read the same story in the spaper you read.

Q Mr. Ambassador, can I just pursue the question of the side agreements one step further? As I understood it, the answer to the question why we need them anyway if we're going to get all these jobs, was that nothing in the side agreements will subvert the effect of the NAFTA. At the same time, your trade partner is convinced that it will. If the last round of negotiations in Ottawa is any evidence, they obviously feel -- certainly the Canadians feel that --

AMB. KANTOR: Let me just -- before you finish, so you -- President Salinas said last night in New York he's in favor of the side agreements.

Q Including trade sanctions? No.

AMB. KANTOR: He said he is in favor of the side agreements. Now --

Q But that's not the question. The question is, on trade sanctions -- as the stick with which to beat your trade partners into compliance on these questions, is at the moment a deal breaker, is it not?

AMB. KANTOR: Is that called a leading question? (Laughter.)

Q Well, I mean, as a practical matter, they -- the Canadians ainly and perhaps the Mexicans, too, will not sign such an agreement at includes a --

AMB. KANTOR: Well, you're assuming facts not in evidence. We're still in the middle of negotiations. We're going to have supplemental agreements, and we're going to have teeth in them.

Q Well, what -- you're not going to get trade sanctions, is the point.

AMB. KANTOR: I'd say we're going to have supplemental agreements that are going to have teeth in them, and they're going to operate in a way that is effective.

Q That's a leading answer. (Laughter.)

AMB. KANTOR: You gave me a leading question, I'm just being -- (inaudible).

Q Mr. Ambassador, Secretary Brown said about a week and a half ago that his reading -- (inaudible due to background noise) -- a third of the House is up for grabs, sitting on the fence on this issue. Would you characterize for us the challenge you face getting this through the House, and are you going to accept Majority Leader Gephardt's proposal for cross-border taxes to (pay for ?) worker dislocation?

AMB. KANTOR: A compound question -- (inaudible) -- it's a compound stion, but I'll try.

18

PC\KANTOR, REICH, TYSON PAGE 19
05/28/93
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May 28, 1993 17:49 ET
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ou asked
this. It's a good question to end on. It makes our case very profoundly.

STAFF: Thank you very much.

Q Ambassador Kantor, could you comment on Canada's vote yesterday in the House of Commons?

AMB. KANTOR: We're delighted.

Q Do you think that helps your case politically here?

AMB. KANTOR: Yes.

Q Can you come out and talk to the cameras for a second out there?

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