# FROM THE COLD WAR

# TO THE WIRED WORLD:

## TRADE POLICY

## IN THE CLINTON ERA

November, 2000

# PART I: THE PRINCIPLES AND THE CHALLENGES OF 1992

Trade policy took a central place in the Clinton Administration's economic strategy and foreign policy, from the earliest days of the President's first term to the central debates of the Administration's last year in office. Across eight years, it made a contribution of fundamental importance to America's remarkable prosperity and growth; strengthened our leadership in the revolution in science and technology; and helped to define America's interests and relationships overseas in the aftermath of the Cold War.

## 1. Administration Principles and Historic Context

The Administration's trade negotiating agenda and achievements touched every sector of the American economy and each part of the world. Still more important, they represented a fundamental rethinking of policy for a world fundamentally changed. As President Clinton took office:

- America's economic leadership was in question, with a sharp recession, growing deficits, and waning public confidence in our long-term competitiveness.
- The revolution in science and technology was changing economic life before our eyes.
- The domestic debate on trade policy was growing more intense, as trade became more important to the economy and our own trade barriers diminished.
- And the world's political landscape was irrevocably transformed, as the end of the Cold War not only lessened political and military tensions, but eroded the assumptions beneath long-standing alliances and great power relationships.

These converging trends, as the President observed in setting his trade agenda in February of 1993, confronted us with a decision about our country's economic prospects and role in the world comparable to only two others in the 20th century.

It was a moment of risk, he said, comparable to that after World War I, when weariness with leadership led us to a course of political isolationism, and economic pessimism – evident in President Herbert Hoover's view that America, with its high standard of living, "cannot compete successfully against foreign producers because of lower foreign wages and a lower cost of production," – led us to a series of tariff hikes, capped by the Smoot-Hawley Act in 1930; and ultimately the worldwide cycle of protection and retaliation that deepened the Depression.

But this was also a moment of opportunity like that which emerged after the Second World War. Between 1945 and 1949, under Roosevelt and Truman, optimism and confidence in American ideals reshaped the world, creating the institutions which have promoted political stability, economic development and the advance of American values ever since: the United Nations and the Universal Declaration of Human Rights; NATO and our Pacific alliances; the IMF and the World Bank; and the commitment to open trade under the rule of law embodied by the trading system known then as the GATT and now the WTO.

The choice before us in 1993 was a choice between two fundamentally different views of America and its role in the world: it was a decision to set a course for a new era of political isolationism, nationalism and mercantilist rivalry on one hand; or for a new era of internationalism, keeping faith with the ideals of Roosevelt and Truman, while updating the policies which flow from them to fit a changed world. And the course President Clinton set is clear throughout the Administration's foreign policy record: the reform of our overseas alliances through the enlargement of NATO and the revised defense guidelines with Japan; the willingness to grapple with political crises as complex and difficult as Northern Ireland, Bosnia and the Middle East; our support for Mexico and Asia in the financial crises of 1995 and 1997-99; and a trade policy, based upon open markets under the rule of law.

# PART II: THE TRADE AGENDA 1993-2000

Resting on the President's grasp of the historic moment, and his commitment to internationalism, the Administration set a trade agenda as ambitious as any in six decades. Proceeding continuously from the earliest days of the President's first term to the final debates of the Administration's last year, joined negotiation of agreements with legislation, enhanced monitoring and enforcement of agreements, and the creation of a series of new international trade and economic institutions. A brief review of the record is as follows.

## I. THE OVERALL RECORD

The Administration used a variety of policy tools and initiatives in pursuing its overall goals. Looking back across eight years of intensive negotiation, litigation and work with Congress, the overall record includes:

**Over 300 Separate Trade Agreements**: The Administration negotiated over 300 separate trade agreements between 1993 and 2000. These ranged from 6 multilateral agreements at the GATT and WTO, to 39 market-opening agreements with Japan, 17 with the European Union, 20 with Canada, 13 with South Korea, 21 with the ASEAN states, 17 with China, 48 in Latin America; 27 in Africa and the Middle East; 22 Bilateral Investment Treaties; 41 agricultural agreements; 10 Trade and Investment Framework Agreements, 28 agreements relating to intellectual property, and much more.

**Expansion of the Trading System:** The Administration reached agreements with 32 separate economies throughout the world to join first the GATT and after 1994 the WTO. These ranged from least developed and small island countries like Grenada, Mali and Fiji; to ten new democracies in Europe and Asia; to major trading economies such as Taiwan and China, the world's most populous nation.

**Major Legislation**: The Administration oversaw passage of 5 major pieces of trade legislation and 38 smaller bills to implement agreements and reform the U.S. trade regime. These included:

- The North American Free Trade Agreement (NAFTA) in 1993;

- The Uruguay Round agreements, negotiated under the GATT, which created the WTO in 1994;

- Permanent Normal Trade Relations status for a series of new democracies once covered by the Cold War-era restrictions on trade with communist countries, including Albania, Bulgaria, Cambodia, Georgia, Kyrgyzstan and Romania between 1995 and 2000;

- Enhancement of the Caribbean Basin Initiative in 2000 to ensure that nations in Central America and the Caribbean maintained competitiveness and were able to prepare for hemispheric free trade as U.S. trade and investment relations with Mexico deepened after passage of the NAFTA;

- The African Growth and Opportunity Act, more fully opening U.S. markets to the good of sub-Saharan Africa, also in 2000;

- The 363-56 House vote in 2000 in favor of our continued WTO participation; and

- PNTR for China, in the aftermath of the U.S.-China bilateral agreement on China's WTO accession.

**New Institutions and Regional Initiatives:** Beginning in 1993 with the President's convening of the first APEC Leaders Meeting, the Administration began a series of regional initiatives throughout the world, complementing our bilateral negotiations and the work of the trading system. These included the annual APEC Leaders meetings, joining 23 economies from around the Pacific Basin; the Summits of the Americas, bringing together the leaders of all 34 hemispheric democracies; a new trade relationship with sub-Saharan Africa; regional integration in the Middle East; and the Transatlantic Economic Partnership with Europe.

**Enhanced Monitoring and Enforcement of Agreements:** As the network of trade agreements grew, the Administration gave a new priority and devoted additional resources to their implementation. It created a special office within USTR, dedicated solely to the monitoring and enforcement of agreements and carrying out more than 100 separate enforcement actions at the WTO, through the North American Free Trade Agreement, and under U.S. domestic trade laws, to assert American rights and enforce our trading partners' commitments. These included 56 separate cases at the WTO between its foundation in 1995 and 2000; by the close of 2000, 30 of these cases had been concluded, with the U.S. successful in 27 through panel victories or favorable settlement.

**Public Participation and the Quality of Life:** The U.S.-Jordan Free Trade Agreement, which includes unique trade-related labor and environmental provisions, symbolized an overall commitment to ensure that trade policy met the test of transparency and openness to the public, and made an appropriate contribution to efforts to contribute to respect for core labor standards and protection of the world environment.

Throughout its tenure, the Clinton Administration encouraged transparency and public participation, and ensured that trade agreements complement and support efforts to strengthen international environmental protection and respect for the rights of workers. This represented a commitment made by President Clinton in the 1992 campaign, whose implementation extended from our work on the labor and environmental side agreements to the NAFTA, enforcement of U.S. laws conditioning special trade preferences on respect for internationally recognized core labor standards, the White House Executive Order on Trade and the Environment requiring environmental reviews for major trade agreements, the push for transparency at the WTO and the creation of a unique Civil Society Committee in the Free Trade Area of the Americas negotiations.

## III. SIGNAL ACHIEVEMENTS

The backbone of this record is a series of signal achievements: twelve historic agreements, five major pieces of trade legislation and the creation of four new international institutions and trade negotiating fora. These achievements have together helped to reshape world trade – building a more open world economy, a stronger and more inclusive trading system, and cementing critically important American political and economic relationships around the world. Highlights include:

1. **U.S.-JAPAN FRAMEWORK AGREEMENT**: At the beginning of the Administration, our trade relationship with Japan was the largest of all our bilateral trade relationships with the exception of Canada, and also perhaps the most deeply strained. The 1980s had witnessed steadily escalating tensions in this relationship, with persistent American frustrations over trade barriers in Japan matched by Japanese complaints about the U.S. federal budget deficits. The Framework Agreement, on which negotiations began in February of 1993 made up a comprehensive means of addressing these concerns.

Under the Framework, the United States committed itself to a significant reduction in the federal budget deficit. Japan agreed to negotiate on a series of issues divided into five "baskets" -- specifically, government procurement, regulatory reform, specific major sectors, economic harmonization (e.g. on investment, intellectual property rights, technology access and similar broad issues) and implementation of existing agreements.

The conclusion of this agreement in Tokyo, on July 10, 1993, set the ground rules for 39 separate market-opening agreements with Japan over eight years. These included agreements in the initial framework sectors – in which U.S. exports rose especially rapidly until the Japanese recession – and built moment for agreements throughout the Administration covering cell phones, semiconductors, intellectual property, apples, insurance, flat glass, government procurement in telecommunications and medical equipment, rice, and many other sectors.

Later in the Administration, this negotiating program was complemented by a broad Enhanced Initiative on Deregulation and Competition Policy, aimed at structural reform and deregulation in an additional set of industries. This proceeded through a series of annual negotiations beginning in 1998 and continuing in 1999 and 2000, leading to substantial progress in deregulating and opening to competition the Japanese telecommunications, housing, energy, financial services, pharmaceuticals and medical devices sectors.

2. **APEC:** The President's convening of Asia-Pacific Economic Cooperation (APEC) leaders in Seattle in 1993 marked the first major Pacific summit event since 1966; and led to history's first regular meetings of Pacific leaders. Each year since, Presidents and Prime Ministers of the APEC members – now 23 economies, representing over 2 billion people, making up 60% of world's economic production and including its three largest economies (the U.S., Japan and China) – met at sites including Bogor in Indonesia, Osaka, Manila, Vancouver, Kuala Lumpur, and Wellington. These meetings, over time, provided a spark for completion of the Uruguay Round; helped bring about major agreements such as the Information Technology Agreement; improved business-government dialogue on trade and investment throughout the Pacific region, and led to a region-wide commitment reached at the third Leaders Meeting in Bogor to free and open trade in the Pacific in the years to come.

3. **NORTH AMERICAN FREE TRADE AGREEMENT:** The North American Free Trade Agreement, passing Congress in October of 1993 and coming into effect in January of 1994, cemented our economic relationship with Canada and Mexico, the United States' two closest neighbors and largest trading partners. Its passage marked the third Free Trade Agreement ever concluded by the United States. Covering two countries which in 1992 made up just over 30% of America's worldwide goods trade; its success as a spur to trade is evident in the fact that by 2000, Mexico and Canada made up nearly 40% of our worldwide goods trade.

This required both intense work with Congress and discussions with our two NAFTA partners. The base text as negotiated during the Bush Administration represented a comprehensive trade agreement covering trade in goods, services and agriculture, intellectual property rights, investment, dispute settlement and other measures. However, as the Administration took office it lacked sufficient support to pass Congress. It came under especially severe criticism for failing to address labor and environmental questions made vivid by the pollution and social problems along the U.S.-Mexico border.

USTR thus worked with the governments of Mexico and Canada, and with Members of Congress, to develop a series of side agreements and letters responding to a wide range of concerns – from measures to alleviate environmental conditions along the border, to side agreements creating the North American Commissions on Labor and on Environmental Protection, and side letters responding to concerns of particular industries – building the support which enabled NAFTA to pass by comfortable margins in both Houses.

Since passage, NAFTA has proven an extraordinary success in a number of ways.

Trade Expansion: U.S. trade with Mexico and Canada has more than doubled, rising from $330 billion in 1993 to approach $750 billion in 2000. This includes $150 billion in U.S. export growth, evident across in sectors across the U.S. economy and in regions throughout the United States.

The trade effects of the opening of Mexico's market became clear immediately after the agreements ratification – with over 22% growth in U.S. exports between 1993 and 1994 – and despite the Mexican peso crisis of 1995, strengthened steadily over the following years. Some representative statistics include the following:

– In 1993 American photographic film and paper companies sold just over $100 million worth of their goods to Mexico. By 1999, with NAFTA in effect and Mexican tariffs on these products on the road to elimination, U.S. exports of film and photographic paper more than tripled; the figure appeared likely to approach $500 million in 2000.

– U.S. exports of integrated circuits and semiconductors to Mexico rose nearly seven-fold as Mexican tariffs and quota policies in this sector phased out, from $0.7 million in 1993 to $4.5 billion in 2000.

Over the same period, U.S. exports to Canada grew at a slightly slower rate but by an even larger volume than our exports to Mexico. While most of U.S.-Canada goods trade was already covered by the 1990 U.S.-Canada Free Trade Agreement, the Administration nonetheless found new opportunities to enhance the trade relationship and work toward a more open Canadian market. This was especially striking in agriculture, where a sweeping trade agreement in 1998 opened up a variety of Canadian sectors live cattle, pork, wheat, potatoes which had remained largely closed despite the US-Canada Free Trade Agreement. Progress in this relationship, however, extended well beyond the agricultural field, as the U.S. concluded agreements with Canada to open markets for American products such as magazines, milk, beer, and others, and to eliminate barriers to services such as northern Minnesota sport fishing guides on border lakes.

Economic Stability: Apart from these direct economic benefits, NAFTA provided a shield against economic instability and insecurity in the two major financial crises of the 1990s. First, Mexico's access to the U.S. market helped Mexico find a source of growth that ended the 1995 peso crisis rapidly and smoothly, in sharp contrast to the long-lasting effects of the oil price collapse of 1982. Three years later, the trade expansion promoted by NAFTA helped to ensure that U.S., Canadian and Mexican businesses and farmers had growing markets and thus avoid the worst effects of the Asian financial crisis of 1997-99.

Labor and Environmental Cooperation: Cooperative activities under the NAFTA environmental side agreement have improved environmental protection in a number of different areas for example, in conservation of North American birds; creation of a North American Pollutant Release Inventory; regional action plans for the phase-out or sound management of toxic substances, including DDT, chlordane, PCBs and mercury; and creation of a trilateral working group that improved enforcement of environmental protection laws. Together with this, the US-Mexico agreement which established the Border Environment Cooperative Commission (BECC), and the North American Development Bank (NADBank) created in conjunction with NAFTA, have begun construction of fifteen environmental infrastructure projects, including the first wastewater treatment plants in Juarez.

At the same time, the North American Agreement on Labor Cooperation under NAFTA has generated America's largest cooperative effort on labor anywhere in the world. It covers occupational safety and health, employment and training, industrial relations, worker rights and child labor and gender issues, and allows citizens to draw attention to labor practices and improve working conditions.

Political reform: In 1998 and 2000, Mexico held elections for Parliament and then President, resulting in opposition control first of the Senate and then the Presidency. Mexican and outside observers consider these elections to be the most fair and most democratic held since the 1910 revolution and perhaps at any time in Mexican history. While many factors contributed to political reform, President-elect Vicente Fox credited NAFTA with sparking political as well as economic reform and opening to the world.

4. **URUGUAY ROUND AND CREATION OF WTO:** The Administration's successful completion of the Uruguay Round in 1994 transformed the world trading system, opening markets in a wide range of industries, enabling the U.S. to enforce agreements more effectively, and applying the rules for the first time to all WTO members (110 when the Uruguay Round Agreements were signed in April, 1994, and now 139).

The Uruguay Round represented the most ambitious multilateral trade negotiation since the foundation of the trading system under President Truman, including more countries and covering more topics than ever before. Launched in 1986, and brought to a conclusion after failed attempts to close the negotiations in 1990 and 199, the Round's major achievements extended over a vast array of sectors, issues and institutional reforms. To cite some of the major achievements, the Round represented:

Expansion of the Rule of Law: The Uruguay Round transformed the 50-year-old GATT system, changing it from a set of rules and disciplines that applied fully to a relatively few members to a system where 20 formal agreements apply to all members, eliminating the potential for "free riders" on the benefits of an open trading system.

Dispute Settlement: Today, WTO Members rely on a set of procedures for the prompt settlement of disputes, eliminating many of the shortcomings of the earlier GATT system where the process could drag out indefinitely. While improvements to the system are still warranted, the greater certainty of the new system has led to a more prompt resolution of disputes and greater predictability in the application of rules.

World Economic Stability: This stronger network of agreements and enforceable commitments gave the world a far stronger set of defenses in the event of economic crisis. During the financial crisis of 1997 and 1998, for example, the respect WTO members, including ourselves, showed for open market commitments helped to prevent a cycle of protection and retaliation similar to that of the Depression era, ensuring affected countries the access to markets they needed for recovery, and minimizing damage to American farmers and manufacturing exporters.

Market Access: Globally, the Uruguay Round cut manufacturing tariffs by over a third and eliminated industrial quotas and export subsidies. In agriculture, it cut tariffs and sharply reduced and limited both export subsidies and trade-distorting supports, making up the first major success in bringing agriculture under the rules that had long governed trade in manufactured goods. Finally, it began the work of defining rules for trade and opening markets in the services sectors that now make up 70% of America's economy, and include some of its fastest-growing and most technologically sophisticated industries.

Intellectual Property Rights Protection: WTO member governments accepted a landmark set of rules for protection of patents, copyrights, trademarks and other forms of intellectual property. Building on earlier progress through bilateral agreements under the Special 301 law, the WTO's Trade-Related Aspects of Intellectual Property (TRIPS) agreement both protects the research and innovation of Americans in our most competitive industries, and creates incentives for further investment, technological progress and sustainable development worldwide.

Global Membership: During and after the Uruguay Round, the WTO's membership grew by well over 50%, from the 90 members which joined to launch the Round in 1986 to 139 by the close of 2000, with another 30 members at various stages of the accession process. In all of these cases, the Administration's standards for entry required full acceptance of WTO agreements and rules, helping to promote economic reform within the acceding countries as well as open markets to American goods and services. This is especially important for the new democracies of Central and Eastern Europe, as well as other nations breaking with communist planning systems and seeking to establish market-based economies.

Creation of a dynamic forum for trade liberalization: In establishing the WTO, the Administration created a system that is responsive to rapid changes in technology and the needs of the 21st century. The WTO first set in motion and then realized agreements in financial services, basic telecommunications services and information technology, whose outcomes are larger in scope than the totality of the results of the Uruguay Round; and by setting a built-in agenda to continue in agriculture and services this year.

## 5. SUMMITS OF THE AMERICAS AND FREE TRADE AREA OF THE

**AMERICAS**: In December of 1994, President Clinton convened the first hemispheric summit in half a century in Miami. His initiative won consensus among all 34 hemispheric democracies including the U.S., Canada, Central and South America, and the island states of the Caribbean (with the exception of Cuba) for the creation by 2005 of a Free Trade Area of the Americas including all the democracies of the Western hemisphere. Furthermore, it led to agreement on regular Summit meetings in the future.

The second Summit in Santiago, Chile, in April 1998, inaugurated the formal negotiation of the FTAA. Negotiations began immediately afterwards, and continued throughout 1998-2000. As a first step, we identified issues to be covered by the FTAA's nine principal chapters – market access; competition policy; subsidies, anti-dumping and countervailing duties; intellectual property; government procurement; investment; agriculture; services; and dispute settlement – and proceeded over the course of 1999 to draft "annotated outlines" of each chapter. Over the same period, a unique Committee on Civil Society solicited ideas and suggestions from business, academia, non-governmental organizations and others throughout the hemisphere, receiving 68 formal submissions from each part of the hemisphere, ranging from the Council of the Americas to the National Association of Manufacturers and the AFL-CIO in the U.S., the National Congress of Trade Unions in the Bahamas, the Caribbean Coastal Area Management Foundation, the Panamanian Association of Engineers and Architects, Pontificia University in Colombia, farm groups from Argentina to Canada, human rights organizations, consumer groups, religious institutions and more.

Then, at the end of 1999, the Administration and its trading partners turned to the preparation of a draft text for the agreement. By the first week of 2001, this resulted in the completion of a full draft text of the main chapters of the agreement. The third Summit of the Americas, set for Quebec in April of 2001, would then have the foundation for completing the work on schedule, by 2005 at the latest or possibly earlier.

6. **INFORMATION TECHNOLOGY AGREEMENT:** Begun at the Administration's initiative in APEC and agreed upon by the WTO in 1996, this built upon bilateral agreements with Japan under the Framework (covering semiconductors, computers and a range of other products) to virtually eliminate world tariffs on information technology goods such as semiconductors, computers, computer equipment and telecommunications equipment.

The ITA, covering 70 countries, eliminated all tariffs on 95% of the world production of semiconductors, computers, telecom equipment, integrated circuits and other goods associated with the global telecommunications network. This is a step important not only for its vast size – as of 2000, these products made up about one in every thirty dollars of world GDP – but its broader potential to reduce the cost of developing the world's physical information infrastructure, and consequently to promote worldwide economic growth and freedom of information.

**7. WTO AGREEMENT ON BASIC TELECOMMUNICATIONS SERVICES.** This Agreement (concluded in February of 1997 and entered into force in February of 1998) was the first major market-opening agreement in a services industry. It opened world markets, reformed regulatory structures in virtually all major telecommunications markets, and covered the vast majority of the nearly $1 trillion in worldwide telecommunications trade.

More specifically, the agreement covers a range of services and technologies from submarine cables to satellites, from wide-band networks to cellular phones, from business intranets to fixed wireless for rural and underserved regions. Substantively, it has three parts:

- Market Access: The agreement provides U.S. companies market access for local, long-distance and international service through any means of network technology, either on a facilities basis or through resale of existing network capacity.

- Investment: The agreement ensures that U.S. companies can acquire, establish or hold a significant stake in telecom companies around the world.

- Pro-competitive regulatory principles: Countries participating in the Agreement subscribe to a Reference Paper designed to ensure that a regulatory structure in a members market supports effective competition, so that actions by former monopoly providers do not undermine its market access commitments. These principles include commitments to regulatory transparency and impartiality; prohibitions on anti-competitive conduct including cross-subsidization; and detailed interconnection obligations which ensure that former monopolists cannot deny new entrants cost-based, timely, non-discriminatory access to their network.

The effects of this agreement in concrete terms are substantial. Worth $650 billion in 1997, the global telecommunications market is now rapidly approaching one trillion dollars in annual sales. Before the agreement came into force, only 17% of the world's top 20 global markets were open to U.S. firms; now, measured by annual sales, U.S. companies have gained access to over 95% of global telecommunications markets.

Based in large part on these commitments, U.S. firms hold substantial investments in operators in over three dozen countries; operate the most extensive pan-European fiber optic networks; are global leaders in deploying technologies such as cable telephony and internet telephony; are the largest investors in almost every international submarine cable consortium and global satellite system; and lead in moving globally into value-added and Internet services.This agreement, building on an already high world demand for innovative telecommunications, had immediate and dramatic effects on the ability of dominant carriers in foreign countries to keep rates artificially high and depress demand for telecommunications services and electronic commerce. After the Agreement's implementation, international call rates fell rapidly, to levels as low as 10 to 20 cents per minute, for calls between the United States and countries such as Japan and Mexico. And as a result of the broader market access and increased investor stability provided by WTO commitments, new investment in undersea fiber optic cables may result in a fifty-fold increase in capacity by the end of 2001, compared to mid-1999. The rapid expansion of the Internet into more and more parts of the world, at higher capacities and faster speeds, owed a great deal to the competitive, market-opening path on which this agreement has placed the world's trading nations.

The importance to the growth of the Internet and e-commerce of a competitive basic telecommunications market is now appreciated by most of our trading partners and thus prospects for further liberalization are good. In fact, the need for countries to compete for foreign investment has provided an incentive for countries such as Korea, Singapore, and India to unilaterally liberalize, further improving the global investment environment. The benefits these countries seek are amply demonstrated by the success of liberalized markets; in Europe, for example, prices for bandwidth are expected to decline by 50% a year for the next several years. These declines are stimulated by the enormous capacity increases competitive markets have stimulated; on the Atlantic submarine route alone, capacity is expected to increase 200-fold by 2001 compared with 1997, and similar expansion is expected on trans-Pacific routes.

8. **WTO AGREEMENT ON FINANCIAL SERVICES:** This Agreement was concluded in December 1997 and came into effect in March, 1999. It extends to the most important international financial services markets, encompassing $38 trillion in global domestic bank lending, $19.5 trillion in global securities trading, and $2.1 trillion in worldwide insurance premiums; and it includes commitments from 102 countries, including virtually all the world's major economies.

Altogether, this has helped U.S. service suppliers expand commercial operations and find new market opportunities across a wide spectrum of developed country and emerging markets, through both investment in foreign banking institutions, brokerage and insurance sectors and cross-border trade. More generally, it built upon the precedent set by the Basic Telecommunications Agreement in opening markets for a major industry; and globally, by facilitating competition of provision of new and innovative financial services worldwide, created further incentives to invest in telecommunications networks.

By the close of the Administration, this Agreement had opened world financial services markets to an unprecedented degree. Fifty-two countries guaranteed broad market access terms across all insurance sectors - encompassing life, non-life, reinsurance, brokerage and auxiliary services. Another fourteen countries committed to open critical sub-sectors of their insurance markets of particular interest to U.S. industry. Fifty-nine countries committed to permit 100 percent foreign ownership of subsidiaries or branches in banking. And forty-four countries guaranteed to allow 100 percent foreign ownership of subsidiaries or branches in the securities sector.

The Agreement is fostering the development of financial markets, especially in emerging markets and developing countries, by helping lay the foundation for sustained growth. Many countries had begun the process of liberalization; the 1997 Agreement "binds" these improvements under the GATS system, providing security of access for consumers and exporters. At the same time, it has created new opportunities for competitive U.S. financial services suppliers, including helping emerging markets modernize their financial services systems and improve their infrastructure for trade in goods and services. Examples include:

-- The U.S. is a world leader in providing insurance services to consumers and to the business community. The 1997 Agreement includes country commitments for all major sectors, including life and non-life, marine/aviation/transport, reinsurance, brokerage and auxiliary services. For example, the 1997 Agreement was a first step in negotiating cross-border MAT commitments with over 60 countries. This benefits not only U.S. insurance providers, but other U.S. services suppliers located overseas, who need top quality insurance to guarantee cargo and means of transport.

-- Regarding banking and securities, the 1997 Agreement resulted in explicit "grandfathering" from Indonesia, the Philippines, Thailand and Pakistan plus other improvements on a country specific basis. Also for these sectors, we obtained removal of all significant barriers to new establishment and acquisition and full majority ownership of banks and securities firms throughout Eastern Europe. Similar achievements obtained with some of the Latin countries.

- U.S. providers of financial information services are extremely competitive and have benefitted immensely from the 1997 agreement, including its provisions relating to cross-border services. This has provided security of access for U.S. companies to operate on-line in 51 countries.

-- The agreement has provided a foundation for financial services liberalization in countries now entering the WTO. These include China, Russia, Ukraine, the Baltics, and several other emerging markets.

9. **DUTY-FREE CYBERSPACE**: Finally, the Clinton Administration began the work of adapting trade policy to the Internet era. Trade over the Internet had barely begun when the Clinton Administration took office; by the end of the Administration, electronic commerce was forecast to reach $200 billion. The Administration saw the implications of these issues early, and launched a broad electronic commerce program including work ranging from the Commerce Department's discussions of privacy, regulatory policy and other issues, through the work of the Agency for International Development, FCC and other agencies to address fears of an international digital divide.

USTR's initial goal was to prevent the imposition of tariffs on electronic transmissions over the Internet, in order to preserve the Internet as a duty-free zone. This succeeded rapidly, with a political commitment by all WTO members, adopted at the WTO's Second Ministerial Conference in Geneva in 1998, to ensure that electronic transmissions over the Internet remain duty-free. USTR has since moved on to a wider set of issues, including the adaptation of intellectual property rights policies to the digital environment, capacity-building, and other topics. Each of these are features of the Networked World initiative the Administration launched in October of 2000.

**10. CHINA WTO ACCESSION AND PNTR:** The historic US-China agreement on China's accession to the WTO on November 13, 1999, together with the passage of permanent Normal Trade Relations in 2000, marked both a concrete trade achievement and a symbolic historic turning point.

Its provisions made up a comprehensive set of commitments covering each important economic sector and every major issue in the U.S.-China trade relationship. Building on the Administration's earlier conclusion of agreements on intellectual property (1995-96) and agriculture (April 1999), it both opened a remarkable set of new opportunities for Americans, and contributing to the deepening and acceleration of reform across the Chinese economy. Under the terms of the bilateral agreement:

Industrial Goods: China agreed to cut industrial tariffs from an average of 24.6% in 1997 to 9.4% by 2005, eliminate all quotas and discriminatory taxes, and of critical importance, in virtually all products agreed to allow both foreign and Chinese businesses to market, distribute and service their products; and to import the parts and products they choose.

Agriculture: In agriculture, on U.S. priority products China agreed to cut tariffs from an average of 31% to 14% by 2004. In addition to this, China agreed to expand access for grains and other bulk agricultural products, through tariff-rate quotas that offer dramatic new opportunities in these sectors, end import bans, cap and reduce trade-distorting domestic supports, eliminate export subsidies, and base border inspections on science.

Services: In services, China's markets will open for distribution, telecommunications, banking, insurance, securities, professional, business and computer services, management consulting, motion pictures, environmental services, accounting, law, architecture, construction, travel and tourism, and other industries. Many of these commitments for example in distribution services such as warehousing, couriers, express delivery, trucking and similar industries represented breaks with Chinese monopoly policies dating to the first years of the Communist era in China, and secured groundbreaking economic rights for Chinese as well as foreign businesses.

Rules: The agreement also addressed the concerns many domestic American industries had expressed about unfair trade and investment practices. For example, the agreement addressed state enterprise policies, prohibited forced technology transfer as a condition of investment, and eliminated local content, offsets and export performance requirements. It also provided, for 12 years, a special product-specific safeguard to address market-disrupting import surges from China; and guaranteed our right to use a special non-market economy methodology to address dumping for 15 years.

These specific commitments, all of them including detailed timetables and all of them backed by enforcement, made up a landmark trade achievement in concrete terms. But China's agreement to enter the WTO was also a remarkable symbolic achievement for the United States and American ideals.

During the decades of the Cold War, China was of course one of the great challengers to the vision the modern trading system represents. Its acceptance of these principles highlighted the fundamental change in world politics over the course of the 1990s, as the world moved away from the coercive, statist experiment embodied by the Soviet Union and Maoist China, and toward the western vision of market economics and the rule of law.

**11. U.S.-VIETNAM BILATERAL TRADE AGREEMENT:** The landmark U.S.-Vietnam Bilateral Trade Agreement, signed in July 2000 and ready for approval in the 107th Congress, will complete the process of normalizing U.S. ties with Vietnam 25 years after the Vietnam War. This was a comprehensive agreement, going well beyond any previous Bilateral Commercial Agreement. On its implementation, Vietnam agreed to cut tariffs by more than half on a wide variety of goods of interest to American exporters; open up services industries including distribution, telecommunications, financial services, the professions and others; and also to make significant commitments on investment, intellectual property, high technology, trade facilitation and transparency.

On its approval by Congress, and together with earlier agreements negotiated with Laos in 1997 and Cambodia in 1996, the Bilateral Trade Agreement will completion the restoration of fully normal economic ties with the three nations of Indochina. In doing so, it closes the book on America's economic estrangement from this region after the Vietnam War, and helps the three nations integrate more fully into the regional and world economies. Together with the normalization of political ties with these nations, completed in the mid-1990s, the agreement will close the book on the Vietnam War era and allow our relationship with the people of the Indochina region to move ahead.

**12. AFRICAN GROWTH AND OPPORTUNITY ACT:** The African Growth and Opportunity Act, represents a fundamental rethinking of American relations with Africa, after many years in which African policy had been dominated by Cold War considerations, the anti-apartheid movement, and in some cases simple neglect. Its passage and implementation in the year 2000, creating new opportunities in the U.S. market for 34 reforming African nations, make up the framework for a long-term relationship with Africa built upon mutual economic benefit; and also has a special significance, as the first major new unilateral trade preference program in nearly twenty years.

In specific terms, the Africa Growth and Opportunity Act:

- Eliminates tariffs on a wide array of African manufactured goods and extends existing Generalized System of Trade Preferences benefits for eight years;

- Eliminates textile quotas for Kenya and Mauritius (the only two nations covered by the quota program);

- Duty-free and quota-free treatment of apparel made from American fabric, yarn and thread or fabrics not available in the U.S.;

- Special market access privileges for apparel made from African yarn and thread;

- Creates long-term U.S.-Africa Trade and Economic Cooperation Forum to further strengthen trade relationships.

## 13. CARIBBEAN BASIN INITIATIVE ENHANCEMENT:

Passed together with the African Growth and Opportunity Act, the CBI enhancement bill fundamentally strengthens a program at the foundations of American relations with the Caribbean islands and South America. Since its creation in 1983, the CBI has provided 21 nations with a wide set of duty-free privileges, encouraging investment, economic diversification and development throughout the region. This in turn complemented and supported the success of the Central American peace process throughout the 1990s.

With the implementation of NAFTA, and the progress toward a full FTAA, the Administration believed that a significant enhancement of CBI would both help the region remain competitive in exporting to the U.S. and attracting investment, and build capacity for implementing future FTAA obligations. This was one of the major trade priorities of President Clinton's second term. The result:

- Adds new products to existing CBI duty-free list, including tariff treatment comparable to that under NAFTA for footwear, canned tuna, watches, and other products.

- Significantly expands preferential treatment for apparel made in the Caribbean region.

These initiatives in turn build on wider policies to create opportunities and build ties with developing regions. Examples include the expansion of the GSP system by 1770 tariff lines, meaning that over 8,700 of the 10,179 lines in the U.S. tariff code are now duty-free for the least developed countries; and work to strengthen the WTO's capacity-building and technical assistance functions to help countries implement commitment and exercise their rights in the trading system.

**14. U.S.-JORDAN FREE TRADE AGREEMENT:** Finally, the Administration's conclusion of a U.S.-Jordan Free Trade Agreement at the White House on October 24, 2000, designed in support of the Middle East peace process, marked both an historic step in the fourth U.S. Free Trade Agreement, and a groundbreaking agreement in substantive terms.

In addition to its market access provisions – including the elimination of virtually all tariffs within ten years – the agreement creates a free trade area in services, dispute settlement and other provisions. The agreement is also the first Free Trade Agreement ever to include provisions on electronic commerce, and on labor and environmental issues. The latter provisions do not impose new standards or ban changes or reform in existing laws; rather, they restate the commitment of both countries to the ILO's core labor standards and high levels of environmental protection, and commit both countries to avoid failure to enforce their existing laws in order to gain illusory competitive advantages. Thus it is a demonstration in practice of the full compatibility of open markets, free trade and a rising quality of life. Legislation to implement this agreement was set for transmittal to Congress in the last week of the Administration.

# PART III: LOOKING TO THE FUTURE

Finally, as it concluded this series of major initiatives, the Administration launched a new set of initiatives that form the backbone of a trade agenda for the new decade. These include:

1. **BUILDING THE HEMISPHERIC COMMUNITY:** With the foundation of the North American Free Trade Agreement, the U.S.-Canada Agricultural Agreement of 1998, the enhancement of the Caribbean Basin Initiative in 2000 and the Summits of the Americas in Miami and Santiago, the Administration in late 2000 had completed the first draft of the main chapters of an agreement creating a Free Trade Area of the Americas. This text would be transmitted to the third Summit of the Americas in Quebec, enabling the hemispheric leaders to begin negotiating the difficult issues, timetables and other questions necessary for the completion of a final agreement.

2. **U.S.-CHILE FREE TRADE AGREEMENT:** As the FTAA draft neared completion in December 2000, the Administration also began negotiations on a Free Trade Agreement with Chile, which the following Administration would be able to conclude.

3. **U.S.-SINGAPORE FREE TRADE AGREEMENT:** At the direction of President Clinton and Prime Minister Goh Chok Tong of Singapore at the APEC Leaders Meeting in Brunei, the Administration also opened Free Trade Agreement negotiations with Singapore. This agreement, which would be open to other countries, would serve as a basis for realizing APEC's vision of "free and open trade" in the Pacific by the year 2010 for developed countries and 2020 for developing economies.

4. **RUSSIA WTO ACCESSION:** With discussions on Russia's WTO membership having formally begun in 1994, the Administration's dialogue with newly elected Russian President Vladimir Putin accelerated progress toward Russia's accession to the WTO. The completion of such an agreement would bring one of the world's last major economies outside the trading system under its disciplines, and make a major contribution to economic reform and the rule of law in Russia.

5. **NETWORKED WORLD INITIATIVE:** Building on its mid- and late-1990s achievements in the achievements in the telecommunications, electronic commerce and information technology fields, the Administration developed a "networked world" initiative to

form the foundation of a second generation of high-tech trade policy development. This included calls for:

- Development of international consensus on principles such as equal treatment for trade in similar products conducted through different types of technology;
- Further liberalization of trade in information technology goods ("ITA 2");
- Liberalization of services, including newly emerging services especially suited to trade over the Internet such as on-line auctions, web-hosting, remote monitoring and others;
- Enhanced incentives for investment other infrastructure technologies;
- Updating intellectual property regimes for the digital environment.

**6. AGRICULTURE AND SERVICES REFORM AT THE WTO:** At the WTO in Geneva, the Administration tabled proposals in mid-2000 calling for fundamental reform of trade in the agriculture and services industries. These are the fields which remain most burdened by trade barriers and subsidies (according to the UN Food and Agriculture Organization, for example, in 1999 trade-distorting subsidies totaled $100 billion, compared to $500 billion in agricultural trade). Likewise, technological advance is rapidly transforming both of these fields – outdating monopolies in services industries, and changing agriculture through biotechnology techniques making development of international rules especially important. The Administration's WTO proposals include:

<u>Agriculture:</u> The Administration's proposal calls for the elimination of agricultural export subsidies, the single most abusive agricultural trade practice; substantially reducing or eliminating tariffs, and eliminating disparities in worldwide tariff rates; reforming state trading; reducing the WTO's current cap on trade-distorting supports, and making sure it applies equally to all countries; and simplifying the rules for domestic agricultural supports.

<u>Services:</u> The Administration's proposal calls for the opening of markets across a wide range of services industries, building on the Basic Telecommunications and Financial Services agreements to cover such fields as energy services, environmental services, audiovisual services, express delivery, financial services, telecommunications, professional services, education and training, private healthcare, travel and tourism, and other sectors. It would also ensure that the commitments we obtain accurately reflect our companies' range of commercial activities, as existing services industries evolve and develop new services suitable for high-tech trade, and cover the many different means services providers use to meet the needs of foreign customers.

In December of 2000, the Administration tabled a proposal elaborating these principles in proposals to liberalize a series of high-value services industries – accountancy, audio-visual services, distribution, education and training, energy, environmental services, express delivery, financial services, legal services, telecommunications and tourism – through "model schedules" providing thorough liberalization in each.

In the coming years, these can proceed on their own merits or as part of a larger Round.

# PART IV: THE VIEW FROM 2000

Taken cumulatively across eight years, this negotiating record helped both transform the world trade environment and America's own trade regime, and to lay the foundation for a new era of progress towards open markets in the new decade. In doing so, it met the challenge President Clinton had identified at the beginning of 1993. It had helped us build prosperity and strengthen American economic leadership;.take full advantage of the opportunities created by the high-tech revolution; strengthen consensus at home for open trade; and create a new political architecture for the decades following the Cold War. And success in these individual challenges meant that the Clinton Administration's trade agenda had helped guide America toward the proper choice in the 20th century's third great moment of decision, confirming American leadership in a new era of internationalism.

A look at each of the major effects of the trade record follows.

## I. PROSPERITY AT HOME

First, as the trade agenda built a far more open world economy it created a vast array of new opportunities for American businesses, farmers and working people; and Americans took full advantage of them. Thus trade policy, together with a return to fiscal discipline and strengthened support for education, helped to make the 1990s an era of prosperity unmatched in American history.

To be more specific, the Administration's trade agenda had reduced world tariffs by more than a third, and eliminated them in the high-tech manufacturing fields that made up a quarter of America's goods exports. It had eliminated industrial export subsidies and set industrial quotas on the road to elimination. It had sharply cut export subsidies and trade-distorting supports in agriculture, and reached world consensus that sanitary and phytosanitary measures must rest on protection of human, animal and plant health rather than discrimination against imports. It had cemented our trade relationships with our closest neighbors, and opened markets of particular importance to American exporters in a vast array of countries. Finally, the Administration's work had created far stronger rules to keep these markets open, through the creation of binding dispute settlement provisions in the WTO and the NAFTA.

At the same time, the agreements of the 1990s had reformed and further opened America's own trade regime, helping to create a more competitive national economy and raise living standards for American families. While retaining American rights to respond in cases of dumping and subsidization through domestic law, the United States had significantly opened its own markets. Overall, U.S. tariffs had been cut by half, from applied rates averaging 5.7% in 1992 to 2.6% in 2000; and tariffs on 2000 types of goods (a fifth of the 10,179 tariff lines in the Harmonized Tariff Schedule) had been completely eliminated. Likewise, American industrial quota policies – for example in textiles – were being phased out on schedule. And as the year 2000 came to a close, the U.S. was implementing new unilateral market-opening commitments to Africa and the Caribbean Basin.

The economic results of these policy changes were precisely as the theory would predict. As Americans exported goods and services more freely than ever before, the U.S. economy not only created jobs but increased wages at all levels. At home, a more open U.S. economy sparked competition and technological progress, keeping inflation low as the longest expansion in American history continued into its ninth year, and raised living standards for Americans throughout the country. To look at some specific points:

**Export Expansion:** Between 1992 and 2000, U.S. exports of goods and services grew by 75%, or nearly $500 billion, with total U.S. exports topping $1 trillion for the first time in the year 2000. (By comparison, over the nine decades between 1900 and 1992, U.S. exports grew by slightly over $600 billion.) This export expansion accounted for a fifth of America's economic growth over the Clinton Administration, and a third of U.S. growth between 1992 and the beginning of the Asian financial crisis. Its benefits of this extended to Americans on the job and on the farm, throughout our economy and in every part of the United States. To choose just a few examples:

Manufacturing: Export growth was fastest of all in the manufacturing sector, where U.S. exports grew by 88% or $330 billion. The $330 billion total made up about two-thirds of America's overall $500 billion expansion in manufacturing production. Some specific examples here include:

- As part of the Uruguay Round Agreement in 1994, the European Union eliminated tariffs on pharmaceuticals. By 2000, U.S. exports of these products to Europe had more than doubled, rising by a total of $2.4 billion in just five years.

- In the early 1990s, U.S. semiconductor and medical equipment firms found Japan one of the world's most difficult markets to reach. By 2000, after agreements through the Framework on these sectors, they were Japan's market leaders: U.S. market share had risen to 25-30% of the medical equipment market; and the market share of foreign semiconductor firms from 16% to 30%, with U.S. firms winning most of this growth.

**Agriculture:** Despite the damage American farmers incurred during the Asian financial crisis, U.S. agricultural exports grew by $9.6 billion, to total $53.7 billion in 2000. Again, this extended across a wide variety of commodities:

- Oranges and China: Until the year 2000, orange growers in California, Florida and elsewhere were barred from selling their crops in China, as a result of China's allegations that U.S. crops were infested by the Mediterranean fruit fly. As a result of the 1999 Agricultural Cooperation Agreement, Chinese agriculture experts surveyed American groves personally, certifying them as free of the fruit fly; and thus lifted the ban on oranges. As a result, China bought over 10 million million kilos of U.S. oranges in the first nine months of 2000 (last data available as of this writing).

- Beef and Korea: In the early 1990s, Korea had sharply restricted U.S. beef sales through a mixture of high tariffs and "shelf-life" rules requiring sale of frozen or chilled beef immediately after its arrival in port. As the Administration's negotiations reduced tariffs through the Uruguay Round, and eliminated unscientific sales requirements through a series of bilateral agreements in 1995, 1996 and 1998, American beef sales to Korea tripled from 36 million kilos in 1993 to 101 million kilos in 1999; full-year projections for 2000 were for a total of over 130 million kilos of beef.

**Services:** American exports of services were equally impressive, rising from $175 billion in 1992 to a projected total of $295 billion in 2000. This growth was especially rapid in some of the highest-value fields, with exports more than doubling in computer and data processing services, medical services, management consulting, auditing and accounting; and more than tripling in financial services. Services exports to the European Union, which had made some of the most extensive market-opening commitments in the Uruguay Round and under the WTO's Basic Telecommunications and Financial Services agreements, grew especially rapidly, rising by $33.5 billion between 1992 and 1999.

**Exports and Overall Economic Growth**: Taken as a whole, this export growth made a contribution of fundamental importance to the longest economic expansion in American history. To be specific, between 1992 and 1999, and with minimal inflation, the U.S. economy grew by $2.1 trillion, or 29%; our nearly $500 billion in export growth accounted for close to a quarter of this overall economic growth.

**Investment and Industrial Growth:** Manufacturing exports have grown faster than any other American export sector, rising by well over $300 billion between 1992 and 2000. This has played a major part in America's rapid industrial expansion over the 1990s, in particular for high tech firms. Since 1992 U.S. industrial production is up 45 percent, including growth in manufacturing production of over $400 billion, putting to rest earlier fears of loss of competitiveness in a more open world. Looking ahead, the ability to sell to wider markets creates economies of scale that contribute to a boom in investment, with U.S. non-residential business investment rising by more than 10% per year since the mid-1990s.

**High-Wage, High-Skill Jobs**: Taken in its effect on individuals, the export growth of the Clinton era helped Americans find better and higher-paying jobs. Jobs related to goods exports pay on average 13-16% higher than other jobs; and as of 2000, exports supported an estimated 12.2 million jobs.

Thus, as overall U.S. job creation soared – America had created nearly 22 million jobs; unemployment had fallen to 4.0%, the lowest rate since January 1970, and reached a record low for African-Americans and Hispanics – the opening of trade helped make sure Americans also had better jobs. This is reflected in the end of a long period of wage stagnation: real wages, remaining unchanged between 1973 and 1994, grew by over 6% between 1995 and 1999.

**Rising Living Standards**: The more open domestic economy developed through the Administration's major trade agreements helped raise family living standards, complementing the ability of export expansions to improve job opportunities by raising family living standards. The further opening of the U.S. market had also reduced the price of many goods and services for American families and small businesses. To take one example, after only two and a half years, the WTO's Basic Telecommunications Agreement has helped to sharply cut the price of international telephone calls in the case of Japan, for example, from as high as a dollar an hour in 1997 to fifteen cents an hour in 2000 as nations overseas adopt pro-competitive regulatory principles and open telecommunications markets once dominated by monopolies to new companies and services.

## II. THE 21st-CENTURY ECONOMY

Trade policy had equally significant implications for America's high-tech leadership. As the 1990s witnessed the development of the Internet, the wiring of America, and the explosive progress of American medicine, agriculture and aerospace, President Clinton as the first President of the dot.com era used trade policy to help ensure that Americans can fully capitalize on our leadership of the technological revolution.

The key development here is a series of high-tech agreements that strengthen incentives for technological advance; eliminate barriers in specific sectors worldwide; and begin the work of developing trade rules for the Internet and the services industries. The result is a policy framework for an era in which trade takes place in the borderless world of cyberspace and concerns weightless products that arrive by wire or satellite beam rather than tangible goods that travel by plane or boat; and for an economy dominated by knowledge rather than physical labor.

The major accomplishments include:

**Stronger Worldwide Protection for Intellectual Property:** The Administration's use of U.S. trade law and the WTO to strengthen incentives for investment and technological progress fundamentally improved protection of copyrights, patents and trademarks worldwide, as well over 100 nations adopted laws and improved enforcement in these fields. This gave American scientists, inventors and artists greater ability to take advantage of their investment and creativity; in turn contributing to the growth of investment in the industries of the New Economy and the acceleration of technological progress at home and worldwide.

Wider Markets and Economies of Scale for High-Tech Manufacturing: The reduction of tariffs and other barriers to high-tech products enabled American manufacturing industries to sell to wider markets, creating economies of scale that are further sparks to investment, and research and development. Beginning with the U.S.-Japan Framework Agreement in 1993 and capped by the Information Technology Agreement, this supported increased American exports and market share in such manufacturing fields as semiconductors, medical equipment, pharmaceuticals and cell phones. Bilateral and multilateral agreements throughout the Administration broadened this work to include market-opening in services industries with strong demand for information technology products, such as wireless cable, direct-to-home satellite services and cable TV, financial services, and energy.

**Electronic Commerce and the Internet**: The Administration had begun the adaptation of trade policy and the trading system to the digital era, through a broad and visionary electronic commerce program which helped the newly developed Internet to reach its potential for easier and more cost-efficient trade, consumer choice and buying power, and economic efficiency.

Here, the foundational commitment the Administration won from the WTO members in 1998 on the principle of "duty-free cyberspace" that is, a commitment to keep electronic transmissions over the Internet free from tariffs the Administration preserved the Internet as a duty-free zone. From there we moved on to a longer-term work program, with the aim of ensuring that our trading partners avoid measures that unduly restrict development of electronic commerce; ensuring that WTO rules do not discriminate against new technologies and methods of trade; according proper application of WTO rules to trade in digital products; and ensuring full protection of intellectual property rights on the Net. At the same time, the Administration embarked on a long-term series of discussions with individual trading partners on related questions for example on privacy issues, where close cooperation with the European Union helped create a model for protecting consumer privacy while preventing unnecessary barriers to electronic commerce that can have wide applicability as technology develops.

**Opening of Services Trade** The opening of services trade both takes advantage of the new opportunities created by modern technology and -- by increasing worldwide demand for innovative services – helps create broader markets for information technology hardware.

The set of rules and precedents for market WTO's General Agreement on Trade in Services, together with the Agreement on Basic Telecommunications, create an environment for rapid development of services trade. The growth potential is clear as between 1995 and 2000, traffic flowing over telecom networks has increased ten-fold, and the rate of growth is rising, with Internet traffic now doubling every 100 days. Intensive negotiations with major bilateral trade partners work with Japan and Mexico to ensure that their dominant carriers, NTT and Telmex, do not attempt to evade their responsibilities; WTO accession agreements, like that with China, which include a full range of market access commitments -- further increase participation and . And as with the ITA, we encourage both current and new WTO members to participate in the Basic Telecom Agreement. Again, China's commitments, including ending investment bans, implementing pro-competitive regulatory principles and the immediate opening up of paging and value-added services like the Internet are a case in point.

Specifically here, with the completion of the Uruguay Round, the WTO's General Agreement on Trade in Services (GATS) created a set of rules and precedents for market access commitments. The agreements in 1997 on Financial Services brought us further, with commitments to market access and national treatment covering nearly $60 trillion in banking, insurance and securities transactions each year. And this is an accomplishment we can match across dozens of industries through the services negotiations which opened at the WTO in February: from energy services, environmental, audiovisual, express delivery, the professions, private education and training, private healthcare, travel and tourism, and other sectors. The electronic services that underpin e-commerce advertising, computer and information services, distribution, financial services, telecommunications and other areas will also be a major focus of the talks.

Finally, the "Wired World" initiative, announced in October of 2000, laid the groundwork for a second generation of achievement in the high-tech industries. This would build upon each of the high-tech policy achievements, and integrate them through guarantees that WTO rules apply to trade conducted electronically, intellectual property policies updated for the digital era, further liberalization of trade in high-tech manufactured goods, and liberalization of services industries especially suited for trade over the Internet.

## III. PUBLIC PARTICIPATION AND THE QUALITY OF LIFE

The Administration's trade agenda, in creating a more open world economy and facilitating the advance of technology, helped to make trade more central to America's own growth and development. Between 1992 and 2000, America's two-way world trade grew from under $1.3 trillion to over $2.5 trillion – total growth equivalent to all the expansion of U.S. trade between the American Revolution and the year 1992. This gave trade a far greater role in America's broader economic strategy and foreign policy; and thus trade also became more central to American public debates

This was especially evident in two initiatives which did not ultimately succeed: the effort to launch a new Round at the WTO's Seattle Ministerial Conference in 1999, and the campaigns between 1994 and 1997 to win fast-track negotiating authority from Congress. The circumstances in each case were complex – long-standing European reservations about agricultural trade reform, for example, played a major part in the Seattle Ministerial – but public concerns about the rapid pace of change in the U.S. and world economies played a central role in each.

These concerns addressed a broad range of issues. Some involved procedural questions of transparency, which the Administration addressed through reform of domestic trade policy processes and pressure on the WTO to publish documents more rapidly, open meetings to public observers and so forth. At their heart, however, they reflected a more fundamental fear: that an opening world economy might force countries to accept pollution and exploitation or lose exports, investment and jobs to less scrupulous rivals.

The Clinton Administration, however, saw this as a false choice; and experience backed up this judgment.

Trade policy in the 1990s went together not with weakening but strengthening standards: the Family and Medical Leave Act, the minimum wage increase and the new Safe Drinking Water Act; new and stronger clean air rules; signature of the Kyoto Convention on climate change; and the protection of nearly 100 million acres of wild lands. As this proceeded, America became more competitive rather than less: our share of world exports rose sharply, and a long-time deficit in direct investment became a surplus, with foreign businesses investing over $200 billion in the U.S. in 1999 alone.

The Administration also believed, however, that trade policy could help to address some of the problems its critics identified for example, in supporting efforts to protect the international environment. The President had made this point in the 1992 campaign, in his first major trade policy address at American University, and in practical terms throughout the Administration. While much work remained to build lasting consensus, both within the United States and internationally, on the relationship between trade, the labor standards and international environmental protection, the Administration's record set precedents, achieved a number of important goals in the field, and by the end of the Administration had made substantial overall progress. Four major achievements include:

**US-Jordan Free Trade Agreement:** The U.S.-Jordan Free Trade Agreement, signed in October of 2000 and designed fundamentally to support the Middle East peace process, is the both a comprehensive Free Trade Agreement and the first ever to include specific labor and environmental provisions. The agreement restates the commitment both countries have already made to strong environmental protection and to the ILO's core labor standards. It neither imposes new standards nor bars change or reform of each country's existing labor and environmental laws. But it also maintains the principle that, as we develop a free trade relationship based on law and binding agreements, we should not undermine the foundation of these agreements, or gain illusory competitive advantages, by avoiding enforcement of our existing laws. And the FTA is accompanied by a separate technical assistance agreement that will offer practical help through cooperative efforts in improving environmental policies. Altogether, it is a rigorous and comprehensive free trade agreement; and one which, fully respecting sovereignty, also addresses environmental and labor issues in an entirely pro-trade manner.

**Transparency and Public Access:** At the WTO, the Administration won a series of practical reforms that strengthen transparency, broaden access, and thus build public support for the trading system. These included rapid release of WTO documents to the public and press, greater ability for citizens and citizen groups to provide advice and ideas and opportunities to file amicus briefs in dispute settlement cases. The WTO makes over 90% of its documents available to the public, and has reached out to the public through open symposia on such issues as development and trade and the environment. The Free Trade Area of the Americas talks have taken this work a step forward, creating a unique "Committee on Civil Society" which has gathered views and suggestions on the negotiations from academics, labor groups, businesses, environmental associations and community groups throughout the hemisphere.

**Trade and the Environment:** The Administration, throughout its tenure, ensured that the opening of trade took full account of environmental concerns and where possible contributes to efforts to protect the environment more effectively. As noted earlier, the North American Agreement on the Environment, a side agreement to NAFTA and the world's first major trade and environment agreement, followed by the creation of a standing Committee on Trade and Environment at the WTO in 1994, helped to greatly increase cross-border cooperation on such issues as water pollution, wildlife conservation and air quality. At the WTO, the U.S. successfully pushed for the first-ever WTO High-Level Symposium on Trade and the Environment in 1998; and is leading the effort on substantive issues such as abolishing fishery subsidies that contribute to overcapacity. In procedural terms, President Clinton's Executive Order on Trade and the Environment, together with implementing regulations published in the winter of 2000, created a policy framework for full and early consideration of environmental issues in trade negotiations, requiring assessment and consideration of the environmental impacts of trade agreements.

**Trade and Labor:** The Administration used specific agreements and the conditionalities in U.S. trade preference programs to ensure that trade policy complements and supports efforts to improve respect for internationally recognized core labor standards (freedom of association, abolition of forced labor and abusive child labor, and freedom from discrimination at work), thus contributing to the core goals of trade policy in promoting development and broadly shared economic benefits.

Since 1993, the North American Agreement on Labor Cooperation has generated America's largest cooperative effort on labor in the world. The Administration ensured that the WTO Ministerial Conference in 1996 recognized the importance of labor standards and cooperative work with the International Labor Organization (ILO); and has raised labor standards in country policy reviews under the WTO's Trade Policy Review Mechanism. Enforcement of labor conditionalities in the Generalized System of Preferences helped to win labor reforms in Honduras, Thailand, the Dominican Republic and other countries; and an innovative textile agreement with Cambodia, granting greater market access in exchange for specific labor rights improvements, has helped to serve both the goals of trade liberalization and improved respect for worker rights.

## IV. ECONOMIC INTEGRATION AND A STRONGER PEACE

Finally, the trade policy achievements of the Clinton era helped to build a more economically integrated world, with a strengthened and in some cases newly created set of international institutions. These have implications far beyond their direct effects on trade – as they open markets, they also support reform and the rule of law in new democracies; promote international political stability as they integrate our former Cold War rivals into mutually beneficial commercial networks; and make up part of the framework of America's future foreign policy in entire regions of the world. In doing so, trade takes up the role designed for it in the years following the Second World War, as – in the words of Franklin Roosevelt – trade policy in the Clinton era helped to "lay the economic foundation for the peaceful and secure world we all desire."

**A Stronger Trading System**: The stronger trading system embodied by the World Trade Organization is itself an example. In comparison to the GATT the Administration inherited in 1993, the WTO covers a wider array of issues; its rules and commitments are more enforceable; and its membership is broader and more representative of the world as a whole. The value of this strengthened system was very clear in the Asian financial crisis when, with nearly 40% of the world in recession, the strength of the WTO rules helped prevent an outbreak of the cycles of protection and retaliation like that which deepened the Depression of the 1930s and ultimately contributed to political instability and upheaval. Thus, not only does the stronger trading system mean a more open and dynamic world trading economy, it also provides the world with strengthened guarantees of economic security and stability.

**Building the Hemispheric Community**: Through the North American Free Trade Agreement, cementing our strategic relationship with Canada and Mexico; a sweeping agricultural agreement with Canada in 1998 and the enhancement of the Caribbean Basin Initiative in 2000, America's trade and investment relationships with our closest neighbors is stronger than ever before. The prospect of the Free Trade Area of the Americas in turn will transcend these achievements, joining them with regional integration experiments throughout the Western Hemisphere; and ultimately, when successful, will fulfill a 200-year old dream, uniting the 34 democracies of the Western Hemisphere in a Free Trade Area of the Americas by 2005.

**Regional Integration in the Middle East:** The Middle East is at present the least economically integrated region in the world only 6% of its trade is internal, compared with 10%

for Africa, 20% for Latin America and almost 40% for the developing countries of Asia. The Administration has, however, planted the seeds of reform through a series of projects and agreements encouraging intraregional trade.

The first step in this was the extension in 1996 of duty-free privileges from the US-Israel Free Trade Agreement to the West Bank and Gaza Strip. This was followed by the Qualifying Industrial Zone program, granting duty-free status to products of joint Israeli-Jordanian industrial projects, which helped Jordan increase its exports to the U.S. from $16 million in 1998 to a projected $63 million in 2000. The U.S.-Jordan Free Trade Agreement promised a much larger expansion of US-Jordan trade, and has the potential to set an example for further trade initiatives in the Middle East, which can help to support the peace process by strengthening the stakes Middle Eastern nations hold in one another's stability and prosperity.

**Partnership with Africa**: President Clinton's visit to Africa in 1998 closed the book on previous decades of African policy dominated by the Cold War and the anti-apartheid movement, and opened a fundamentally new trade and investment partnership with the continent, designed to find mutual benefit and ensure that Africa fully participates in the world economy and the trading system. This accelerated in 1999 and 2000, through bilateral trade agreements with leading reformers such as South Africa, Ghana, Mozambique and Nigeria, and cooperative work at the WTO with African members. The final step, passage of the landmark African Growth and Opportunity Act in the spring of 2000, promised to make up the framework for relations with Africa in the coming decade.

**End of the Cold War:** Finally, as President Clinton took office, the end of the Cold War had created the extraordinary opportunity of reintegrating China, Russia and nearly 30 more transitional economies. Over the succeeding years, the Administration's trade policy fully capitalized on this. Through bilateral trade agreements and negotiations on WTO accession, the Administration helped to deepen and cement the domestic reforms these nations had begun; assisted in the achievement of sustainable growth by developing the rule of law and creating modern regulatory policies; ultimately, strengthened their stake in world peace and stability by anchoring them more securely in the world economy.

This is evident in three major regions.

- **China WTO Accession and PNTR**: China's WTO accession, together with PNTR, made up perhaps the most important American trade and foreign policy debate of the 1990s. The full scope of this debate – a negotiation whose most active phase lasted for well over three years, and a Congressional debate which proceeded over eight months and included a searching review of each aspect of U.S.-China relations and U.S. trade policy – was perhaps unprecedented since the foundation of the trading system itself. Its conclusion was an extraordinary accomplishment in trade policy terms, opening hundreds of Chinese industrial, services and agricultural sectors to U.S. exports, and fully normalizing US-China trade relations on China's accession to the WTO. In foreign policy terms, the result was equally profound: China's membership in the trading system, on the basis of the rigorous bilateral agreement we negotiated, served America's fundamental strategic interests by integrating China more fully into regional and world economies, giving the world's largest nation a greater stake in peace and stability beyond its borders, throughout a region of vital interest to Americans.

- **The New Democracies:** In the years since the fall of the Berlin Wall, trade policy made a major contribution to economic reform, development of the rule of law, and political stabilization in Central and Eastern Europe, as well as several new Asian democracies. The Administration's conclusion of 32 separate agreements on accession to the GATT and after 1995 the WTO played a central role in this. The total included agreements on WTO membership, together with Permanent Normal Trade Relations when necessary under the Jackson-Vanik Amendment (a 1974 law barring NTR, then known as MFN status, to non-market economies which do not allow freedom of emigration) for ten new democracies: Albania, Bulgaria, Croatia, Estonia, Georgia, Kyrgyzstan, Latvia, Lithuania, Mongolia and Slovenia. Work toward further agreements was continuing in late 2000, as the Administration concluded WTO negotiations with Moldova and continued negotiations with Armenia, Russia and Ukraine.

- **Indochina:** Finally, the Administration's normalization of trade relations with the three nations of Indochina, pending Congressional approval of bilateral trade agreements with Vietnam and Laos, was an accomplishment not only of economic and political importance, but of great emotional meaning to Americans and to the people of these nations. With Cambodia, the work came to a close in 1997 through a completed trade agreement and extension of Normal Trade Relations; since its implementation, U.S. imports from Cambodia have grown from $4 million in 1996 to a projected $825 million in 2000, largely in apparel. In 1997, the Administration reached a similar although more detailed Bilateral Trade Agreement with Laos, which remains to be approved; in July of 2000, after a four-year negotiation, the Administration reached a still more detailed and sweeping trade agreement with Vietnam, paving the way for President Clinton's historic visit -- the first since the Vietnam War -- in November of 2000. Congressional approval of these agreements will close the book on the Vietnam War era, in a fashion that both cements peace and reconciliation with these nations, and contributes to greater freedom and opportunity for their people.

# PART V: CONCLUSION

The China PNTR debate, as the central trade and foreign policy debate of the year 2000, aptly symbolizes President Clinton's trade record as a whole. It marked a fitting conclusion to an Administration that began with a profound choice, as the Cold War came to an end, about America's confidence in itself and its future role in the world.

This debate ultimately confirmed the fundamental decision President Clinton outlined in the first days of his first term. In the most public and intensely debated trade and foreign policy issue of the 20th century's final decade, Americans chose a course of confidence and engagement. The result confirmed American commitment to the principles which have guided U.S. trade policy throughout the decades since Franklin Roosevelt; and set the stage for further achievements in the years to come.

The success in this specific case, in turn, joined a much larger and broader trade policy record, extending to each region of the world and touching every major sector of the U.S. and world economies. The results, looking back across eight years, fully justify the prominence President Clinton gave to trade policy: the trade record helped to make America a stronger, more confident, more prosperous and more technologically progressive economy; contributed to the advance of our broader values: freedom, the rule of law, sustainable development; and did its part, complementing American diplomacy and military alliances, in strengthening the security of our country and the world.

This is a record – of Presidential vision, of successful negotiation and bipartisan legislation, and of American leadership – in which our country can take great pride.

**From the Cold War to the Wired World**
**The Clinton Administration Trade Record**

***Opening markets and strengthening the rule of law to build prosperity at home, lay the foundation for the 21st-century economy, and strengthen peace.***

## THE PRINCIPLES, THE CHALLENGE OF 1992, AND THE RECORD

Trade policy took a central place in the Clinton Administration's economic and foreign policy, from the earliest days of the President's first term with the North American Free Trade Agreement, the Framework Agreement with Japan and the Uruguay Round, through the final debates on China's accession to the World Trade Organization, normalization of trade relations with Vietnam and the U.S.-Jordan Free Trade Agreement. It has been a principal means of building America's remarkable record of prosperity and growth; taking full advantage of our leading role in the revolution in science and technology; and defining our nation's interests and role in the aftermath of the Cold War.

The Administration's principles and goals were fully consistent with America's long-standing commitment, dating to the era of Franklin Roosevelt, to open markets under the rule of law. President Clinton joined postwar Presidents of both parties in seeing trade policy as a way to contribute both to world prosperity and a stable peace. But as he noted during the 1992 campaign, and stressed in speaking on the trade agenda in the weeks after the inauguration, trade policy would proceed in a environment that had vastly changed: America's economic leadership was under greater challenge than ever before; the revolution in science and technology was transforming commerce, work and daily life; and the global landscape had changed deeply and irrevocably with the end of the Cold War. And at the same time, the domestic debate on trade was growing more intense, as trade and international investment became ever more important to the U.S. economy.

The President's response to these challenges asked more of trade policy and set a more ambitious agenda than any Administration perhaps since the foundation of the General Agreement on Tariffs and Trade in the years after World War II. The work has proceeded continuously since 1993, through negotiations, legislation and enforcement. Its cumulative result has helped restore prosperity and confidence at home, with exports rising by 74%, or nearly $500 billion; meet the challenge of the technological revolution, and build a more integrated, stable political architecture for the post-Cold War World.

**I. Landmark Agreements, Legislation and New Institutions:** Through twelve historic agreements, five major pieces of trade legislation and the creation of new institutions and negotiating fora, the Clinton Administration has helped fundamentally to reshape world trade, building a more open world economy, a stronger and more inclusive trading system, and cementing critically important American relationships around the world. Highlights include:

- **China:** The historic US-China agreement on China's accession to the WTO in 1999, together with the passage of permanent Normal Trade Relations in 2000, will create new opportunities for Americans as it brings the world's largest nation into a system of open markets and rule of law. This in turn builds on the Administration's breakthrough agreements with China on intellectual property in 1995-96 and on agricultural trade in 1999.
- **Vietnam:** The landmark U.S.-Vietnam Bilateral Trade Agreement, signed in July 2000, will complete the process of normalizing U.S. ties with Vietnam.
- **Africa and Caribbean Basin:** The African Growth and Opportunity Act and the Caribbean Basin Initiative expansion, passed in 2000, are the centerpiece of new relationships with Africa, the Caribbean Islands and Central America. Through greater access to the U.S. market, the

bills create development opportunities and strengthen economic ties with these regions. The Africa bill is the first major new U.S. unilateral trade preference program in nearly 20 years.

- **US-Jordan Free Trade Agreement:** The Administration's conclusion of a U.S.-Jordan Free Trade Agreement, designed in support of the Middle East peace process, marks the first free trade agreement ever to include labor and environmental provisions, demonstrating the full compatibility of open trade and a rising quality of life.
- **Duty-free Cyber-space:** The Clinton Administration began the work of adapting trade policy to the Internet, with the fundamental step in 1998 of ensuring that electronic transmissions over the net remain duty-free, facilitating the unimpeded growth of electronic commerce.
- **High-Tech Infrastructure:** The Administration created a global framework for high-tech trade through three foundational agreements in 1996 and 1997:
  - **Information Technology Agreement:** begun at the Administration's initiative in APEC and accepted by the WTO in 1996, this virtually eliminates tariffs on information technology goods such as computers and semiconductors.
  - **Basic Telecommunications Agreement:** Signed in 1997, this opens markets and promotes competition in the telecommunications sector worldwide.
  - **Financial Services Agreement:** Liberalizes trade in the $60-trillion world financial services market.
- **Free Trade Area of the Americas:** In 1994, President Clinton convened the first hemispheric summit in half a century in Miami, and won consensus for the creation of a free trade area including all the democracies of the Western hemisphere. By December 2000, negotiators expect to complete a first draft of this agreement.
- **Uruguay Round and Creation of WTO:** The Administration's successful completion of the Uruguay Round in 1994 transformed the world trading system, opening markets in a wide range of industries, enabling the U.S. to enforce agreements more effectively, and applying the rules for the first time to all WTO members (now 138 in total).
- **US-Japan Framework Agreement:** The Administration's conclusion of this agreement in 1993 set the ground rules for 39 separate market-opening agreements with Japan, ranging from manufacturing to high technology, intellectual property, financial services, agriculture and more. It is now complemented by the Enhanced Initiative on Deregulation and Competition Policy, aimed at structural reform and deregulation in an additional set of industries.
- **APEC:** The President's convening of APEC leaders in Seattle in 1993 has led to history's first regular meetings of Pacific leaders; this in turn has helped bring about major agreements such as the Information Technology Agreement, and a region-wide commitment reached in Bogor in 1994 to free and open trade in the Pacific in the years to come.
- **North American Free Trade Agreement:** The NAFTA, passing Congress in 1993, cemented our economic relationship with our two closest neighbors and largest trading partners. Since its passage, U.S. exports to Mexico and Canada have grown by nearly $150 billion.

II. **The Total Record:** This series of landmark achievements makes up the backbone of a much larger record, combining trade agreements, legislation and enforcement and the creation of new institutions to address all the major challenges the President identified in 1993. The record includes:

- **Opening World Markets to Create Prosperity at Home:** The Clinton Administration used the full range of policy tools to build a more open economy at home and abroad, through:

  - **300 Separate Trade Agreements** targeting sectors and issues of special importance, including 39 market-opening agreements with Japan, 17 with the European Union, 20 with Canada, 13 with South Korea, 20 with the ASEAN states, 17 with China, 48 in Latin America; 26 in Africa and the Middle East; 22 Bilateral Investment Treaties; 41 agricultural agreements; 10 Trade and Investment Framework Agreements, 28 IPR agreements and much more.

- **Major Legislation**: including passage of the North American Free Trade Agreement in 1993 and the Uruguay Round that created the WTO in 1994; permanent Normal Trade Relations for nine new democracies; Caribbean Basin Initiative enhancement and the African Growth and Opportunity Act in 2000; the 363-56 House vote in 2000 in favor of our continued WTO participation; and most recently, PNTR for China.
- **Enforcement:** As the network of trade agreements has grown, the Administration created a special office within USTR, dedicated solely to the monitoring and enforcement of agreements and carrying out more than 100 separate enforcement actions at the WTO, through bilateral agreements, and under U.S. trade laws, to assert American rights and enforce the commitments our trading partners make.

- **Meeting the Challenge of the 21st Century** through a series of high-tech agreements including the WTO's commitment to duty-free cyberspace, keeping the Internet free of trade barriers, in 1998; the global WTO agreements on Financial Services and Basic Telecommunications in 1997; the global WTO agreement on Information Technology in 1996; and a series of bilateral agreements on intellectual property, high-tech products, services and other sectors; all soon to be capped by the opening of a major networked economy initiative.

- **An Integrated World:** Trade policy has taken a central place as we construct the political architecture of a more integrated and stable post-Cold War world.

  - **End of the Cold War:** Through agreements on WTO accession with ten new democracies in Europe and Asia; normalized trade with Indochina, capped by the landmark US-Vietnam Trade Agreement; and the WTO accession agreement and PNTR for China, the Administration has helped support reform and integration for a vast array of countries moving away from communist central planning.
  - **NAFTA and Uruguay Round:** In its first years, the Administration cemented our strategic relationship with our closest neighbors through the NAFTA; and broadened and strengthened the world trading system with the Uruguay Round in 1994.
  - **Regional Initiatives:** The Administration has begun ambitious regional initiatives throughout the world: the launch of negotiations to unite the 34 democracies of the Western Hemisphere in a Free Trade Area of the Americas; a new trade relationship with sub-Saharan Africa; regional integration in the Middle East, including the conclusion of a Free Trade Agreement with Jordan; APEC's commitment to free and open trade in the Pacific by 2010 for developed countries and 2020 for developing countries; and the Transatlantic Economic Partnership with Europe.

- **Public Participation and the Quality of Life**: The U.S.-Jordan Free Trade Agreement, which includes unique labor and environmental provisions, symbolizes a reform of trade policy through which the Clinton Administration has encouraged transparency and public participation, and ensured that trade agreements complement and support efforts to strengthen international environmental protection and respect for the rights of workers. This has extended from our work on the labor and environmental side agreements to the NAFTA, enforcement of U.S. laws conditioning special trade preferences on respect for internationally recognized core labor standards, the push for transparency at the WTO and the creation of a unique Civil Society Committee in the Free Trade Area of the Americas negotiations.

# THE VIEW FROM 2000: A PROSPEROUS COUNTRY, A CHANGED WORLD

## I. PROSPERITY AT HOME

In creating a far more open world economy, these agreements, trade bills and enforcement actions, have created a vast array of new opportunities, and Americans have taken full advantage of them. Trade policy, together with fiscal discipline and strengthened support for education, deserves substantial credit for helping make the 1990s an era of prosperity unmatched in American history.

With world tariffs cut more than a third; industrial quotas on the road to elimination; subsidies sharply cut in both manufacturing and agriculture; the cementing of our strategic relationship with our closest neighbors; and the targeted opening of markets worldwide in areas of greatest importance to the U.S. economy, American businesses, farmers and working people can sell their goods and services overseas more freely than ever before. Likewise, a more open U.S. economy has helped spark competition, dampen inflation, improve choice and raise living standards, especially for the poorest families.

- **Export Expansion:** The opening of world markets has created a wholly new set of opportunities for Americans. Between 1992 and 2000, based on newly available full-year projections for 2000, U.S. exports of goods and services grew by 74%, or nearly $500 billion, to top $1 trillion for the first time in the year 2000. The benefits of this extend to Americans on the job and on the farm, throughout our economy and in every part of the United States. To choose just a few examples:

    - Until this year, orange growers in California, Florida and elsewhere were barred from selling their crops in China. As a result of the 1999 Agricultural Cooperation Agreement, China bought more than 8.8 million kilos of U.S. oranges in the first eight months of 2000.
    - As part of the Uruguay Round Agreement in 1994, the European Union eliminated tariffs on pharmaceuticals. Since then, U.S. exports of these products to Europe have more than doubled, rising by a total of $2.4 billion in just five years.
    - In 1993 American photographic film companies sold just over $100 million worth of film to Mexico. With the NAFTA in effect and Mexican tariffs on these products moving toward elimination, U.S. exports of film paper more than tripled to $342 million by 1999, and may approach $500 million this year.
    - In the early 1990s, U.S. semiconductor and medical equipment firms found Japan one of the world's most difficult markets to reach. Today they are Japan's market leaders: U.S. market share has risen to 25-30% of the medical equipment market; and the market share of foreign semiconductor firms has risen from 16% to 30%, with U.S. firms winning most of this growth.

- **Exports and Economic Growth:** Taken as a whole, this export growth has made a contribution of fundamental importance to the longest economic expansion in American history. Between 1992 and 1999, and with minimal inflation, the U.S. economy grew by $2.1 trillion, or 29%. Exports have accounted for one fifth of this growth.

- **High-Wage, High-Skill Jobs:** Taken in its effect on individuals, our export growth has helped Americans find better and higher-paying jobs. Jobs related to goods exports pay on average 13-16% higher than other jobs; and exports now support an estimated 12.2 million jobs. As U.S.

job creation has soared – between 1992 and 2000, America created nearly 22 million jobs and unemployment fell to 4%, the lowest rate since January 1970 and a record low for African-Americans and Hispanics – the opening of trade has helped make sure Americans also have better jobs.

- **Rising Living Standards:** The more open economy we have built at home complements this by raising living standards. As hourly wages for non-supervisory workers reversed a 20-year pattern of stagnation to grow by over 6%, our open market policies at home have broadened consumer choice and reduced prices for families; to take one example, the WTO's Basic Telecommunications Agreement has sharply cut the price of international telephone calls.

- **Investment and Industrial Growth:** Manufacturing exports have grown faster than any other American export sector, growing by well over $300 billion between 1992 and 2000. This has played a major part in America's rapid industrial expansion over the 1990s, in particular for high tech firms; since 1992 U.S. industrial production is up 45 percent, including growth in manufacturing production of over $400 billion. Looking ahead, the ability to sell to wider markets creates economies of scale that contribute to a boom in investment, with U.S. non-residential business investment rising by more than 10% per year since the mid-1990s.

## II. THE 21st-CENTURY ECONOMY

Trade policy has had equally significant implications for America's high-tech leadership. As the 1990s witnessed the development of the Internet, the wiring of America, and the explosive progress of American medicine, agriculture and aerospace, President Clinton – as the first President of the dot.com era – used trade policy to help ensure that Americans can fully capitalize on our leadership of the technological revolution. The major accomplishments include:

- **Intellectual Property** – The Administration has used U.S. trade law and the WTO to bring a fundamental improvement in world intellectual property standards. Through 28 bilateral agreements to strengthen copyright, patent and trademark protection; the Uruguay Round's landmark TRIPs agreement; numerous WTO dispute settlement victories on intellectual property and a long series of accessions to the WTO, most of the world has adopted modern IPR standards. This ensures that American scientists, inventors and artists can take full advantage of their investment and creativity; and this in turn fosters greater investment and more rapid technological advance in the U.S. and worldwide.

- **US-Japan Framework and High-Tech Bilateral Agreements** – The Administration's negotiation of the U.S.-Japan Framework Agreement in 1993 set the agenda for 39 separate market-opening agreements with Japan, with special focus on high-tech issues. These have eased trade frictions and supported increased American exports and market share in such traditionally difficult fields as semiconductors, medical equipment, IPR, pharmaceuticals, cell phones and basic telecommunications. Since 1998, this has been complemented by a unique Enhanced Initiative on Deregulation and Competition Policy, through which we agree on measures to promote deregulation and competition across the Japanese economy and in a range of high-value sectors. Taken together, these negotiations have enabled us to move on with Japan and other trading partners, broadening the semiconductor agreement to include the EU, Korea and other producers, and to address fields such as wireless cable, direct-to-home satellite services and cable TV, financial services, and energy.

- **Information Technology Agreement** – Signed in 1996 by 40 countries and now including nearly 70, this landmark agreement will eliminate world tariffs on essentially all information technology products -- computers and computer equipment, semiconductors, telecommunications equipment and related goods -- by 2004.

- **Basic Telecommunications Agreement** – Completed in 1997, the agreement was the first global commitment to liberalize a services industry. Coming into force in February 1998, it has opened markets for America's world-leading telecom industry, reduced monopoly power and promoted competition and innovation in the global telecommunications sector. The agreement has already helped to spark a large expansion in investment in the worldwide telecommunications network, and sharply reduced phone costs for American families and businesses for international calls.

- **Financial Services Agreement** – Signed in December 1997, and coming into force in 1999, this Agreement has committed the world to more open, innovative and competitive financial services trade. It has already helped U.S. service suppliers to expand operations and find new market opportunities worldwide in banking, insurance, brokerage and related industries. Growth potential for competitive U.S. financial services suppliers is high, as companies will be able to help emerging markets modernize their financial services systems and improve their infrastructure for trade in goods and services.

- **Duty-Free Cyberspace** – In 1998, the Administration won commitment from all WTO members to avoid imposing tariffs on electronic transmissions over the Internet. This preserves the Internet as a duty-free zone, facilitating the extraordinary growth of electronic commerce worldwide.

- **Agriculture and Services** – At the WTO this year, the U.S. laid down comprehensive proposals to reform trade in agriculture and the services industries. In the services sector, we have proposed the further opening of trade and competition in a wide array of industries, with a special focus on liberalizing a series of information-related services industries that can use the Internet and international telecom networks most effectively. In agriculture, we have not only proposed sweeping reform and opening of agricultural trade, but laid the groundwork for a long-term approach to agricultural biotechnology, ensuring that consumer concerns are fully addressed and farmers can use these new methods to improve productivity and ease pressure on land and water.

- **The Networked World** – Finally, the Administration is building a foundation for the high-tech trade agenda of the years ahead. A comprehensive "networked world" initiative will ease development of the information infrastructure through greater market access for information-related manufactured goods, including a broadened and updated "Information Technology Agreement II"; further liberalization of telecommunications services and broad-based opening of other services industries especially suited for trade over the global telecommunications network (e.g. traditional services such as banking, and newly emerging industries like on-line auctions, web-hosting, and remote monitoring); trade facilitation including greater use of electronic networks for customs clearance, licensing, and publication of regulations; capacity-building in the poorest countries to help prevent an international digital divide; and an updating of international intellectual property policies to take account of the digital environment.

## III. ECONOMIC INTEGRATION AND A STRONGER PEACE

Since the era of Franklin Roosevelt, trade policy has formed part of America's broader foreign policy strategy, as we work to build a more stable and peaceful world. As Roosevelt put it in his last message to Congress, calling for the opening of the negotiations that led to the first GATT agreement, in strengthening nations' interest in stability and prosperity beyond their borders, open trade can help to "lay the economic foundation for the peaceful and secure world we all desire." The 1990s brought this home more clearly than any decade since the postwar era.

- **End of the Cold War** – As President Clinton took office, the end of the Cold War had created the extraordinary opportunity of reintegrating China, Russia and nearly 30 more transitional economies. Trade policy has made a fundamentally important contribution to this effort: deepening and cementing their domestic reforms; developing the rule of law and creating modern regulatory policies; ultimately, strengthening their stake in world peace and stability by anchoring them more securely in the world economy. This is an opportunity unlike any since the postwar era and the reintegration of Germany and Japan; and the Administration has fully capitalized on it. The principal goals here have included:

  - **The New Democracies:** In the years since the fall of the Berlin Wall, trade policy has made a major contribution to economic reform, development of the rule of law, and political stabilization in a Central and Eastern Europe, as well as several new Asian democracies. The Administration has negotiated agreements to bring 29 nations into the GATT and more recently WTO. This includes WTO membership, on commercially meaningful grounds and together with Permanent Normal Trade Relations, for nine new democracies – Albania, Bulgaria, Croatia, Estonia, Georgia, Kyrgyzstan, Latvia, Mongolia and Slovenia – helping them build market economies and integrate themselves into world trade. More are to come, as the Administration has completed negotiations with Lithuania, and talks are moving ahead with Armenia, Moldova, Russia and Ukraine.

  - **Indochina Normalization:** Much further east, the Administration has nearly completed the normalization of trade with the three nations of Indochina: Cambodia, Laos and Vietnam. With Cambodia, the work is done, with a completed trade agreement and extension of Normal Trade Relations. More recently, the Administration has reached landmark Bilateral Trade Agreements with Laos and Vietnam. Congressional approval of these agreements will close the book on the Vietnam War era, in a fashion that both cements peace and reconciliation with these nations, and contributes to greater freedom and opportunity for their people.

  - **China WTO Accession:** Finally, China's WTO accession, together with PNTR, made up perhaps the most important American trade and foreign policy debate of the past decade. The result -- an historic bilateral agreement covering virtually ever sector of the Chinese economy, and the full normalization of US-China trade -- will create new trade new opportunities for Americans, and launch China's most important reforms in over 20 years. It will open the Chinese economy to the world more fully than at any time in the modern era, and strengthen free-market principles in hundreds of individual industries. In doing so it will strengthen the rule of law throughout China, and give China and its people far greater contacts with the outside world, complementing

American human rights diplomacy. Perhaps most important of all, it will serve America's fundamental strategic interests by integrating China more fully into regional and world economies, giving the world's largest nation a greater stake in peace and stability beyond its borders, throughout a region of vital interest to Americans.

- **A Stronger Trading System:** The Administration has also built a stronger framework of rules for world trade as a whole. With the conclusion of the Uruguay Round of the GATT in 1994, negotiations to bring 28 new economies into the GATT and then the WTO, and the WTO's high-tech agreements of the mid-1990s, we have a broader, more inclusive and stronger trading system than ever before. The value of this was very clear in the Asian financial crisis – when, with nearly 40% of the world in recession, the strength of the WTO rules helped prevent an outbreak of the cycles of protection and retaliation like that which deepened the Depression of the 1930s and ultimately contributed to political instability and upheaval. Thus, not only does the stronger trading system mean a more open and dynamic world trading economy, it also provides the world with strengthened guarantees of economic security and stability.

- **Building the Hemispheric Community:** Through the North American Free Trade Agreement, cementing our strategic relationship with Canada and Mexico; a sweeping agricultural agreement with Canada in 1998 and the enhancement of the Caribbean Basin Initiative in 2000, America's relationship with our closest neighbors is stronger than ever before. The Administration has now launched a much broader initiative, designed to build a prosperous, stable, and democratic community of open trade spanning the entire Western Hemisphere. At the direction of the Summits of the Americas, convened by President Clinton in 1994, by the end of this year we will complete the first draft of an agreement which will fulfill a 200-year old dream, uniting the 34 democracies of the Western Hemisphere in a Free Trade Area of the Americas by 2005.

- **Regional Integration in the Middle East:** Working with Israel's Natan Sharansky and the government of the late King Hussein of Jordan, in 1998 we began a regional integration project in support of the Middle East peace process by giving duty-free treatment to products from a series of Jordanian-Israeli industrial parks. We are now moving on to a full Free Trade Agreement with Jordan, signed at the White House in October 2000, which, building on the existing US-Israel Free Trade Agreement, will help ensure that the region's people win the full economic benefits of peace.

- **Partnership with Africa:** President Clinton's visit to Africa in 1998 opened a fundamentally new trade and investment partnership with the continent, designed to find mutual benefit and ensure that Africa fully participates in the world economy and the trading system. This accelerated in 1999 and 2000, through bilateral agreements with leading reformers such as South Africa, Ghana, Mozambique and Nigeria; cooperative work at the WTO with African members; and passage of the landmark African Growth and Opportunity Act.

## IV. PUBLIC PARTICIPATION AND THE QUALITY OF LIFE

As the President predicted in 1993, as trade took a more central place in economic strategy and foreign policy, it also became more central to American public debates – as evident, for example, in the debates on the WTO's Seattle Ministerial Conference in 1999 and fast-track negotiating authority. As trade has grown and trade agreements contributed more to American economic and foreign policy goals, the Clinton Administration has reformed domestic trade policy processes to encourage public participation, sought to make institutions like the WTO more transparent and accessible, and done more than any previous Administration to ensure that trade policy addresses a new range of issues, complementing and supporting work to address international bribery and corruption, improve international environmental protection and promote respect for the rights of workers.

- **US-Jordan Free Trade Agreement:** The U.S.-Jordan Free Trade Agreement, completed in October of 2000, will be the first free trade agreement ever to include specific labor and environmental provisions. Ensuring that neither side is tempted to weaken standards in order to gain illusory competitive advantages, while broadly opening the U.S. and Jordan markets to one another's goods and services, this agreement fully demonstrates the compatibility of open markets, development, a high and rising quality of life, and free trade.

- **Transparency and Public Access:** At the WTO, the Administration has pushed for practical reforms that strengthen transparency, broaden access, and thus build public support for the trading system. The Administration has called for rapid release of WTO documents to the public and press, greater ability for citizens and citizen groups to provide advice and ideas, opportunities to file amicus briefs in dispute settlement cases, and opening dispute settlement proceedings to the public. As a result, the WTO makes over 90% of its documents available to the public, and has reached out to the public through open symposia on such issues as development and trade and the environment. The Free Trade Area of the Americas talks have taken this work a step forward, creating a unique "Committee on Civil Society" which has gathered views and suggestions on the negotiations from academics, labor groups, businesses, environmental associations and community groups throughout the hemisphere.

- **Trade and the Environment:** The Administration, throughout its tenure, has ensured that the opening of trade takes full account of environmental concerns and where possible contributes to efforts to protect the environment more effectively. The North American Agreement on the Environment, a side agreement to NAFTA and the world's first major trade and environment agreement, followed by the creation of a standing Committee on Trade and Environment at the WTO in 1994, has helped to greatly increase cross-border cooperation on such issues as water pollution, wildlife conservation and air quality. At the WTO, the U.S. successfully pushed for the first-ever WTO High-Level Symposium on Trade and the Environment in 1998; and is leading the effort on substantive issues such as abolishing fishery subsidies that contribute to overcapacity. Looking ahead, President Clinton has created a framework for full and early consideration of environmental issues in trade policy through his Executive Order in November 1999 requiring assessment and consideration of the environmental impacts of trade agreements.

- **Trade and Labor**: The Administration has ensured that trade policy complements and supports efforts to improve respect for internationally recognized core labor standards: freedom of association, abolition of forced labor and abusive child labor, and freedom from discrimination at work; thus contributing to the core goals of trade policy in promoting development and broadly shared economic benefits. Since 1993, the North American Agreement on Labor Cooperation has generated the U.S.' largest cooperative effort on labor in the world. The Administration ensured that the WTO Ministerial Conference in 1996 recognized the importance of labor standards and cooperative work with the International Labor Organization (ILO); and has raised labor standards in country policy reviews under the WTO's

Trade Policy Review Mechanism. Enforcement of labor conditionalities in the Generalized System of Preferences helped to win labor reforms in Honduras, Thailand, the Dominican Republic and other countries; and an innovative textile agreement with Cambodia promotes both greater market access and improved respect for worker rights in the garment sector.

## CONCLUSION

Throughout President Clinton's two terms, trade policy took central place in America's response to the great questions of prosperity at home; technological progress; social justice and the quality of life; and a stronger peace. Over the eight years of his Administration, trade policy contributed greatly to the well-being of the American people, the advance of American values, and the security of our country and the world. And as we look to the future, the Administration has set a course that will take us well beyond the achievements of the past decade.

This is a record -- of strategic vision, successful negotiation and legislation, and American leadership -- in which our country can take great pride.

## From the Cold War to the Wired World: The Clinton Administration Trade Record

Trade policy took a central place in the Clinton Administration's economic strategy and foreign policy. Over eight years, it has been a principal means of building prosperity and growth at home; meeting the challenge of the technological revolution; creating a more open and sustainable world economy; and creating a stable and peaceful political architecture for the world after the Cold War.

**THE RECORD:** The Clinton Administration has been committed to open markets under the rule of law, at home and abroad. In pursuit of this goal, since 1992 the Administration has built a record joining conclusion of 300 separate trade agreements with major trade legislation, more than 100 enforcement actions, and the creation of new institutions. The record includes a set of signal achievements that, stretching across President Clinton's two terms, have transformed the world trade environment:

- **1999-2000**: The bilateral agreement on China's accession to the WTO and passage of permanent Normal Trade Relations; the historic U.S.-Vietnam Bilateral Trade Agreement; legislation to strengthen U.S. trade ties with Africa and the Caribbean Basin; conclusion of a US-Jordan Free Trade Agreement; and a first draft of the agreement creating a Free Trade Area of the Americas.
- **1996-1998:** Conclusion of global high-tech agreements on duty-free cyberspace, Information Technology, Basic Telecommunications and Financial Services.
- **1993-1995:** Completion of the Uruguay Round that created the World Trade Organization; the launch of negotiations to create a Free Trade Area of the Americas; the U.S.-Japan Framework Agreement, setting the stage for 39 separate market-opening agreements with Japan; creation of the annual APEC Leaders Meetings and APEC's commitment to free and open trade in the Pacific; and passage of the North American Free Trade Agreement, cementing our strategic relationships with Mexico and Canada.

**PROSPERITY AT HOME:** This record has had far-reaching consequences. Most immediately, it has built a far more open and law-abiding world economy – cutting world tariffs by over a third, eliminating non-tariff barriers like quotas, and sharply reducing other practices such as subsidies – and a reformed and more open U.S. trade regime. This more open world has helped Americans succeed as never before.

- **Export Growth**: U.S. exports of good and services have risen by 74% – nearly $500 billion – to top $1 trillion for the first time this year. This has accounted for a fifth of America's growth since 1992, helping sustain the longest expansion in U.S. history. And since jobs related to goods exports pay on average 13-16% higher than other jobs, the opening of world markets has ensured that Americans had the advantage not only of more jobs, but better jobs.
- **Competitiveness and Rising Living Standards:** The more open U.S. economy also contributes to U.S. prosperity – dampening inflation and increasing competitiveness for the economy as a whole, and raising living standards for families by keeping prices low and broadening choice.

**THE WIRED WORLD:** At the same time, the Clinton Administration's high-tech initiatives helped us lay the foundations of the 21st-century economy and capitalize on America's greatest strengths:

- **Protection of Intellectual Property**: Through the WTO and 28 separate bilateral agreements, the Administration won agreement from most of the world to the modern copyright, patent and trademark laws that facilitate high-tech investment and technological progress.
- **Tariff Elimination for Information Technology Goods:** Through concluding a series of agreements beginning with the US-Japan Framework talks and capped by the global Information Technology Agreement, the Clinton Administration has virtually eliminated tariffs on information technology goods such as semiconductors, computers and related equipment.
- **Opening Markets for High-Tech Services Trade:** Through the global agreements on Basic

Telecommunications and Financial Services, the Administration has begun the opening of world services markets, promoting competition and technological advance in these 21st-century fields and reducing prices for consumers.

- **Electronic Commerce**: Through the WTO's commitment to duty-free cyberspace and a broader work-program on electronic commerce, the Administration has preserved the Internet as a duty-free zone and begun the work of adapting trade policy to the digital era.

**PARTICIPATION AND THE QUALITY OF LIFE:** As trade becomes more central to U.S. policy debates, the Administration has encouraged transparency and public participation in policy formulation, and ensured that trade policy and agreements complement and support our work to strengthen environmental protection and respect for core labor standards.

- **Transparency**: The Administration has reformed domestic processes and built on this in international negotiations, calling for greater transparency and public access at the WTO, and creating new institutions like the FTAA's Committee on Civil Society to encourage participation by a wider spectrum of the public.
- **Labor & Environment:** The U.S.-Jordan Free Trade Agreement, as the first free trade agreement ever to include labor and environmental provisions, will demonstrate the full compatibility of open markets, free trade and a rising quality of life. This builds on earlier work -- in the NAFTA, at the WTO and under U.S. laws -- to ensure strong environmental protection and respect for core labor standards as trade grows.

**END OF THE COLD WAR AND AN INTEGRATED WORLD:** Under President Clinton, trade policy took a central place in the architecture of a more peaceful and stable post-Cold War world, making up a fundamentally important component of American foreign policy:

- **The New Democracies**: The Administration's agreements on WTO accession with 29 countries, including ten new democracies - from Albania, Bulgaria and the Baltic states to Kyrgyzstan and Mongolia - has helped them reform their economies, build the rule of law and integrate with the west, helping cement democracy and free markets after the fall of the Berlin Wall.
- **China:** The Administration's conclusion of the U.S-China agreement on WTO accession, together with permanent Normal Trade Relations, will open markets and promote economic reform and the rule of law in China, and complement U.S. alliances and security policy in the Pacific by strengthening China's stake in regional stability and prosperity.
- **Indochina:** The Administration's conclusion of an historic bilateral trade agreement with Vietnam, together with earlier Administration agreements with Laos and Cambodia, will fully normalize U.S. ties with the nations of Indochina, closing the book on the Vietnam War era.
- **The Hemispheric Community:** Building on NAFTA and CBI expansion, the Administration will conclude by December 2000 a first draft of a Free Trade Area of the Americas, uniting the 34 democracies of the Americas in a community of open trade, mutual benefit and shared values.
- **Regional Initiatives:** In each region of the world, the Administration has begun long-term initiatives to create more open markets and a shared stake in stability and prosperity: APEC in Asia; the President's Partnership Initiative with Africa, capped by passage of the Africa legislation in 2000; regional integration in the Middle East, marked most recently by the US-Jordan Free Trade Agreement; and the Transatlantic Economic Partnership with Europe, strengthening US-EU economic ties in tandem with the expansion of NATO.

**CONCLUSION:** Over the eight years of President Clinton's Administration, trade policy has helped to bring us from the Cold War to the wired world of the 21st century: helping the U.S. regain domestic prosperity and international economic leadership; take full advantage of the opportunities of science and technology; contributing to our work for social justice and the quality of life; and build a stronger peace. This is a record of strategic vision and leadership, in which our country can take great pride.