

AMBASSADOR MICHAEL KANTOR
SPEECHES AND TESTIMONY
1995

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NEWS CONFERENCE UNITED STATES TRADE REPRESENTATIVE MICKEY KANTOR
SUBJECT: TRADE NEGOTIATIONS WITH CHINA, WASHINGTON, DC
K-06-01 page# 1 MONDAY, FEBRUARY 6, 1995

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THIS IS A RUSH TRANSCRIPT.

AMB. KANTOR: Let's go ahead and start. I think all of you have the statement, I'll go ahead and read it, but I hope everyone has the handout.

Today we received a letter from Madam Wu Yi, in fact we received it last night in our office at 6:27 pm, which had to be translated, and it came from our embassy. Madam Wu Yi is the Chinese Trade Minister, indicating they are prepared to resume talks regarding the piracy of intellectual property of the United States, next week in Beijing. We responded, indicating we'll send our negotiators to China on February 13.

Let me reiterate that piracy of U.S. products is an extremely serious problem, and we expect the Chinese to come to the table, prepared to address our concerns over the protection of computer software, chemical and agricultural products, pharmaceuticals, trademarks, audio-visual works, and books and periodicals in three general areas.

One, taking effective, immediate measures to curb piracy including raids on major compact disk and other producers; instituting structural changes to improve intellectual property protection over such as creating a border enforcement regime, instituting a copyright verification system and providing access to the

International Property Right Courts; and last, providing market access for intellectual property-based products.

I'd be happy to answer your questions.

Andrea?

Q Ambassador Kantor, does this make you believe that there is some chance of avoiding further escalation and avoiding -- (off mike)?

AMB. KANTOR: We'll see. Obviously it's a step in the right direction. It's welcomed. We will go to these talks with an open mind and hoping that we can reach an agreement that is effective, that is enforceable, and it will address all of the problems that we have raised.

Yes, sir.

Q Ambassador Kantor, did Minister Yi, in her letter indicate any Chinese willingness to compromise?

AMB. KANTOR: The letter was silent on that point. The letter was welcomed, it was -- addressed the problems in a general sense, but didn't indicate as you wouldn't expect, what positions the Chinese negotiators might take as we resume on the 13th of February. But the fact of the rapid response -- after all, I didn't meet with the Chinese Trade Minister till -- it would have been 11:00 Saturday night in China when we met, and this came in the American Embassy, this communication from Madam Wu Yi, clearly during the day on Sunday. We're delighted and impressed by the rapid response from the Chinese government.

Yes, sir.

Q You started to say you're surprised.

AMB. KANTOR: No, I didn't. You were reading my lips.
(Laughter.)

Q Were you surprised by this quick response?

AMB. KANTOR: Not surprised. The fact is that we were -- we expected a response but this is -- I don't know how the Chinese could have responded more quickly and we welcome that.

Q How do you interpret it, what does that mean?

AMB. KANTOR: I don't know. I don't want to put any interpretation on it. I think that would be unfortunate as we go into these re-engaged negotiations, except to say that we welcome it.

Q Ambassador?

AMB. KANTOR: Yes, sir.

Q Ambassador Barshefsky or Mr. Lee Sands will lead a delegation to China?

AMB. KANTOR: Lee Sands will lead a delegation to China. If and when Ambassador Barshefsky is needed, or my presence would be helpful, then of course we would respond with that as well. But we'll wait to see.

John?

Q Forgive me if this has been covered already over the weekend, but has the administration decided how we would respond to China policy with the counter retaliation you talked about?

AMB. KANTOR: Yes.

Q Can you tell us?

AMB. KANTOR: No. (Laughter.)

Q Could you just say, you know, if you want to rule out an escalation of the thing or leave all your options open?

AMB. KANTOR: We're not going to rule anything out.

Q How do you evaluate the impact of a potential Chinese counter retaliation as it has been -- (off mike)?

AMB. KANTOR: Given the fact that Chinese government in the communication from Madam Wu Yi has responded so quickly, I think it's not helpful that I characterize their response except to say that I think both sides want an agreement. That would be the most productive way to proceed. We are fully prepared to react regardless of any eventuality in this situation.

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Q You outlined five points where you would like to see progress when you start talking. Do you insist on seeing progress in all five, or say three out of the five? And your negotiator said that over the past month there has been some progress. Could you outline on which areas there has already been progress (in the past month ??)

AMB. KANTOR: There has been some progress on border -- now remember, these are preliminary understandings. In every trade negotiation nothing is agreed to until everything is agreed to. So let me not mislead you and say the Chinese side has agreed to all of these preliminary understandings, because no one does until you have a full agreement.

We have reached understanding with regard to -- preliminary understanding with regard to border enforcement, some regulations in the area of -- which could lead to more enforcement and training in the area -- in dealing with the administrative nature of dealing with intellectual property right violations. There were other areas as well, some of which are listed here.

However, however, we did not have the kind of action, effective action, including the commitment to raids on major CD producers, 29 of which are in Southern China, all of which are known to the Chinese and the U.S. government, or institutional structural changes in the broad nature in which I discussed them, or provide any kind of market access intellectual property-based products which is so critical. If you don't have market access, if they don't allow these products to be sold in China and protected, then of course you'll never be able to address the piracy issue. Andrea?

Q You said that all of the 29 factories are known to the government. How many of them are actually run by the government, have government involvement at some level?

AMB. KANTOR: A number have government involvement at some level. It would be unfortunate if I began to characterize the connections and the relationship except to say that the government could take effective action to stop these practices at these plants.

Q Now it has been suggested that the government is not capable of stopping things that are happening now in some of the regions. Do you take that point?

AMB. KANTOR: I think the government could take effective steps in this direction. We understand that they can't stop all of the piracy of every product all over China at once. Of course they can't do that. But what they can do is take effective steps in the right direction. There is obvious piracy beginning with their own industries, for using pirated software in their own operations. They should stop that immediately. Ruta? I'll take one more question.

Q I'm just wondering if you could -- even staying within your
leat of not negotiating in the press, if you could just verifying
ething that you said and that was said by other officials on the
background briefing basis. You're talking about preliminary
agreements -- (inaudible, background noise) -- but basically what has
been said, it really seems that on border enforcement and other areas,
it's just a matter of the Chinese even having made a proposal rather
than there actually being a consensus on what this proposal will mean.
I mean it seems that (saying ?) preliminary agreement almost seems
like an overstatement.

AMB. KANTOR: No, let me explain what preliminary agreement
means, and maybe it's our failure to communicate that is confusing
you, for which I apologize.

We call it a preliminary agreement simply because of what I
indicated, nothing is agreed to until everything is agreed to. To
call it an agreement would suggest that we have a partial agreement,
or we have an agreement regardless of what happens in these other
areas. Neither side has taken that position. That's why we call it a
preliminary agreement.

I don't think either in background, or certainly in my briefing,
we suggested that these are just agreements to agree if they were put
into force. They would have real teeth in them.

Thank you very much.

END

**REMARKS PREPARED FOR DELIVERY
CENTER FOR NATIONAL POLICY
AMBASSADOR MICHAEL KANTOR
FEBRUARY 9, 1995**

I'd like to thank the members of the President's Advisory Committee on trade from the private sector who are here today. With their help, as well as that of many other people in this room and a bipartisan coalition in Congress, President Clinton led this country to the most important two years in trade in history. In that time, the President has led his administration in negotiating 71 trade agreements.

He advanced and then ensured the passage of the North American Free Trade Agreement; set our negotiations with Japan on a new course under the Framework Agreement; concluded and obtained approval of the broadest trade agreement in history, the Uruguay Round; set the stage for trade expansion in Asia through the Asia Pacific Economic Cooperation forum; and scores of other bilateral trade agreements, which will increase U.S. exports, create jobs, and enhance our economy.

President Clinton also convened the historic Summit of the Americas, where 34 nations met and announced creation of a Free Trade Area of the Americas by 2005. I want to state clearly: The United States is committed to pursuing this goal.

To that end, today I am announcing that the United States will host a meeting of the hemisphere's trade ministers in Denver on June 30th, where we will lay the groundwork to meet the goal of the Summit of the Americas: the creation of the "Free Trade Area of the Americas" by 2005. This will be followed on July 1st and 2nd by a meeting of the Trade and Commerce Forum, which I will co-chair with Secretary Brown.

President Clinton has led the fight to open markets and expand trade because it is critical to his effort to create jobs and raise standards of living in this country. That effort begins with an economic strategy that includes the Middle Class Bill of Rights to expand opportunities for working American families, investing in education and training, reforming welfare, reducing the deficit, and making government work again.

But our effort to raise standards of living for American families continues with our effort to open markets and expand trade.

As these charts show, over a quarter of our economy is now dependent on trade. Over 11 million workers in this country owe their jobs to exports. These jobs pay higher wages, on average, than jobs not related to trade. The United States has a mature economy and we have only 4 percent of the world's population. Future opportunities for growth here at home lie in the other 96 percent.

President Clinton understands one way to create new opportunities for workers is by opening

markets abroad, deepening the ties between nations, and fostering global growth. We cannot afford to cut ourselves off from the world. What happens in other countries deeply affects the jobs, productivity and incomes of people in our country.

That's why last week, President Clinton protected American jobs and prevented a global financial crisis with his courageous decision to use his executive authority to support Mexico in its recent currency crisis.

Americans are asking: why did the United States step in to help Mexico? The answer is, by helping Mexico, President Clinton is helping American workers, American jobs and American prosperity.

The fates of our two countries are inextricably linked. We face common concerns in stemming the flow of illegal immigration to this country. Trade is vital to both of our economies. Mexico is our third largest trading partner, and trade with Mexico supports over 700,000 jobs in the United States. It is vital to our national interest to see a strong Mexican economy, firmly pointed toward longer term growth and prosperity.

Despite Mexico's recent problems, the fundamentals of the Mexican economic policy remain intact. Less than 10 years ago, Mexico began to turn away from decades of protectionist trade policies and strict bureaucratic control of their economy.

Mexico could have turned inward as a result of this crisis, as it did in 1982. Instead, it remains open to trade and investment, mainly because of the NAFTA and other growth strategies.

The President knew he had to stop this crisis of confidence from spreading to the rest of Latin America -- and indeed the world. The stock markets of many developing countries around the world fell as a result of the peso crisis, a result solely of short-run investor decisions, not of structural problems in the economies of these individual countries.

Other countries in Europe, Asia and this hemisphere also recognized that Mexico's stability was in their interests and supported the program. In fact, most of the financial backing for the program came from non-U.S. sources.

Developing countries and transitional economies will account for 70 percent of the worldwide increase in imports through the year 2010. Tremendous opportunities for U.S. trade expansion exist there because of dramatic economic and political reforms in recent years.

Nowhere has this change been more impressive than in Latin America and the Caribbean. This region, the second fastest growing economic region in the world, is exploding with growth and trade with the United States and each other.

New leaders are casting off the shackles of decades of heavy government intervention and

trade protection. State enterprises are being privatized, and trade barriers are falling substantially.

Along with the economic reforms in Latin America have come striking political changes. The only country in the hemisphere with a leader who is *not* freely elected is Cuba.

The results have been stunning. The "lost decade" of the 1980s has been replaced by found opportunities in the 1990s. Inflation rates which reached several thousand percent in some countries have fallen to single digits in most nations.

As these charts show, the United States benefitted from economic reform in the hemisphere. U.S. exports to Latin America jumped from \$30 billion in the mid-1980s to over \$78 billion in 1993, creating 600,000 new U.S. jobs.

U.S. exports to Latin America now approximate our exports to the European Union, and are expected to reach \$232 billion by 2010, greater than our *combined* exports to the E.U. and Japan (\$216 billion).

It's not just geographic proximity that accounts for this explosion of trade. By reforming their economies, developing countries have unleashed a tremendous demand for everything from consumer products to capital goods and the materials needed in major infrastructure projects.

Latin Americans spend 40 cents of every dollar spent on trade on U.S. goods. We supply over 70 percent of some countries' imports and often three to four times as much as a country's next largest trading partner.

However, the average Latin American tariff is still over four times the average U.S. tariff. Numerous non-tariff barriers remain. U.S. firms continue to face some investment restrictions and inadequate intellectual property protection in the region.

The potential -- and problems -- in Latin America are greatest for small and medium businesses. Large businesses, for the most part, have the resources that have allowed them to surmount the legal and technical barriers to trade in other countries. Many have sold their goods in Latin America for decades. Small businesses don't have those advantages.

We must level the playing field. These are historic opportunities. But to make our trade agreements work for all people, each country must accept certain responsibilities. We will not accept free riders. Our trade agreements will be single undertakings, like the NAFTA and the Uruguay Round, where each side accepted the same obligations.

Because this increasing interdependence requires new responsibilities among nations, we must begin to address internal domestic policies which distort or inhibit trade, including a nation's lack of a policy towards anticompetitive business practices, lack of transparency in judicial

proceedings which affect trade, and lack of adherence to internationally recognized labor or environmental standards. We began to address these issues in the NAFTA and we will continue to do so as we move forward in Latin America.

Recognizing this historic moment, President Clinton hosted the Summit of the Americas last December in Miami, the first time in 30 years that the nations of this hemisphere have gathered together.

The 34 democratically elected leaders enthusiastically endorsed the U.S. proposal to construct "The Free Trade Area of the Americas," or FTAA, by the year 2005, with substantial progress expected before the end of this century.

The Ministerial in Denver will adopt specific recommendations for both immediate action and long-term work towards the FTAA. Chile's accession to the NAFTA will be a first step in creating the FTAA. We will launch negotiations with Chile by May of this year. This is a long road. But we must remain focused and move forward with determination and optimism.

One study estimated that U.S. exports to Latin America and the Caribbean would be 50 percent higher under the FTAA. This would create an estimated one million U.S. jobs.

The Latin Americans are not waiting for us. Latin America is in the process of integrating now. Nearly every country in the region is part of at least one major subregional trade agreement. There are five regional trading arrangements in Latin America, of which the NAFTA is only one. All are different in nature and scope, but they share a goal of reducing trade barriers and opening markets.

We want to make sure this integration occurs on terms that are in our best interest. That means a common set of trading rules for the whole hemisphere, based on high standards of openness to match our own, not a maze of agreements that complicate, instead of enhance, commercial relationships.

In addition, countries outside the hemisphere are keenly interested in Latin America. The European Union is pursuing the negotiation of an FTA with MERCOSUR, by far the largest trade bloc in Latin America, and already has strong ties to CARICOM. China, Japan and Korea are investing heavily in Latin America.

What happens if the United States is not involved in Latin America? U.S. exports will face import taxes -- possibly as high as 40 percent. U.S. firms, workers and farmers will be placed increasingly at a competitive disadvantage.

Business opportunities for construction contracts, medical equipment, computers -- all the things developing countries want and need -- will go to Europeans, Japanese or Canadians. We will lose chances to create jobs and promote growth in this country.

We have a historic window of opportunity now. Countries in Latin America want to create an FTAA. It is clearly in the U.S. economic interest to make this happen.

Some argue that it is better to retreat behind the walls of protectionism. Well, in a sense, I believe in protectionism, but different from the one critics describe. The protectionism I believe in is protecting America's interests, protecting American opportunities for new jobs and growth, protecting American leadership in this hemisphere, protecting America's competitiveness. We will accomplish this not by turning inward, but by engaging others and expanding ties with our neighbors.

Building walls will not lock our problems out: it will lock our troubles in. Our fortunes are linked with the rest of the world. The Denver Ministerial will be a major step toward the goal of creating jobs and raising standards of living in the hemisphere. Together, by tearing down the barriers that divide us, we can, will and must meet that goal. Thank you very much.

PRESS BRIEFING BY U.S. TRADE REPRESENTATIVE MICKEY KANTOR ON A U.S.-CHINA
TRADE AGREEMENT / SUNDAY, FEBRUARY 26, 1995
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THIS IS A RUSH TRANSCRIPT.

AMB. KANTOR: One hundred and fifty years ago, Major General
Caleb Cushing, representing President Tyler and after consulting with
Jack Valenti -- (laughter) -- a little humor here to begin with -- was
appointed to be the first American commissioner to the Chinese empire.
In July 1843, Cushing, conveyed by a naval squadron of frigates and
sloops, set sail for China carrying a letter for the empire from
President Tyler opening up trade to China. The letter said in part,
quote, "The Chinese love to trade with our people and sell them tea
and silk, for which our people pay silver and sometimes other
articles. But if the Chinese and the Americans will trade, there
should be rules so that they shall not break your laws nor our laws."
One hundred and fifty-three years later, President Clinton has
resolved that not only must there be rules, but that those rules must
be enforced.

Today we have reached an important agreement, one that will
provide protection for intellectual property rights for U.S. companies
and ensure market access for intellectual property-based products.
President Clinton said this morning this is a strong agreement for
American companies and American workers. We have used every tool at
our disposal to fight foreign barriers against competitive U.S.
exports.

The fastest-growing and most competitive industries for the
United States, and ones in which we frequently have trade surpluses,
have been adversely affected by China's failure to enforce

intellectual property rights. These important industries represented in the main here today -- computer software, pharmaceuticals, agricultural and chemical products, audiovisual works, books and periodicals and trademarks -- have been virtually excluded from the Chinese market. And to make matters worse, Chinese-pirated versions of these products have even found their way into third-country markets, some in our own hemisphere, further depriving U.S. workers of legitimate export opportunities.

With today's important agreement, China has committed itself to put in place practices that will both protect our rights and normalize access to its markets for U.S. products. This agreement is replete with respect for the rule of law, including court reform.

Let me summarize quickly 10 very important points in this agreement.

One, it creates a new enforcement structure in China, including working conferences, task forces and other special enforcement periods. Let me note in the last few days alone the Chinese have closed seven of the offending factories, have destroyed over two million CDs and LDs, compact discs and laser discs. And just last night, the seventh that that they raided and closed was the infamous Shinfei (ph) plant, which was the largest factory in China which was producing these products.

Second, creating an effective border control system based on the U.S. model. Let me also announce we have offered and China has accepted technical assistance from the U.S. Customs Service in order to set up this new system to allow U.S. audiovisual and computer software companies to establish operations in China, coproduction and production arrangements, as well as to distribute throughout the entire country. It'll begin in Shanghai and Guangzhou, and by the year 2000 it will cover 13 cities, which is, of course, the majority or a great majority of the Chinese market in these areas.

Fourth, eliminate all quotas and import licensing requirements which were keeping our products out of China, to ensure that U.S. right-holders have access to effective judicial enforcement measures, not only to provide protection against destruction of evidence, both prior to and during trials, but to expedite the processing of these concerns in cases involving not only Chinese concerns but U.S. and others rights-holders as well, and also to provide national treatment for market access to courts, including filing fees.

Number six, a continuing commitment to enforce all intellectual property laws strictly, including the assessment of significant penalties. And let me also announce the Chinese have begun to file criminal cases in this regard as well.

They will share information with us on enforcement activities with the United States on a quarterly basis and meet on a regular basis to discuss these matters.

They will also provide trademark protection, number eight.

Number nine, the ministries, the ministries in China and other asipublic jurisdictions, have agreed to stop using pirated products, especially computer software products in their operations. Extremely important. And the government has said they will provide the necessary resources to buy legitimate products from U.S. and other companies for the use in these ministries.

And number 10, they've agreed to a full and fair transparent regime to publish rules and regulations and laws which are extremely, of course, important to all of us.

This agreement will go a long way toward improving the balance of our economic relationship. The handout you'll be given will further elaborate on what I've just articulated.

I'll be glad to answer your questions. Thank you very much.

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ata

Q Ambassador Kantor?

AMB. KANTOR: Yes?

Q What did the trick? Was it the threats or the fact that other members of the cabinet were holding out carrots while you held the stick?

AMB. KANTOR: First of all, let me say that Ambassador Barshefsky, Lee Sands (sp), Deborah Lehrer (sp), Kathy Field (sp), did a magnificent job. The president's leadership in remaining resolute in understanding we have to level the playing field and make the rules fair, the ability of our negotiators, the absolute 100 percent support of American industry, a lot of which you see standing here with me. And last but not least, this agreement is in the interest of both countries. I've found in this job that the best tool you have for convincing anyone to reach a trade agreement is that it's in everyone's best interest. It's in the U.S. interest, of course. It protects our jobs. It protects our industries. We'll grow capital. We'll grow our standard of living. We'll increase access to these very important products in China.

For China, of course, it will help attract investment, bring U.S. and other businesses into China, and, of course, therefore help their economy as well.

Q Ambassador Kantor?

AMB. KANTOR: Yes, sir?

Q Ambassador Kantor, as late as Saturday, Ambassador Barshefsky was saying there was no progress. What magic did she use or did the Chinese use to strike the agreement at the last minute?

AMB. KANTOR: No magic. Tough, hard negotiation on a reasonable basis where both sides realized it was in their interest to reach an agreement. I think the Chinese negotiators and officials in China recognize that opening up in this area is critical to their future economic success and progress.

Q Ambassador Kantor, I'm just wondering what's next. Are you going still to identify China as a pirate country in this coming April announcement? And my second question is, the abolishing of the import restriction and quota and so on, how much business does it mean to the U.S. IFR export?

AMB. KANTOR: Let me take your second question first. These folks up here can better answer on how much business, but let me note at the copyright industry, the pharmaceutical industry, the

agricultural-chemical industry, the computer software, computer industries, all the industries represented up here are our fastest-growing industries. We dominate the world in many of these areas. In the computer software semiconductor industry alone, we probably have 40 percent of the world's market.

When you open up a country as large as China and growing as fast as China, I think you can understand just how important that will be to U.S. workers and to their incomes and to growing our businesses. And so I can't calculate that on a dollars-and-cents basis today, but I think it's fair to say it will have an enormous impact.

Number two, you asked about April. If I gave that answer today, you wouldn't show up for my April press conference. (Laughter.) So I'm not going to do that.

Yes, sir.

Q Mr. Kantor, what assurances have you gotten that the Chinese will adhere to the agreements? And what are the penalties if they don't?

AMB. KANTOR: Well, the penalties are clear. We have our trade laws and we'll exercise those. I think we've shown we're not entirely shy about doing that. But we expect China to live up to this agreement. Let me say I have nothing but praise for Ambassador Barshefsky's counterparts -- for Madam Wu Yi, the Chinese trade minister, for the leadership that has been provided. And let me also say that Ambassador Li, the Chinese ambassador to the United States, did a commendable job in making sure that there was effective communication between the two countries during this period of time.

Q So unlike the Japanese agreements that over many years were practically ignored, you think this one's going to work?

AMB. KANTOR: Well, number one, our Japanese agreements aren't being ignored. Number two, our Chinese counterparts have committed themselves to a very impressive set of enforcement procedures here, not only enforcement but market access commitments as well. Putting the two together, I think you can be assured and the American people can be assured we have made a major step forward.

Yes, sir.

Q Ambassador, originally you were talking about the 29 plants that you wanted either closed down or at least raided. Today you're talking that seven of them have been closed. This has been also a compromise on the U.S. side. What have you stepped down from?

AMB. KANTOR: No, they've also committed to, of course, continue to carry out these enforcement actions and implement a special enforcement period to create task forces and to address the other pending factories in China as well. That's part of the agreement.

All I was referring to up till now, in the last few days, they've closed seven alone. And I think that's quite impressive.

Q To follow up, what concessions did the United States side make to get this agreement, if any?

AMB. KANTOR: We withdrew our 301 action and will not implement the sanctions on over a million dollars on parts, 100 percent tariffs on those products. And number two, we've agreed to work together to provide technical assistance. Number three, we've also agreed that we'll continue to work for increased market access in China for other goods, foreign competitive goods, as well as for agricultural goods as well, and to address the problem of providing also services in China.

Q Ambassador Kantor --

AMB. KANTOR: Yes.

Q -- does that mean that the U.S. is going to look more favorably on China's attempt to join the WTO?

AMB. KANTOR: They're not connected. It's not been part of these discussions. We expect China, in order to gain accession to WTO, will do so on a commercially reasonable basis. But let me say, the ability to reach an agreement in this critical area, which is, of course, part of the Uruguay Round -- that's the so-called TRIPS agreement on intellectual property -- will help clear away some of the problems that many countries had with China's accession. I also think it creates a better atmosphere. But there was no direct connection and no discussion during any time with regard to China's desire to join the World Trade Organization and this discussion over intellectual property rights.

Q With this IPR suit out of the way now and the WTO negotiations not going anywhere, at the moment, anyway, do you plan on stepping up the pressure on those problems, on agriculture and services?

AMB. KANTOR: I'm sure discussions will ensue in a number of areas. There is a second letter that has been sent by Madam Wu Yi which we have not fully translated which, of course, seems to be very positive and helpful, and I think cites some of these other considerations.

Q Ambassador Kantor?

AMB. KANTOR: Yes.

Q I understand that the news conference is about China, but if you don't mind, let me ask you a question about Korea. There is a report that the USTR is preparing a tough position against the Korean market, particularly the beef market. Would you please comment about that?

AMB. KANTOR: We have not been entirely satisfied with Korea's response to our concerns that their market in -- or their market for our beef has been as open as our agreements would make sure that they are. And so therefore, we have indicated to our Korean counterparts we're not entirely satisfied with the situation.

Q Mr. Ambassador, now Nintendo and other software manufacturers have asked you to name Hong Kong to one of the 301 lists in April because of lax penalties given to the offenders in Hong Kong. What is your reaction to that?

AMB. KANTOR: We'll review that in April and we'll make a decision at that point.

Q Ambassador Kantor, you've got computer software covered in the agreement, and the question I have is whether the term "computer software" extends to the protection of video game software as well.

AMB. KANTOR: Yes, it does. In fact, video game software is specifically named in the agreement as well, but it's also covered under that rubric.

Q Ambassador Kantor, can you just tell us -- give us an idea what time these negotiations were concluded? Just -- of course, if you can just give me the time frame here.

AMB. KANTOR: (Laughs.) They were concluded about three or four times -- (laughter) -- during the evening. Part of the problem during the evening was conforming the Chinese text and the English text to make sure they would be interpreted in the same manner. We believe we had an agreement, U.S. time, eastern standard time, about 11:00 last night. And then there was further phone calls during the night in terms of an attempt to make sure there was complete conformance of the texts. And not until, I'd say, 9:15 this morning, 10:15 Sunday night in China, was the complete agreement on all sides and the signing ceremony held.

MODERATOR: All right, let's take one more question.

Q Ambassador Kantor, the threat of sanctions on China by the United States seemed to have some effect this time. Do you think that we can expect to see threat of U.S. sanctions against other countries in the future in trade discussions like these?

AMB. KANTOR: The one thing you want to do in representing the largest trading nation in the world -- and the president wants to open markets and expand trade -- is to be careful, cautious, responsible and professional as we approach these problems. We're going to enforce our trade laws. We're going to enforce our trade agreements. But we're also going to try to work with our trading partners to ensure the fact that we can get our products into a country, and when we get them in, they're protected. I think there's a balance to be

struck, and I think this president has struck the right balance.

Q Mr. Kantor, can you talk a little bit about Canada? The meetings and --

AMB. KANTOR: I was just there. (Laughter.)

Q Can you talk here about it? (Laughter.)

AMB. KANTOR: (Laughs.) I'd be happy to. I'll take one more question on --

Q I just wondered if you could summarize the talks with the minister.

AMB. KANTOR: Talks with Minister MacLaren and the talks between the president and President Chretien covered a number of subjects. I'm sure you want to talk about trade. We spent, as you might imagine, quite a bit of time on trade. I had two meetings with Minister MacLaren, covering about three and a half hours. We also met with Canadian business people. We covered everything from the status of the commissions on wheat and softwood lumber to what is called cultural concerns in Canada; we call free access to the market in terms of everything from the Country Music Television to Sports Illustrated to direct home -- satellite-to-home television, to artists' rights. We also discussed dairy, eggs, poultry, sugar, sugar-containing products, peanuts. We had a number of interesting and lively exchanges. And I think, as usual, we pushed the ball forward.

Q Any progress in any of those?

AMB. KANTOR: We pushed the ball forward.

MODERATOR: Thank you very much.

AMB. KANTOR: Thank you very much.

END

TESTIMONY BEFORE THE
HOUSE WAYS AND MEANS SUBCOMMITTEE ON TRADE
AMBASSADOR MICHAEL KANTOR
UNITED STATES TRADE REPRESENTATIVE
MARCH 9, 1995

Mr. Chairman, it is a pleasure to appear before this subcommittee today to bring you up to date on our recent agreement with China which will provide for strong enforcement of copyrights, trademarks, trade secrets and other intellectual property rights in China. Our computer software, motion picture, sound recording, and publishing industries will also benefit from new, improved access to the Chinese market.

Until now, China's failure to provide effective enforcement of intellectual property laws has caused substantial damage to U.S. industries in what is one of the fastest growing markets in the world. Theft of copyrighted products (computer software, motion pictures, videos, sound recordings, books and periodicals) has reached epidemic proportions. The failure to enforce intellectual property rights (IPRs) combined with quotas and other market access barriers have kept our legitimate products out of China and pirate copies have displaced sales in third-country markets. Some of our most famous trademarks, Kelloggs, Del Monte, M&M, have been copied and applied to fake goods. Our announced estimate of the burden or restriction on U.S. trade was over \$1 billion.

The recently completed IPR Agreement protects U.S. industries that are consistent export earners from the flagrant piracy of their products, and provides new markets for the products of U.S. workers in these industries. Through full implementation of this Agreement, China will demonstrate that it can play by international rules on a matter of importance to its own development and economic interests as well as its trading partners. China will also have access to high quality products from the United States and assistance in the implementation of this Agreement. In addition, this enhanced protection will attract new investment to China.

Let me express my appreciation for the support that the Administration has received from the members of this subcommittee as we have negotiated with China. It was critical to our success in reaching this agreement that the Chinese government understand that there was strong support from both the Congress and the business community for remaining resolute in the face of the Chinese government's tolerance for piracy of U.S. intellectual property.

President Clinton believes that increased trade is critical to our efforts to create jobs and raise standards of living in this country. The importance of trade to our economy and the rest of

the world demands that the global trading system be based upon a set of rights and responsibilities that all countries must accept. The Clinton Administration, with bipartisan support in Congress, has pursued this goal of an open and fair trading system through multilateral agreements like the Uruguay Round, regional initiatives like the NAFTA, and bilateral negotiations like our current agreement with China. All of these initiatives share a common purpose of opening markets, expanding trade, creating jobs and strengthening the U.S. economy.

Mr. Chairman, on February 26, we took the latest step in that effort, when the Administration announced that the United States and China had reached an agreement that will provide for both immediate and longer term improvements in enforcement of intellectual property rights (IPR) owned by U.S. individuals and companies and market access for industries that rely on IPRs to protect their products. As President Clinton said, "This is a strong agreement for American companies and American workers...we have used every tool at our disposal to fight foreign barriers against competitive U.S. exports."

The importance of this Agreement is bolstered by the fact that it sets the stage for achieving solutions to other trade issues on our agenda with China. Full implementation of the October 1992 agreement on market access is being discussed now. Barriers to exports of U.S. computers, textiles, heavy machinery and other products must be eliminated if the U.S. market is to remain open to accelerating exports from China.

We are also discussing market access for agricultural products. China maintains a number of non-science based quarantine measures which restrict access for U.S. agricultural products. We are asking China to adopt Sanitary and Phytosanitary (S&P) measures which comply with the Uruguay Round Agreement standards and base all S&P measures on scientific principles. China's quarantine restrictions on certain U.S. fruit exports (grapes and apples) because of med fly concerns is one of several S&P issues under discussion. We have also targeted Chinese S&P measures limiting U.S. exports of wheat, tobacco, live cattle, bovine embryos and bovine semen.

China's services markets must also be opened to U.S. companies. We have asked that China commit to substantial liberalization of its insurance, distribution, advertising, travel, communications and service sectors. We have also initiated discussions on telecommunications services in the context of China's accession to the World Trade Organization.

We believe that these issues should also be addressed in a positive manner. But for now, allow me to summarize the major aspects of our agreement with China on IPR enforcement and market access for our audio-visual and computer software industries.

I. Major Industries Benefitting

- Computer software producers, including producers of CD-ROMs and video games, will benefit from increased action against manufacturers and retailers to eradicate piracy in China, including a ban on infringing exports and improved market access.
- Motion picture and video producers will benefit from enforcement of their copyrights, in particular against producers of pirated Laser Discs (LDs) and tapes, elimination of quotas, import licensing requirements and more transparent rules on censorship and faster implementation of censorship rules.
- Sound recording producers of compact discs (CDs) and tapes will immediately benefit by enforcement actions against CD pirate factories and enforcement against exports to third countries, the right to exploit a company's entire catalogue and other market access provisions.
- U.S. trademark owners in all categories of goods and services that must enforce rights in China and, especially companies that have well-known marks, like Del Monte, 3M, and Kellogg, will benefit from expedited and improved procedures to permit enforcement of trademarks. Protection against unfair competition, through copying of trade dress and other actions that could mislead or confuse consumers will also provide benefits for a wide range of U.S. industries that trade with China.

II. Immediate Benefits--Enforcement

- Export and import of pirated CDs, LDs, CD-ROMs and counterfeit trademark goods will be prohibited and infringements strictly punished, through:
 - intensified inspections and commitments to detain suspected goods for investigation, and when infringement is found, pirated CDs, LDs CD-ROMs and other infringing goods will be seized, forfeited and destroyed and the machinery and implements directly and predominantly used to make the infringing goods will be seized and destroyed.
 - Establishment of a copyright and trademark recordation system modeled on the U.S. Customs system.
- Creation of a comprehensive enforcement mechanism that is

empowered to investigate, prosecute and punish infringing activities throughout China.

This will be accomplished through:

- A State Council working conference on intellectual property rights (IPRs) that will issue directions and coordinate IPR policies.
- Establishment of sub-central (provincial, regional and local) intellectual property working conferences in at least 22 provinces, regions and major cities and special enforcement task forces.
- Cross-jurisdictional enforcement efforts will be specifically authorized, coordinated and carried out by enforcement task forces.
- Enforcement task forces in which all relevant departments, including the police and customs, will participate so that the task force has authority to search premises, preserve evidence of infringement and take action to shut down production of infringing goods, impose fines and revoke operating permits and business licenses.
- An intensified enforcement effort over the next six months with possible extensions of this time period for specific areas depending on success in eradicating infringement.
- Establishment of a copyright verification system and use of unique identifiers (special codes stamped on the molds) on CDs, LDs and CD-ROMs that will help identify infringers and ensure that only firms with permission from the copyright holder will be authorized to reproduce, import or export these products.
- Associations of right owners (the Motion Picture Association, and Software Publishers Association) will be permitted to establish representative offices in China to assist in this verification process and engage in other activities that representative offices are permitted to undertake in China.
- Technical assistance from the U.S. Customs Service, Department of Justice and the Patent and Trademark Office to ensure effective implementation of these programs and mechanisms.

Short term efforts by the Enforcement Task Forces will focus on:

CDs, LDs and CD-ROMs. This will be done through:

- investigation of all factories producing CDs, LDs and CD-ROMs to determine whether they are producing authorized products will be completed by July 1, 1995.
- investigation of firms engaged in distribution, leasing or public performance of audio-visual products (CDs, LDs, video tapes, motion pictures, audio tapes, video games) during the special enforcement period.
- establishment of an inventory check system at the retail level to ensure that only authorized product is being sold.
- revocation of operating permits belonging to those who infringe more than one time and revocation of business licenses for serious repeat offenders with a commitment not to grant a business license in the same field of activity for a period of three years.

Computer Software

- investigation of all entities, including public (government), private and not-for-profit entities that engage in commercial reproduction, wholesale, retail or rental of computer software.
- establishment of an inventory check system for software under which any product that is not distributed by a licensed firm will be seized and destroyed. Business licenses for dealing with computer software will be required and those firms found to deal in infringing or unauthorized product repeatedly will lose their business license for three years. Normal administrative and judicial remedies will also be available.
- All entities (including public entities) must provide resources sufficient to purchase legitimate software.

Books and other Published Material

- intensified investigation of publishing houses and revocation of business licenses of those engaged in piracy.
- verification that printers have authorization from the right holder to print the book or other material. Printing houses operating without a license will be shut down.

Trademark

- Pursuit of "model" cases to provide a deterrent effect on other counterfeiters
- Immediate access to all trademark agents operating in China, and for the purposes of enforcement, joint-ventures, wholly owned subsidiaries, and licensees in China will be permitted to act on behalf of the U.S. owner of a trademark.

To date, the Chinese have raided and closed seven factories, including the most notorious of the pirating factories, the Shenfei Laser Optical Systems Company outside of Hong Kong. Over 2 million CDs and LDs have been seized and destroyed in recent weeks. As I outlined the Chinese government is committed to take further steps necessary to discover any other infringing factories and move against them within the next three months, seize and destroy infringing products and seize and destroy any machinery directly and predominantly used to produce infringing products.

III. Other Enforcement and Administrative Actions

- Improved access to effective administrative and judicial relief, including expeditious handling of intellectual property cases involving foreigners, the right to investigate alleged infringement and present evidence, and to request preservation of evidence of infringement while the case is pending.
- Establishment and publication of standards to govern the registration and renewal of trademarks in China, including standards on the key issues of determining likelihood of confusion, descriptiveness, rules for cancellation and opposition procedures.
- Enhanced protection against unfair competition, including abuse of trade dress, trade names and other actions that mislead the public as to the relevant goods and services.
- Exchange of information and statistics on Chinese enforcement efforts and regular consultations to discuss the adequacy of enforcement efforts. The United States will also provide information on intellectual property enforcement actions in this country.
- Enhanced training for Chinese judges, lawyers, students, government officials, and business persons on the nature of intellectual property and the importance of its protection.

IV. Enhanced Access to the Chinese Market

- Confirmation that China will not put in place quotas, import licensing requirements or other (non-censorship) requirements on the importation of U.S. audio visual products, including sound recordings, motion pictures and videos.
- U.S. record companies will be permitted to market their entire catalog of works in China, subject to censorship rules.
- U.S. film product companies are permitted to enter into revenue sharing agreements with Chinese companies.
- U.S. companies in the audio-visual industries will be permitted to enter into joint venture arrangements for the production and reproduction of their products in China. These joint ventures will also be able to enter into contractual arrangements immediately with Chinese publishing enterprises for the nationwide distribution, sale, display and performance of their products in China. They will now be able to establish operations in Shanghai and Guangzhou and other major cities, with the number of cities to grow to thirteen by the year 2000.
- U.S. computer software companies will also be permitted to establish joint ventures in that sector and produce and sell computer software and computer software products in China.

A Review of the Problem and a History of U.S. Efforts to Resolve It

From 1984 through 1994, U.S. yearly exports to China rose from \$3 billion to \$8.8 billion. In the same period, however, Chinese exports to the U.S. rose from \$3.1 billion to almost \$38 billion. Some of the fastest growing and most competitive industries in the United States -- and ones in which we frequently have a trade surplus -- have been adversely affected by China's failure to enforce intellectual property rights, including computer software, audio-visual products, books and periodicals and trademarked goods and services.

While China did make significant improvements in its IPR legal regime as a result of the 1992 U.S.-China Memorandum of Understanding on Intellectual Property Protection, piracy of copyrighted works and trademarks continued to be rampant because China did not live up to its obligation under the Agreement to enforce its laws and regulations. Until recently, enforcement of

intellectual property rights has been virtually absent, with piracy rates soaring in all major urban centers along China's increasingly prosperous east coast.

Piracy of computer software -- one of the most competitive industries of the United States -- has been running as high as 94 percent, according to U.S. software industries. Chinese piracy of U.S. CDs, laser discs, cassette tapes, videos and movies has been close to 100% in many parts of China.

In the past two years, Chinese companies have begun to export pirated products in large volume -- invading markets in southeast Asia and even reaching Latin America, Canada, and the United States. This trend is exemplified by the fact that 29 CD and LD factories in China have had a production capacity of 75 million CDs for a domestic market that can absorb only 5 million CDs annually. In addition, some of these factories began to produce and export CD-ROMS, which can hold dozens of computer software programs and other copyrighted works on a single disk. The administrative apparatus in China for policing copyright piracy has been extremely weak. Piracy of trademarks has also been rampant, especially in south China. Enforcement, while effective in some locales, has been sporadic at best.

On February 4, 1995, the Administration announced that, although the United States stood ready to continue to engage in serious negotiations, it had ordered the automatic imposition of 100% tariffs on over \$1 billion of imports of Chinese products beginning February 26 if an acceptable agreement could not be reached by that date.

Our February 4 announcement was the result of an eight month investigation under the Special 301 provision of the Trade Act of 1974 into China's intellectual property rights enforcement practices. On December 31, I issued a proposed determination that China's IPR enforcement practices were unreasonable and burdened or restricted U.S. commerce and denied fair and equitable market access to U.S. IPR owners. USTR published a proposed retaliation list of \$2.8 billion and held hearings on the proposed increase on tariffs on these products. At the same time, I extended the investigation until February 4 to allow negotiators time to pursue an acceptable settlement.

China's WTO Accession

There has been some speculation about the relationship between the IPR agreement and China's interest in becoming a member of the World Trade Organization. There has been no link between the two exercises. However, I am hopeful that this recent IPR agreement will help to improve the negotiating environment on China's eventual membership in the World Trade Organization. But, I want to be very clear: substantial work and improvements

are necessary in a number of areas before an agreement on China's WTO protocol package can be completed. That package comprises a protocol of the terms and conditions of the accession, a working party report which are negotiated multilaterally, and market access schedules in goods, agriculture and services which are the result of bilateral negotiations.

We are prepared to work with China, as we have in the past, to develop a mutually advantageous and commercially viable agreement. This will be beneficial to our goal of strengthening our bilateral relations. The Ways and Means Committee has been similarly clear that this is the way the Administration should proceed in this matter. The Administration, the Congress and the private sector are of one view on accession: it can only be completed on strong commercial terms.

The last set of meetings held on China's accession were in December. The Chairman produced negotiating texts and we conducted bilateral negotiations on market access, as did other countries. The progress was insufficient, and greater flexibility will be required before an agreement can be reached. In December, China's was unwilling to commit to align its trade regime with international norms or increase market access in goods, services and agriculture. The United States as well as other WTO members have outlined the areas where China must make commitments to undertake basic GATT and WTO obligations and to secure transparent and meaningful market access opportunities.

In early February, the Chairman conducted informal consultations. The consensus of China's partners was that unless and until China was prepared to undertake liberalization in market access and provide assurances about its regime conforming with WTO obligations, there was little point in resuming negotiations. The Chairman of the Working Party has asked all sides to review their negotiating positions, we are actively consulting with labor, business and agriculture on the status of negotiations and U.S. priorities and interests. We understand that China is undertaking its own review.

I remain hopeful that the results of China's review will enable China to signal that it is now prepared to pursue its accession to the World Trade Organization. China is not now participating as an observer in WTO meetings, unlike other accession applicants. I know that members of the Committee agree that it is in the interests of the United States that China become a member of the WTO, but only if it is secured on a commercially acceptable basis.

China's accession to the WTO on acceptable terms remains important and beneficial to all trading nations. China's accession would guide the structure of China's reforms, and it will cement reforms that are currently in place. A good protocol

package will lead also to substantial additional market opening and a much improved trade and investment régime.

China's accession is important for reasons beyond our bilateral relations. There are now some 25 accession applications pending, including many other countries that are in the process of transforming their regimes to market-based systems. If China accedes to the WTO on anything less than commercially reasonable terms or without commitments to take further reform measures the integrity of the WTO will be at risk. We are prepared to resume our efforts with China and look forward to working with the Committee as the negotiations proceed.

Conclusion

Mr. Chairman, this is a good agreement for U.S. workers and firms. It will bolster our efforts to create more high-wage jobs in some of our most competitive industries. Our legitimate, high-quality products will not be required to compete against Chinese pirated and counterfeit goods in third countries and in China. Our exports to China and third countries should increase. It means American businesses can gain the confidence they will be fairly treated as they enter the Chinese market, one which presents immense potential for U.S. businesses.

It is also a good agreement for the Chinese. It will provide evidence that China is willing to play by the international rules and enforce them. It will also improve the investment climate and encourage access to the high quality, technologically advanced U.S. goods and services. The agreement contains key features ensuring transparency in the Chinese system, which bolsters efforts to have a more open and democratic society.

Mr. Chairman, it is critical that we do not rest on this Agreement alone. Equally important, we must ensure that the agreement is fully implemented and enforced. We will be working aggressively to make sure that it is.

Again, let me say that I appreciate the support and cooperation we have received from the members of these subcommittees. I look forward to working with you in the weeks and months to come as we implement and enforce this historic agreement. Thank you.

#1

US Trade Representative Mickey Kantor
Remarks at Signing of IPR Agreement
Ministry of Foreign Trade and Economic Cooperation
March 11, 1995
Beijing, China

I would like to thank Minister Wu Yi and her colleagues for their commitment and their creativity which, in large measure, contributed to the success of this agreement. A sign of a good agreement is when both sides are winners, and I think that is clearly the case in this agreement on intellectual property.

Intellectual property-based industries not only represent our fastest growing industries, but they are the connecting tissue that binds us together as a world, and they will be our most important industries of the future.

In addition to enforcement and technical assistance and technical cooperation, market access for our audio-visual and computer software companies is a critical aspect of the success of this agreement. To that end, and at the invitation of the Chinese government, which we appreciate, the companies traveling with me represented here today spent the day discussing commercial opportunities with their Chinese colleagues.

As a demonstration of our belief in this agreement, I've come to China at President Clinton's request, and at Madame Wu Yi's invitation, with a large government and industry delegation to formally launch implementation of this agreement. I have brought with me representatives of every IPR Intellectual Property Rights enforcement-related agency in the entire United States Government: the Customs Service, the Federal Bureau of Investigation, the Department of Justice and the Department of Commerce. They began discussions of their extensive training and assistance programs with their Chinese counterparts immediately upon their arrival.

The Customs Department, for instance, did not come empty-handed, Madame Wu Yi. They brought \$500,000 in aid provided by the Asian Development Bank to support important training and advisory activities. U.S. Customs agents will work closely with their Chinese counterparts as they implement China's new custom regulations to protect intellectual property. The Patent and Trademark Office will offer detailed programs in copyright, trademark and patent areas. Identification of IPR infringement must be followed by prosecution of violators by the Chinese government to be effective. In that regard, the Justice Department will be quite helpful. The Department of Commerce and the Federal

Bureau of Investigation have also began detailed discussions with their Chinese counterparts today, as well.

As I said this afternoon, when I spoke to students at the University of Business and International Economics, in the 6th century Chinese engineers perfected a new iron link technology for building suspension bridges across rivers and streams. Fourteen centuries later, we're now building a new generation of bridges on the edge of a new millennium constructed of mutual trust and shared responsibility. These bridges will connect the great economies of the world for the benefit of our citizens. The IPR agreement is a hopeful sign of what we can achieve when we work together to resolve difficult problems.

Thank you again.

Statement as Delivered

Ambassador Michael Kantor

March 13, 1995

Beijing, China

I want to brief you today on the results of three productive days of meetings here in Beijing. Our work has resulted in new steps forward in U.S.-China relations.

In three days, we've:

- Signed an important new agreement on IPR;
- Engaged in technical assistance to implement the agreement;
- Reached an "eight point accord" that's a roadmap for our work to resolve differences over market access, services, agriculture, and China's accession to the WTO.
- Signed a new agreement on space launch services.

At the invitation of the Chinese, and at the request of President Clinton, I came to Beijing to launch the Intellectual Property Rights enforcement Agreement and to discuss a wide range of trade and other issues.

I am honored to have just come from a meeting with President Jiang Zemin and with Vice Premier Li Lanqing. We had a productive and frank exchange on trade and other issues.

The most important theme of my trip has been the promotion of our relations on the basis of reciprocal responsibility and the rule of law. The new IPR agreement is a model in that regard.

The new agreement is a concrete sign that China is accepting the rule of law in some aspects of important areas. As I told a group of Chinese students last Saturday, laws are animated by the resolve of nations to hold them supreme.

With the technical assistance of U.S. government officials and private industry representatives on this trip, China is establishing the mechanisms necessary to recognize the rule of law in the area of protecting intellectual property rights -- from enforcement task forces to the right of individuals to challenge infringers -- to a more transparent and accessible enforcement process. This system will benefit Chinese citizens as much as U.S. exporters.

We remain disappointed that China has not taken additional steps on human rights. China has not moved significantly in key areas of concern. This is an issue of great importance to the President and to the United States, and an area where we will

continue to press. And failure to make progress will continue to present difficulties.

On IPR, I came prepared to launch the Agreement and demonstrate our seriousness in seeing the Agreement implemented. I have been very pleased to learn that the Chinese are equally dedicated to implementation of the Agreement.

I learned this morning that China has devoted over one million people from the courts, prosecutors, police, and other IPR and law enforcement agencies to stamping out piracy.

For our part, I brought with me the Commissioner of the U.S. Customs Service, George Weise, senior officials from the Department of Justice, the Federal Bureau of Investigation, and the Department of Commerce to set up training and assistance programs for Chinese IPR enforcement agencies.

At the same time, 10 CEOs and senior executives from companies and associations that represent the full range of industries that rely on intellectual property rights protection. They are the industries that rely on creative ideas and the inventive genius of the American people -- and it is those ideas that the IPR Agreement will protect.

Our industries will be looking for successful implementation of the market access commitments in the Agreement as they themselves commit to providing substantial assistance to China's enforcement efforts.

Over the course of the last three days, U.S. government officials and the businessmen have met with their Chinese counterparts to begin technical assistance on enforcement. The businessmen have also begun talks on the formation of joint ventures in the audiovisual and computer sectors.

I reached an 8 point agreement with Minister Wu Yi on market access, bilateral services, and China's accession to the WTO. Point one, China has agreed to lift the suspension of the 1992 market access Agreement as soon as possible, in any event no later than March 31, 1995. China will now lift quotas and licensing requirements on a wide range of agricultural products, textile machinery, textile and apparel products, computers, and heavy machinery.

In addition, China and the United States jointly agreed to vigorously pursue on a bilateral basis market access for value-added telecom services and insurance. Both sides agreed that these discussions will be based on U.S. proposals tabled in bilateral services negotiations last fall.

In both areas, the United States has asked for commercial presence for U.S. telecom companies and for insurance providers on a graduated basis -- and for licenses for U.S. companies.

The United States and China also agreed to implement the Letter of Intent on market access for agricultural products -- including cherry exports from Washington state, expanded access for apple exports, leaf tobacco, and livestock and genetic products. Minister Wu and I renewed our commitment to resolve differences over standards for U.S. fruit and wheat. Negotiations on these issues will be held over the next two months.

On the WTO, as previously stated, the United States will support China's accession to the WTO as a founding member. For my part, I have agreed to become personally involved with and review all proposals related to China's WTO accession. Further, both countries agreed to pursue China's WTO accession talks on a flexible, pragmatic basis, with the understanding that all WTO members are committed to reach commercially-viable agreements. We would expect the same from all of our trading partners. Those talks are expected to begin in late April in Geneva.

Minister Wu and I agreed to address realistically the issue of China's developing country status. Both countries understand that China could be characterized as developed or developing depending on the UR round category. This agreement dictates that we move beyond labels and address each issue on a realistic, pragmatic basis.

Finally, in all discussions, the United States and China will conduct all negotiations with a positive attitude and recognize the growing importance of our trade relationship.

Last, I am pleased to conclude my first trip to China by renewing our bilateral space launch agreement. In the six years since the first agreement was signed in 1989, China has become a recognized competitor in the international market for space launch services. This Agreement benefits both the United States and China. The market for satellite services requiring space launch vehicles is in a period of rapid change which will create new commercial launch service opportunities. Through this agreement, China's ability to compete for these opportunities will grow, with increased potential for cooperation between U.S. and Chinese firms.

The Agreement will permit China to participate in the international market for launch services while providing necessary safeguards against market disruption.

In my many discussions with Chinese leaders, I have discovered that we share a large number of common goals on trade. Just as our negotiators discovered during the IPR negotiations, with flexible, creative thinking on both sides, we can move from common goals to common vision to common ground.

IPR Enforcement Agreement

Fact Sheet

The February 26 IPR enforcement agreement, an exchange of letters and a Chinese action plan, commits China to take effective measures to substantially reduce IPR piracy -- particularly of copyrighted works, trademarked and patented products. More important over the longterm, China will also create a new IPR enforcement structure, and provide market access for audiovisual products, computer software, and books and periodicals.

As part of China's commitment to substantially reduce piracy, China will establish a 9 month special enforcement period during which the central and local governments will launch an intense crackdown on major pirates of copyrighted works and trademarked products. To make this effort possible, China will create a system of high level task forces at the policy level and tough, anti-piracy task and strike forces from the central down to the local levels all along the east coast and in urbanizing parts of the interior. These forces will target major offenders, and make full use of the authorities of the police and the IPR enforcement agencies to ensure that piracy is brought and remains under control. These task forces will remain in effect for three to five years.

Among other matters, the Agreement establishes new and effective rules for border enforcement, a copyright verification system for audiovisual and CD-ROMS incorporating computer software, separate and detailed plans to cleanup the audiovisual, books and periodicals and computer software sectors, a nationwide training and inspection system designed to prevent infringement, and a nationwide educational program on IPR protection.

Finally, under the Agreement, U.S. companies will have access to China's domestic audiovisual and computer software markets. U.S. companies are permitted now, for the first time, to establish joint ventures to produce, reproduce, distribute, sell and perform audiovisual works in China. Similarly, U.S. motion picture companies will be permitted to enter into revenue sharing arrangements -- and, as a practical matter, increase their access to China's huge domestic market for films. China has abolished quotas for audiovisual productions, in addition, and will make censorship requirements transparent shortly.

To ensure effective implementation of the Agreement through its three to five year life, the Chinese and the United States have committed to frequent consultations, exchanges of data on IPR enforcement activities, and publication of reports from each of China's new IPR task forces. Far greater participation by foreign rightholders in the enforcement of their IPR rights will make it possible to ensure and monitor implementation of the

Agreement.

NEW ENFORCEMENT STRUCTURE

Special Enforcement Period

China will intensify for the next six months the Special Enforcement Period that began on January 1 and is aimed at severely cracking down on major infringers of copyrighted works, trademarks and patented products. In its initial period, the Chinese authorities will focus on large-scale infringement in the audiovisual and computer software sectors. In regions in which piracy levels continue to be high following the August 31, 1995 conclusion of the Special Enforcement Period, the Period may be extended until such time as piracy has been brought under control. The United States and China will consult regularly on the levels to which piracy has been reduced in key regions of China.

High Level IPR Working Conferences: As part of its effort to focus antipiracy efforts, under the Agreement, the central government's State Council has established a ministerial-level Working Conference on Intellectual Property Rights. That task force is comprised of the major enforcement arms of the Chinese government, including the police, such key ministries as the Ministries of Electronics Industry, Radio and Television, Culture, the Administration for Industry and Commerce, and the Chinese Customs Service. Headed by Vice Premier Li Lanqing and State Councilor Song Jian, the Working Conference is charged with overall coordination and direction of antipiracy work nationwide -- including establishing policy and coordinating cross-regional and cross-jurisdictional operations.

Provincial and Local IPR Working Conferences: Coordinating and organizing antipiracy efforts and setting policy guidelines in more than 22 provinces and major cities in China are similar work conferences -- that report to and follow the direction of the State Council. To ensure that local task forces do indeed follow the lead of the central government, they will formulate and publish their own action plans -- tailored to the specific piracy problems in their areas -- and report regularly to the State Council on the progress of antipiracy work. Typically, each task force is headed by the Governor or Deputy Governor, or Mayor or Deputy Mayor, of the region in which it is located -- thus giving it significant authority.

Enforcement Task Forces: Each region has also established task forces -- comprised of IPR enforcement agencies and the police -- to carry out the policy decisions of the work conferences. Task forces, which have broad powers to suppress piracy and are to be accorded sufficient resources, and will target key offenders, enjoin infringing activity, strip repeat offenders of their business licenses, levy stiff fines, and remand infringers to the prosecutors for criminal prosecution. Copyright and trademark

infringement are both crimes in China, with sentences up to 7 years in prison available for serious, repeat offenders.

In areas where a particular type of piracy is endemic, the task forces will set up specialized ad hoc groups to attack that form of piracy -- for example CD piracy in Guangdong.

In addition, under the Agreement, each task force is pledged to work with foreign rightholders, make its activities transparent, respond within 15 days to petitions by rightholders who believe their products may have been infringed, and set up contact persons and phone numbers. Task forces will also establish hot lines so that suspected infringers may be reported to the authorities for investigation.

The task forces will remain in effect for at least three to five years.

SPECIAL ENFORCEMENT PLANS

The Agreement creates special, tailored enforcement plans in the vital audiovisual, computer software and book and publishing sectors. These plans will operate both in the short-term and over the long-term.

Computer Software and Audiovisual Plans

CD Factories

As part of its current focus, China will by July 1, 1995 eliminate piracy in all CD, LD and CD-ROM factories. These factories include the more than 29 factories, largely in south and central China, that currently have a production capacity of more than 75 million CDs. Factories that have been determined to have engaged in infringing activities will be punished through seizure and forfeiture of the infringing products -- and will be required to pay compensation adequate to compensate the loss suffered by the infringed party. In addition, factories found to have engaged in serious infringing production are subject to having their business licenses revoked and the machinery and equipment used to produce the infringing products seized, forfeited and destroyed.

Long-term Plans to Clean Up Markets

China is also instituting a long-term plan to clean up the audiovisual, computer software and book and publishing markets. Beginning immediately, the Chinese authorities will:

- o Make mandatory the use of a unique identifier by all factories engaged in production or reproduction of CDs, LDs, and CD-ROMS, so that the authorities will be able to determine which factory has produced infringing products -- should that occur. Failure to make use of the identifier

will subject the factory to administrative sanctions and revocation of business licenses.

- o Establish a copyright verification system. Under the system, no Chinese entity will be permitted to produce, reproduce, distribute, or export CDs, LDs, and CD-roms without (1) securing a copyright registration certificate from the National Copyright Administration (NCA) that verifies the legitimate licensee, and (2) without securing a permit from the 'relevant authority' in their locality. Granting of the permit is conditioned upon verification of the copyright. That authority is either the Press and Publications Administration, or the local branch of the Ministry of Radio and Television or the Ministry of Culture.
- o Begin comprehensive inspections of all audiovisual establishments that engage in production, distribution, retailing, rental or performance. Establishments that engage in serious infringing activities will be subject to revocation of permits and business licenses, as well as severe fines. Depending on the level of infringement, they will also be required to provide compensation to rightholders and to face criminal penalties.
- o Monitor carefully the inventories of all retailers, and work with rightholders to identify products that may have been infringed.
- o Establish training requirements so that producers, distributors and retailers cannot maintain their business licenses unless they have acquired a good knowledge of IPR laws and regulations -- and passed stringent examinations.

The Chinese Government has also pledged to make use only of legitimate software and to make available sufficient resources to permit public institutions to purchase software that is properly licensed.

All local authorities will report to the State Council, by July 1, 1995 for audiovisual products and October 1, 1995 for computer software, on the results of their implementation of these plans.

Trademarks

The Agreement substantially liberalizes access to the enforcement structure and provides greater protection for trademarks overall, especially well-known trademarks. Among other things, the Agreement provides for:

- o Direct access to the AIC for enforcement purposes for U.S. companies and licensees in China. U.S. companies in China will not longer be required to use designated trademark agents to enforce their rights.

- o Broadening the definition of well-known marks. The basis for determining whether a mark is well-known has been expanded to include knowledge in the 'relevant sector of the public' in the country of the rightowner in addition to the degree of knowledge of the mark in China.
- o For enforcement purposes, the Trademark Office will now issue determinations concerning well-known trademarks within 30 days of receipt of the request -- when the request is made to the Trademark Office directly or to the Chinese Customs Service.
- o Protection for well-known marks will extend to products and services beyond those on which the mark is registered or used. Owners of unregistered well-known marks can enforce their rights against infringement or counterfeiting and rightowners will have five years to seek the cancellation of well-known marks will be cancelled if they have been infringed -- unless the infringement took place in bad faith, in which case there will be no time limit.

Border Enforcement

Under the Agreement, China has committed to stringent enforcement of intellectual property rights, particularly trademarks and copyrighted works. Customs will issue broad new regulations on July 1, 1995, which will go into effect on October 1. Until then, under current law, Customs will mount a sustained effort to protect CDs, LDs, and CD-ROMS, as well as trademarks, at the border.

Under the new regulations, Customs will ban the import or export of all infringing goods, making such actions illegal and applying strict penalties to violators. Customs will also provide for direct access for foreign rightowners or their authorized representatives who seek Customs enforcement of their rights.

In addition, Customs will take the following actions:

- o Establishment of a central recordation system by December 31, 1995 for the protection of copyrighted works and trademark rights. Recordation will be valid for at least 7 years or until the expiration of the right, but the recordation can be extended after expiration. In addition, the system will include information on suspected or known infringers, information on products that rightowners believe may be infringed, data on specific suspected shipments of infringing products, and any available information on export of such goods.
- o Seizure and forfeiture of infringing goods, and, following a determination by Customs, their destruction if they are copyrighted works, and their destruction or removal from the stream of commerce if they are trademarks.

- o Where possible under the Chinese Customs Law, Customs will take direct action to punish infringers. If such action goes beyond the bounds of Customs' authority, the Customs will within 20 days of detention of the goods, notify prosecutors or other agencies for administrative or criminal action, as appropriate.

Administrative Authorities

While it establishes a new, special structure to attack piracy, China will also strengthen its existing administrative structure. In its action plan, the central government has instructed local authorities to make full use of the ample authorities of the courts -- including injunctive and provisional relief -- and the prosecutors. In each area, the National Copyright Administration (NCA), the Trademark Office of the Administration for Industry and Commerce (AIC), the Patent Office -- and their local equivalents -- will make full use of their existing powers. In the case of copyrights, where the authorities of the NCA are weaker than other agencies, the NCA will also draw upon the powers of the AIC, the Press and Publications Administration, the Ministry of Radio and Television and the Ministry of Culture.

As is the case with the enforcement task forces, rightholders or their representatives will be granted direct access to each authority in every locality. All administrative authorities will follow the same guidelines for processing cases as the task forces, make contact persons and phone numbers available, and work directly with rightholders.

Collection of Information

Foreign rightholders and their representatives will now be entitled to collect information concerning infringement of their rights -- provided that they follow Chinese laws and do not engage in activities such as wiretapping. Information that rightholders or foreign entities do collect will be admissible as evidence in administrative cases.

Establishment of Representative Offices

For the purposes of participation in verification of their copyrights -- and monitoring of enforcement activities generally -- trade associations that represent foreign rightholders, such as IFPI, MPA, SPA, and BSA, will be permitted to establish representative offices. Establishment of these offices, the right to collect information directly, and the direct access that foreign rightholders enjoy under the Agreement to enforcement strike forces and the administrative authorities all will greatly enhance the ability of U.S. companies to gain adequate and effective protection for their intellectual property in China.

Access to the System

As part of a more general effort to make the current system transparent and more responsive to the interests of rightholders, each administrative authority will publish booklets by no later than September 1, 1995 that will act as guides to the Chinese enforcement system. These booklets will explain the procedures by which complaints may be filed, the authorities to which rightholders or their representatives should appeal, and the remedies that are available.

In addition, by June 1, 1995, the State Council's IPR Office will publish a compendium of all IPR laws, regulations, standards, decrees and administrative guidance -- for use by rightholders and their representatives to better understand and make use of China's new enforcement system.

Finally, China has committed to full publication of all such laws and regulations, including regulations on censorship.

Dissemination of Information

As a means of educating the Chinese public, the Chinese media will mount a nationwide effort to disseminate information on intellectual property rights. The media will also give broad publicity to violations of IP rights, including cases of major offenders.

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K-21-01 page# 1 TUESDAY, MARCH 21, 1985

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THIS IS A RUSH TRANSCRIPT.

AMB. KANTOR: Good morning. If I can dig this out of my pocket we'll get going. You have our press release or my statement. I obviously stand by everything in that. I won't read it all to you.

But I would like first of all to welcome Renato Ruggiero to the United States again. He's been here many times in his career. We had very productive conversations not only this morning but over the course of the last two or three weeks, and I'm very appreciative of his cooperation and have been impressed by his experience and his breadth of knowledge and his commitment, frankly, to what we're all pursuing.

The United States is announcing today that we will support Mr. Ruggiero as the first director general of the World Trade Organization. After extensive conversations with our trading partners, literally from all over the world, the United States has decided that it is in the best interests of the World Trade Organization and the United States, as well as our trading partners, that we all form a consensus around Mr. Ruggiero's candidacy.

Obviously it doesn't escape the attention of any of you here that we have had a contest that has been going on, I'm sure Mr. Ruggiero thinks all too long. It resulted in a hemispheric impasse which, of course, was not in anyone's interest. That has now been broken. Dr. Kim Chul-su has withdrawn, the Korean candidate. We hope and trust he will become a deputy director general of the World Trade Organization.

We also have agreed that Mr. Ruggiero is going to serve one term, a full four-year term, and that the next director general of the World Trade Organization to succeed Mr. Ruggiero will be a non-European. This is an agreement reached among, I would say, virtually all the trading partners who form the World Trade Organization.

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dest=commtrade,gatt,wto,ustr
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This consensus should be ratified through a series of meetings tomorrow, I believe, in Geneva, from what I just understand. We enthusiastically support Mr. Ruggiero, and would note that we have had a serious and detailed conversations on a number of issues, and we do have, as I think Mr. Ruggiero expressed it, a meeting of the minds.

Mr. Ruggiero?

AMB. RUGGIERO: Well thank you very much, Mickey, for what you have said. I am very glad -- you cannot be surprised -- I am very glad to be here and to hear that I have the support of the United States of America. Certainly it is not the -- formally the end of the game for me. I have to wait at the moment in which all the contracting parties will express their opinion, because certainly it is not new to you that this -- the nomination, the appointment of the director general of WTO is made by consensus.

And what I can tell you is that I am not only satisfied that I have the announcement of the backing of the United States to my appointment, but that Ambassador Kantor, I mean has really helped me and helped the process of the consensus in the last period of time, I mean with a very active role. I am certain that without -- I mean his active role, it would have been extremely difficult if not impossible for me to reach the consensus of all the others contracting parties. So my gratitude is very deep and very sincere.

I commit myself to be the director general of all the contracting parties. I mean my ambition is to build my credibility on the fact that each one of the contracting parties of WTO will be my strong supporters who will believe that defending the interest of the organization I am defending the interest of each one of them, I mean, and this has been the spirit in which I have always presented my candidacy and my, I would say, eagerness to have also the American support.

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dest=comtrade, gatt, wto, ustr, inda, textiles
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We have talked of course extensively of many issues. And really there has been, I mean, this meeting of minds with Ambassador Kantor. And as I say, I had similar experience in many, many other contracting parties, because I always recall you that this is a consensus exercise and if there was not the same meeting of the minds with other governments, I would never reach, I mean, or approach, the consensus.

What about? I mean, first of all, certainly there was the question of creating a structure or completing the creation of a structure in the WTO which would be lean, efficient, and credible. Credible is very important, is very important because this organization does not only organize free trade, this organization also enforce the rules and the disciplines that we have committed in the Uruguay Round. So it is important that this looks credible to each one of the contracting parties. And so it is extremely important also that in the handling of this question we are sure that at the end all parties are satisfied. It will be extremely important, then, the dispute settlement body and the appellate body will really be efficient and credible to everybody.

Then in the agenda the first, I would say, problem to face is the full implementation, the full implementation of all the commitments that have been taken. You see, if I go to India, as I did, well, what do they tell me? Ah, Mr. Ruggiero, well, if one day you will become director-general, we must be sure that, I mean, the textile side of the Uruguay Round has to be implemented exactly as we agreed.

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dest=contrade, gatt, wto, ustr, forag, usag
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If I go to somewhere else, they will talk to me about the least developing countries or about the net importing foods countries or about the agricultural commitment. This is the nature, I mean, of our life. And so my only engagement is I commit myself to implement all of the engagements which have been taken in the Uruguay Round, taking into account, I mean, everything in the interest of everybody. Certainly, I mean, it's extremely important, the transparency. I mean it's important that when we say that we want a credible mechanism -- for instance, for dispute settlement, well, we have something that people see that we are making a job which is an objective job, that people understand what it's about. So I do not know how we can create the best possible transparency. This would be a lot in the hands of the contracting parties, as you know. I mean a lot -- the real decision making power is not in the hands of the director general. I read that this is one of the most important jobs in the world. I congratulate myself -- (laughter) -- but really, when I go to Geneva, I mean, I have -- and I talk to the contracting parties and the ambassador, believe me I have not the same impression. They want immediately to say, "Look, look, well, you now come here, but you are servicing the contracting parties and you are not imposing at all or even proposing sometimes, I mean, what we have to do or not to do." But anyway, in life there always there is a balance to right and as my predecessors, all predecessors, and notably the last one, Peter Sutherland, has shown us sometimes even if you have not strong institutional power but you have moral suasions, you have the possibility to convince people where the good lies then you can win just the same and exert a lot of power.

Then there are the questions of the -- certainly the new subjects which is a very important one. As you know in the Uruguay Round at the end there was a list of commitments for what could be the agenda. And so for instance if you take agriculture there is a commitment very clear that in the year 2000 we have to begin again new negotiations on agriculture, on service liberalization, about from what is the commitment on financial services, about the unfinished business, you have the commitment to increase the liberalization by the year 2000 and many other commitment of this nature.

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data

So the agenda is more or less already has been agreed. I would say that the agenda has been improved and enlarged in Marakkesh. In Marakkesh, I mean, there was a very, very important agreement on the creation of a committee on trade and environment, which is one of the most essential, essential field of action of the WTO because we have really to strengthen mutually, I mean improve and strengthen, the relationship between trade and environment. It will be vitally important if we want to have growth and -- I mean, a world in which we all can live.

As some delegations have proposed, I mean, to have a similar structure for the problem of labor standards. So, I mean, there are a lot of questions which in one way or another have been agreed. Well, this is the agenda, this is the agenda. And of course now the problem is how to implement this agenda; which come first, I mean how to deal with this problem or that problem. And this is certainly, I mean is not my decision-making power, which I do not have in these fields. But certainly it's the fields of the contracting parties. But certainly we have to see, hands in hands, the structure of the (secretariat ?) and the contracting parties, how we will improve.

Well, I think that this has been more or less also a picture of what we have discussed many times, I mean in the past and in the present. I think that this is more or less also the picture of how the situation will evolve. You have my personal engagement that I will do my job with really the maximum of objectivity. And I'm also very glad to see that in this spirit, I mean, there has been, I repeat, a big, a very complete meeting of our minds, between Ambassador Kantor and myself.

I must confess that we had a similar meeting of our minds since the first meeting in June last year in Paris. And always, I mean, we have approached the problem with a vision which has been always very much the same, if not the same.

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So now I'm ready to answer to your questions.

Yes?

Q Will you share with us some of your thoughts as an economist and tell us to what point has the Mexican economic crisis affected world trade, and also if you have specific plans for the developing countries vis-a-vis industrialized countries? Has the spectrum changed because of the Mexican crisis?

AMB. RUGGIERO: Well, personally speaking, I think that we have to see the Mexican crisis in a perspective of what happens and can happen in the growth process of a developing country. I mean, no one can expect that such a huge and complex process, the fact that now there are half of the population of the world entering into the market economy, which means going from absolute poverty into, I mean, a growth process, well that all this will be -- I mean, will go on without problems, without crisis, without difficulties.

So I don't think that we must be over-pessimistic, as perhaps we have been in a certain time over-optimistic about the possibility that this incredible and strong progress that has been made in many economies in the developing world would go indefinitely without any problems. I think that we must have a much more objective and relaxed opinion. But this is the most important aspect of the future of WTO, to create a structure which will really integrate the developing country into the world trade system. And I think that this is an episode, no more than that.

Q Mr. Ruggiero, did you reach a meeting of the minds with Ambassador Kantor about the role of labor and the environment in the WTO? Is that part of the meeting of the minds?

AMB. RUGGIERO: Well, we reached an agreement and the meeting of minds on (all the ?) subjects, which does not mean that we see the question exactly in the same way, but it means that certainly we see the problem -- that there is no argument that at the end has to be excluded from talks and from the dialogue.

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We have to see how, when, but certainly, I mean, we all agree that it would be difficult to see and to exclude arguments which have been raised.

Q Let me ask Ambassador Kantor to come in at this stage.

AMB. KANTOR: It's going very well. (Laughter.)

Q I just want to ask you, Ambassador, clearly Mr. Ruggiero was not the United States first choice.

AMB. KANTOR: That's one of the worst kept secrets --

AMB. RUGGIERO: (Laughs.)

AMB. KANTOR: -- that we've had in this entire press conference.

Q How worried -- how worried, or were you concerned that the arbiter of world trade disputes is going to be a European and may be swayed by European powers to put their interests above those of this hemisphere?

AMB. KANTOR: We're fully satisfied with --

Q Ambassador --

AMB. KANTOR: Excuse me, (Lee?). I'm sorry. I'm sorry, Renato.

Everyone heard the question? We're fully satisfied that Mr. Ruggiero, upon assuming the director-generalship, will operate in the best interests of expanding trade in open markets, that he will implement fully the Uruguay Round accords. We had a discussion over the full range of issues that concern not only the United States but those trading partners with whom we were dealing, and there were a great number in the last two weeks, and each of the responses was -- more than satisfactory, helped us build this consensus. I think that the approach that Mr. Ruggiero takes to these questions, which was the critical examination, is fully satisfactory to everyone involved.

Q Ambassador Kantor, in these discussions with Mr. Ruggiero and with other trading partners, what is the most important assurance that you received from the U.S. perspective?

AMB. KANTOR: Well, some of the assurances, of course, you see in the press release itself and what has been said by Mr. Ruggiero earlier, which have to do with term and succession and cooperation, which are fully -- he -- all -- Mr. Ruggiero has just through a number of things, I call them the three A's -- the appellate body, agriculture, we also talked about accession.

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We talked about transparency, as he was quite articulate in just reviewing, and also we talked about the Marrakesh declarations. In all of those, we were quite detailed in our discussions. And this goes for our trading partners as well as for Mr. Ruggiero and between and among all of us, and I think that we're fully satisfied with where we are at this point.

Q What kind of assurances did you receive on those issues you raised?

AMB. KANTOR: Well, let me just let me be -- this is a contract organization. It operates by consensus. No one -- this is a matter of leadership, not dictatorship. So Mr. Ruggiero has a responsibility, which we're fully satisfied he can carry out, to provide the kind of leadership that will lead us to consensus on these important issues.

Q But obviously these assurances are important to you. You've stressed -- (inaudible) -- specific.

AMB. KANTOR: They're very important to us, and we were very specific. And we're very satisfied.

Q Mr. Ambassador, will the U.S.-Chinese --

AMB. KANTOR: Which ambassador would you like here?

Q Well, I have a question for --

AMB. RUGGIERO: Too many.

Q -- both of you, so for Ambassador Kantor --

AMB. KANTOR: Yes?

Q -- will the U.S.-China talks begin in mid-April, as you mentioned after your return from Beijing?

And my question for Mr. Ruggiero is, what is your view on China's accession to WTO?

AMB. KANTOR: As you know, we reached an eight-point agreement during the course of those talks. It was advanced by the Chinese negotiators that mid-April would be a good point at which to rejoin these talks in Geneva. I hope we can confirm that as soon as possible.

AMB. RUGGIERO: If I may add just a comment on the question that was asked to you about my reliability as -- well, apart from the fact

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that I think it would be extremely, extremely bad for me if I could not have received full reliability from the American administration as from all the other contracting parties, but I will tell you just one thing. In the European Community, where we have some experience about nationality and interests, as you know, I mean, what we do generally, when we have to appoint, I mean, the member of the commission who deals with fishery policy, who we are choosing before, I mean, the vote in a region -- (inaudible), because certainly at that moment you have a man who has the good knowledge of the problem and certainly you have a man who has the ability to understand what are the general interests that he has to serve and to serve the general interests. I mean, if you want to have a man who is really objective regarding European policies, you have to choose a European because you are sure that at that moment he is obliged to be objective. But that's just a comment.

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dest=comtrade,gatl,wto,ustr,fortr,prc
data

Now about China, I think that the problem of accession, which we have discussed with Ambassador Kantor, is certainly one of the most important in our future. Why? First of all because, if we talk about a world organization, it is very difficult to imagine that the world organization is an organization in trade without partners like China, which is the 11th exporters and the 11th importers in the world. So practically, I mean, we need China.

And then because certainly we have to create an organization which promotes free trade but promotes free trade in the frameworks of rules and disciplines and an enforcement system. So, I mean, it is our interest to have as many as possible trade partners in the same system, that we play the game in the same way.

Third, last but not least, of course the accession is not just entering, I mean, somewhere as you like it, but you have to have the right balance of rights and obligations which have to be accepted in, I would say, the full spirit of participation.

MORE

PRESS BRFB/USTR MICKEY KANTOR AND AMBASSADOR RENATO RUGGIERO, WORLD TRADE ORGANIZATION DIRECTOR GENERAL CANDIDATE TOPIC: ANNOUNCEMENT OF SUPPORT FOR THE APPOINTMENT OF RENATO RUGGIERO TO BE DIRECTOR OF THE WTO
K-21-10-E page# 1 TUESDAY, MARCH 21, 1995

dest=comtrade, gatt, wto, ustr, furtr, pro, forag, usag
data

So the problem is not yes or no. The problem is also here a problem of negotiation, (so that ?) the interest is yes; but certainly we have to be sure that China, as anyone else, anyone else, and I mean it is not the problem of China, really makes all the appropriate commitments before entry into the system. I think this is in the interest of China even before the interest of WTO.

STAFF: Let's take one more question, okay?

Q Do you, in your commitment to agriculture, actually mean anything, given that it's already been agreed that agriculture will be involved in the next round of multilateral negotiations and that you would be expected anyway to have regular contacts with the Cairns Group and that --

AMB. RUGGIERO: It means that I will do my best, because even here -- don't forget, even here, I mean, I have not decision-making power -- that I will do my best that all the commitments taken for the past, the present and the future in the Uruguay Round, will be fully implemented and in good faith. This could appear easy; it is not easy.

Thank you.

STAFF: Thank you very much.

AMB. KANTOR: Thank you.

END

**REMARKS PREPARED FOR DELIVERY
NATIONAL PRESS CLUB
MARCH 23, 1995
AMBASSADOR MICHAEL KANTOR**

It is a pleasure to discuss with you President Clinton's trade policy; the principles that guide it; and the opportunities and responsibilities we face in the coming years. We plan to build on the historic accomplishments President Clinton has already made in trade and to continue to move forward in the effort to open markets and expand trade. This is a critical part of the Clinton Administration's strategy to promote job creation and raise standards of living in the United States, foster growth, and build global stability. As we look toward the future, our policy will focus on three areas: implementation, enforcement, and expansion.

In just over two years, President Clinton and his administration advanced and then ensured the passage of the North American Free Trade Agreement; set our negotiations with Japan on a new course under the Framework Agreement; concluded and obtained approval of the broadest trade agreement in history, the Uruguay Round; set the stage for trade expansion in Asia through the Asia Pacific Economic Cooperation forum with the Bogor Declaration; and announced creation of a Free Trade Area of the Americas by 2005 at the historic Summit of the Americas. We concluded the largest procurement agreement in history with the European Union, 14 agreements with Japan, and an agreement covering 80 percent of global shipbuilding. In addition, his Administration completed scores of other bilateral trade agreements, including textile agreements.

President Clinton's trade policy is part of an economic strategy to keep the American dream alive as we move into the 21st century. His Presidency is dedicated to policies which promote capital formation, foster growth, create jobs and raise standards of living for working Americans.

His strategy reflects an age that is marked by tremendous change, on the threshold of a new century. The end of the Cold War altered political, strategic and economic equations of the world. A new economy has emerged which offers both opportunities and challenges for ordinary working American families.

President Clinton understands that future prosperity in the United States depends on our ability to compete and win in the global economy. He has based his trade policy on three basic truths about the era in which we live.

1) Trade is increasingly important to the U.S. economy.

Where our economy was once largely self contained, now we are increasingly interdependent with the rest of the world. This change began decades ago, but has accelerated in recent years. Twenty-seven percent of our economy is now dependent on trade.

This global economy offers tremendous opportunities for American workers. Over 11 million workers in this country owe their jobs to exports. These jobs pay higher wages, on average, than jobs not related to trade. Every billion dollars of exports supports 17,000 jobs. Clearly,

expanding trade is critical to our effort to create good, high-wage jobs.

Trade is important to other economies around the world, not just the United States, however. Over the last five years, global exports have increased 32 percent. Goods, services, capital and information now speed around the globe.

The global economy will not disappear. We can not turn back the clock. Even if we could, we must face the fact that the United States has a mature economy and we have only four percent of the world's population. Future opportunities for growth here at home lie in providing goods and services to the other 96 percent. Given this fact, opening markets, expanding trade and enforcing our trade agreements are more important than ever to fostering growth here at home.

2) Trade is increasingly central to our foreign policy.

With the end of the Cold War, and the growing importance of trade to our economy, economic concerns are now as evident in our foreign policy as strategic, or political concerns.

After World War II and during the Cold War, the United States used trade policy as part of the strategy to help rebuild the economies of Europe and Japan and resist communist expansionism. We led the world in global efforts to dismantle trade barriers and create institutions that would foster global growth.

During that period, we often opened our market to the products of the world without obtaining comparable commitments from others. As the dominant economic power in the world, we could afford to do so. And as part of a strategy in the Cold War, we needed to do so.

Despite the uneven commitments, the resulting expansion of trade fueled growth, stability and ultimately proved to be the winning card in the Cold War. While these countries closed off their economies from domestic and international market-driven competition, and stagnated, the western world pursued the opposite strategy of opening up their markets to increasing internal and external competition, and prospered.

But now we are no longer the sole dominant economic power in the world. We are the world's largest economy -- and largest trading nation -- but our economy, which represented 40 percent of the world's output following World War II, now represents 20 percent. Europe and Japan rebuilt and became tough competitors. The newly industrialized nations, such as the so-called Asian Tigers, became increasingly productive, winning a share of our market, without opening theirs equally.

Although we welcome the products, services and investment of other nations here in the United States, now we insist that the markets of our trading partners be open to the products, services and investment of the United States. We will no longer tolerate "free riders" in the global trading system. We insist on reciprocity in our trade agreements. This is a critical change in the way we view both trade policy and foreign policy.

In addition, it is critical to fostering global stability that we expand economic ties with other countries. Nations around the globe have found the best road to prosperity is through opening your markets and trading with the world. Those economic reforms, in turn, have helped support the remarkable transitions to democracy we have witnessed in recent years and have helped build the middle class in those countries. Fostering growth in other countries is still in our interest, then, because as the middle class grows, stability increases, as does their ability to buy our goods and services.

The road to prosperity is not always smooth. Sometimes our trading partners will have economic problems and we must remember that the success of our economy is inextricably linked to the economies of other nations. Some would have us follow the ostrich approach: if we just stick our heads in the sand, the problems of other nations will simply go away. But history has shown cutting ourselves off from the world is a sure formula toward a less successful and prosperous country.

3) Our nation's economic strength begins at home.

Trade negotiations and trade agreements open new opportunities for American workers and firms. All of us, in turn, must accept the responsibility to make the most of those opportunities. And government -- at the local, state, and federal level -- must work as a partner with the American people to give them the tools to prosper in the new economy. Getting our own domestic policies in order has taken on a new urgency as we compete in the global economy.

American workers compete against highly educated, high-wage workers in other countries as well as low-skill, low-wage workers. We must make sure everyone achieves their full potential.

President Clinton has embarked on a course that would give Americans the tools to succeed in the new economy. He enacted the largest deficit reduction package in history; placed a down-payment on America's future by investing in education; and began a bold effort to make government leaner and more responsive to the needs of American families. Pursuit of this economic strategy continues with the Middle Class Bill of Rights, welfare reform, deficit reduction, and the second wave of the reinventing government effort.

A Steadfast Trade Policy

President Clinton set out his trade policy in a series of speeches during the campaign and the early days of his presidency. At Georgetown University on November 20, 1991, he first laid out his strategy for competing and prospering in the new economy. Later, at North Carolina State University on October 4, 1992, he proclaimed his support for the North American Free Trade Agreement, and argued that it was strongly in the interest of American workers and firms. Shortly after taking office, he spoke at American University, and laid out his trade agenda for his Administration and said "In the face of all the pressures to do the reverse, we must compete, not retreat."

President Clinton has followed through on this policy with resolute consistency. In the

process he has reasserted American leadership in the global economy and opened doors of opportunity that have led and will continue to lead to the creation of jobs. Despite the temptation to turn inward and cut ourselves off from the world, the United States has renewed its commitment to remain engaged in the world and continue the U.S. leadership role in the global economy.

1995 Trade Agenda

Our trade agenda is now entering a new phase. We must get down to the hard work of reaping the benefits of those trade agreements that we have negotiated over the past two years for the good of U.S. workers and companies. This is no time to rest on our laurels.

I characterize our trade agenda for the foreseeable future with three words: implementation, enforcement, and expansion.

Implementation

Our trade agreements are mere pieces of paper unless we pursue their dictates in a vigorous manner.

Our first priority is to implement the Uruguay Round, and begin building a World Trade Organization that works as conceived, with discipline, by consensus, with all countries living up to their commitments.

The Uruguay Round is a single undertaking. Before the Uruguay Round, between 27 to 45 countries were signatories to the five codes in the General Agreement on Tariffs and Trade. Countries could pick and choose which agreements to sign. Non-signatories were allowed to enjoy the benefits of more open markets without corresponding responsibilities. It was a classic free rider system.

Under the Uruguay Round, we insisted that all 123 countries that signed the agreement, signed all five codes. Now, everyone will, in a comparatively short time, play by the same rules. This includes the developing countries, where potential growth is so great, who are now all bound to international trade rules for the first time. Our policy is to build this kind of mutual responsibility into all of our trade agreements.

Implementation of the Round will further open markets to U.S. exports of goods and services in a number of ways. Foreign tariffs on industrial products will fall by more than one-third and non-tariff barriers will be significantly reduced or eliminated. For the first time, trade rules will extend to agriculture and services. New rules will protect intellectual property rights, strengthening key U.S. industries.

It is critical that we complete successfully the unfinished business of the Uruguay Round in the services sectors. Negotiations were extended in four areas: financial services, temporary entry of people, basic telecommunications, and maritime. The negotiations on financial services will conclude in June, and we must have improved market access for our banks,

insurance companies, and securities firms from a number of key countries by that time.

We will also continue to implement the North American Free Trade Agreement. Mexico's recent economic troubles has not lessened our commitment to the NAFTA. In fact, it has reinforced the importance of the agreement. Mexico's economic partnership with the United States is critical to their recovery and our own future prospects for job creation. Chile's accession to NAFTA is a high priority for us. We will launch negotiations with Chile by May of this year.

Finally, it is important to note that increasing interdependence among nations requires all of us accept new responsibilities, which means we must begin to address internal domestic policies which distort or inhibit trade, including a nation's actions -- or inactions -- regarding anticompetitive business practices, lack of transparency, corrupt practices such as bribery, and adherence to environmental or internationally recognized labor standards. We began to address these issues in the NAFTA and we will continue to do so.

An area of great concern to this Administration is the lack of openness in multilateral proceedings. International institutions are closed to outside observers. This must change. Because trade is increasingly important to the livelihoods, not just of Americans, but people around the world, we simply can no longer tolerate such a closed system. The credibility of the global trading system depends on greater public access to, and confidence in, that system.

Enforcement

During the Cold War, the United States often looked the other way when countries did not live up to their trade commitments, as a strategic necessity. That has changed. Now both sides must play on a level playing field. To reap the opportunities in the global marketplace, all countries must accept the responsibility to open their markets:

Enforcement of both international trade agreements and U.S. trade laws underpins our entire approach to trade. Since we are the world's largest trading nation, it is in our interest to strengthen the rule of law and institutions. We have made it clear that promises are worth nothing without effective rules, dispute settlement procedures, and remedies.

We will closely monitor the agreements we have reached, as well as those negotiated in previous administrations; to ensure that other countries live up to their commitments. Of course, if a country is not living up to its WTO obligations, our first course will be through the strengthened dispute settlement process in the WTO. However, we will continue to use every tool in our disposal -- 301, Super 301, Special 301, Title VII, GSP, the Telecommunications Trade Act, or WTO accession -- to open markets around the globe.

I have frequently been amused by the reaction that is triggered when the United States initiates an action against another country using our trade laws. Cries of "trade wars" and "protectionism" go up. Well, we are protecting U.S. workers and interests, but by using our position as the world's largest market to *open* foreign markets. Some people seem to think that signing an agreement is enough. I don't.

Our willingness to use our trade laws has contributed to many of our successes. For example, our recent agreement with China epitomizes this strategy.

China. Two weeks ago I travelled to China to sign an historic agreement, which will provide for both immediate and longer term improvements in enforcement of intellectual property rights (IPR) and provide U.S. companies greater access to the Chinese market. The agreement came after pressure following an investigation under the Special 301 provision of the 1974 Trade Act. While in China, I also signed an historic space launch agreement, and we reached an "eight point accord" that is a roadmap for our work to resolve differences over market access, services, agriculture, and China's accession to the WTO.

Underlying these agreements is a much more fundamental concept -- the rule of law. Respect for the rule of law not only results in a more efficient economy and trade regime, but also leads to a better society. Enforcing the law -- for example, cracking down on copyright pirates, eliminating unfair trade practices, halting textile transshipments -- helps both our economies grow. Respect for the law is also contagious. It improves human rights and creates a more open society. This has proved to be the case throughout East Asia. China will be an important focus of our trade efforts in the coming months as we work to develop reciprocity in our trading relationship.

Japan. Our enforcement strategy also underpins our policy towards Japan. Over several decades, the United States has tried many different approaches to deal with the unique structural and cultural obstacles to market access in Japan. Difficulties faced by U.S. firms stem from trade barriers that are a combination of government and private industry exclusionary practices and a myriad of non-transparent, unpublished rules and regulations, known as "administrative guidance."

The cornerstone of the Clinton Administration's trade policy toward Japan is the Framework, which represents a practical, market-based, "results-oriented" approach to dealing with these non-market barriers. In 1994, we reached significant agreements under the Framework in such areas as telecommunications, flat glass and insurance. We now have begun to monitor closely Japanese implementation of these agreements.

In addition, we continue to press the Japanese government to take bold action to free up over-regulated sectors of the Japanese economy. These complex regulations constrain the country's economic growth, hurt Japanese consumers and impede foreign access to the Japanese market. We have been disappointed thus far with the lack of substance and detail in the draft deregulation plans issued so far and will look for further progress in Japan's planned announcement of a five-year deregulation plan on March 31.

A high priority area for our trade relationship with Japan is the automotive and auto parts sector. Trade in this sector constitutes approximately 60 percent of the U.S. bilateral deficit with Japan, and 22 percent of our total trade deficit. Discussions with Japan have focused on three major areas: access to Japan's motor vehicle market, auto parts purchases in Japan and in the United States by Japanese motor vehicle makers, and deregulation of the Japanese auto parts "aftermarket." After eighteen months of negotiations under the Framework, there has been virtually no progress in the automotive area. In addition, on October 1, 1994, we

initiated a Section 301 investigation of Japan's virtually closed market for replacement auto parts.

In the last 25 years, Japan has exported 40 million cars to the United States. During the same period, the United States has shipped 400,000 cars to Japan. This imbalance must be addressed.

Intellectual Property Rights. Intellectual property protection has been a significant feature of our trade policy. Piracy of intellectual property is a problem in numerous countries around the world. One study estimated that we lose over \$40 billion a year in exports as a result of piracy.

Negotiating strong IP agreements and enforcing them has taken on new urgency because of the increased importance of our intellectual property industries to our national competitiveness. Our copyright-based industries are growing at twice the annual rate of the economy and employing new workers at almost three times the annual rate of the economy as a whole.

We are particularly concerned about continuing problems in Brazil, Argentina, and Turkey, and new problems in Singapore, especially regarding product patent protection of pharmaceuticals. We look for these countries to make significant improvements if they wish to avoid a major trade confrontation with us.

Expansion

The other area of focus in the coming months is expansion, that is, to build on the trade agreements we have reached so far, and to open markets further and expand trade. In particular, we will pursue the process started by the Bogor Declaration, the commitment made in Indonesia to eliminate barriers to trade and investment in Asia, as well as the Free Trade Area of the Americas.

G-7. Last year in Naples, the President challenged his colleagues to begin thinking about how the G-7 could continue to demonstrate leadership by pursuing further initiatives to open markets. Clearly, with the successful conclusion of the Uruguay Round, we enter a new phase in our trade relations. As the largest economies in the world, the G-7 countries have a responsibility to stay at the forefront of trade expansion. In the time leading up to the next Summit in Halifax, we will have opportunities to pursue specific initiatives as well as to begin to plot a course for a new WTO agenda.

First, I will be meeting with the trade ministers of the Quad -- Canada, Japan, and the European Union -- in early May where I expect that we will review developments in the on-going negotiations on services, including financial services which has a deadline of June 30, and basic telecommunications services which must be energized if we are to reach agreements by April 1996. Additionally, we shall explore further cooperation in implementing the Uruguay Round agreements, for example, moving forward in key areas such as transparency and dispute settlement, and the prospects for cooperation in the standards area.

I expect that OECD Ministers in May will endorse negotiations on a multilateral investment agreement. The United States supports these talks. Negotiations will be tough, but we all know that trade follows investment and this will be an important issue over the next several years.

Europe. The European Union is a huge market for U.S. products. Our exports to Europe already exceed \$100 billion a year. The Uruguay Round greatly reduced trade barriers between the United States and Europe, but there is still much more that could be done to increase Transatlantic trade. The Administration is studying a number of options for the U.S.-European trade relationship.

We will also continue to be actively engaged with the countries of Central Europe and the newly independent states of the former Soviet Union as they make the transition to market economies. Our goal is to assist these economies' full entry into the world trading system on commercial terms. In addition to their strategic importance to the United States, there is great long-term potential for U.S. trade and investment in the region.

Latin America and Asia. Our trading partners in Europe and Japan, of course, remain critically important. But future opportunities for growth and new job creation lie in Latin America and Asia.

These regions will become the number one and two export markets for the United States by the year 2010. As a result of efforts to reform their economies and embrace democracy, countries in these regions are exploding with growth and trade with the United States.

The Asia Pacific region has the fastest growth in the world -- three times the rate of the established industrial countries. Over the past three decades, Asia's share of the world's GDP has grown from 8 percent to more than 25 percent. By the year 2000, the East Asian economies will form the largest market in the world, surpassing Western Europe and North America.

This growth has led to an explosion of trade with the United States. East Asia is the number one export market for U.S. products. US merchandise exports to Asia have grown nearly 60 percent over the last five years. U.S. trans-Pacific trade was 50 percent more than our trans-Atlantic trade in 1992. Our exports to Asia account for over 2 million jobs in the United States. One projection shows that Asia, excluding Japan, will be our largest export market by the year 2010, amounting to \$248 billion.

Latin America is the second fastest growing economic region. U.S. exports to Latin America jumped from \$30 billion in the mid-1980s to over \$90 billion in 1994, creating over 600,000 new U.S. jobs. U.S. exports to Latin America now approximate our exports to the European Union, and, if trends continue, may reach \$232 billion by 2010, greater than our *combined* exports to the E.U. and Japan (\$216 billion). Latin Americans spend 40 cents of every dollar spent on trade on U.S. goods. We supply over 70 percent of some countries' imports and often three to four times as much as a country's next largest trading partner.

We have a historic opportunity. People in these developing nations in Latin America and

Asia are in need of everything from capital goods, hospital equipment, computers to consumer goods. Furthermore, we can lock in economic and political reforms in developing countries and the former communist world through trade agreements.

That's why we are moving forward with the commitments we made to expand trade in Indonesia with the Bogor Declaration and in Miami with the Free Trade Area of the Americas.

Development of a central position for the United States in evolving trade arrangements in these regions will be critical to our economic future and to our broader security interests.

APEC. APEC is the regional centerpiece of our efforts to open markets, expand trade and ensure the future of our economic cooperation with the Asia Pacific region. Six years ago, when APEC was established it was generally viewed as a forum for consultation and cooperation on economic issues. Now, because of President Clinton's leadership in Seattle in November of 1993, and President Soeharto's leadership in Bogor, Indonesia last November, we have focused APEC's central objectives on one common goal: the achievement of free and open trade and investment in the Asia Pacific region by no later than 2020. "Industrialized" countries have agreed to strive to implement liberalization by 2010. This goal will involve promotion of business facilitation steps, economic cooperation and technical assistance as well as traditional liberalization which builds upon and "broadens and deepens" Uruguay Round outcomes within the region.

The first post-Summit meeting of APEC senior officials was held several weeks ago in Fukuoka, Japan, initiating the APEC trade process under Japan's chairmanship. Although much work remains to be done, we believe the APEC trade process is off to a good start this year in developing a concrete, credible and comprehensive action plan to implement the Bogor mandate. This plan must be completed for approval by leaders at their next meeting to be held in Osaka this coming November. In addition, officials are working on some short term results, such as simplification of customs and standards processes, improvements in telecommunications and transportation infrastructure, which will add momentum to the APEC process and be of immediate benefit to businesses.

APEC members account for over 40 percent of the world's population, over 40 percent of world trade, and about 50 percent of the world's output of goods and services. Our efforts to expand trade with this region are critical to future growth and job creation in the United States.

FTAA. Latin America is the other key area of focus for trade expansion through the FTAA.

In June, the trade ministers of the region will meet in Denver to adopt specific recommendations for both immediate action and long-term work towards the FTAA. Chile's accession to the NAFTA will be a first strategic step in creating the FTAA. This is a long road. But we must remain focused and move forward with determination and optimism. We intend to press the attention of the hemisphere on making concrete progress over the next year and beyond.

The Latin Americans are not waiting for us. Neither are our trading partners outside the hemisphere. Latin America is in the process of integrating now. Nearly every country in the region is part of at least one major subregional trade agreement. There are five major subregional trading arrangements in Latin America, of which the NAFTA is only one. All are different in nature and scope, but they share a goal of reducing trade barriers and opening markets. The European Union and the Southern Common Market have agreed to negotiate a reciprocal trade agreement.

We want to make sure this integration occurs on terms that are in our best interest. That means eventually a common set of trading rules for the whole hemisphere, based on high standards of openness to match our own, not a maze of agreements that complicate, instead of enhance, commercial relationships.

Conclusion

President Clinton has based his Administration on a clear concept: to do everything possible to raise standards of living and improve the lives of working Americans as they compete in the new economy. That's why he is for the Middle Class Bill of Rights, is working to cut government and make it work better, is fighting crime, and is working to improve our educational system. And that is why he has fought -- and will continue to fight -- to open markets and expand trade, because it will foster new opportunities for working Americans, create jobs and raise standards of living.

The President put it best in a speech last November: "The center, the heart of our economic policy must be an unbreakable link between what we do to open the global marketplace and what we do to empower American workers to deal with that marketplace."

Americans need not hide behind their fears, but must boldly build a new country of peace, growing prosperity, and economic security.

Thank you very much. I will be happy now to take questions.

TESTIMONY BEFORE THE
SENATE FINANCE COMMITTEE
APRIL 4, 1995
AMBASSADOR MICHAEL KANTOR

Mr. Chairman, it is a pleasure to appear here today to discuss with you President Clinton's trade policy and the principles that guide it. We recently released the USTR Annual Report, which outlines our accomplishments for last year, and our challenges for this year. Last Friday we released the National Trade Estimates report, which details barriers to U.S. exports. So it is particularly appropriate to discuss the opportunities and responsibilities we face in the coming years.

In just over two years, President Clinton and his administration, with bipartisan support in Congress, advanced and then ensured the passage of the North American Free Trade Agreement; set our negotiations with Japan on a new course under the Framework Agreement; concluded and obtained approval of the broadest trade agreement in history, the Uruguay Round; set the stage for trade expansion in Asia through the Asia Pacific Economic Cooperation forum with the Bogor Declaration; and announced creation of a Free Trade Area of the Americas by 2005 at the historic Summit of the Americas. We concluded the largest procurement agreement in history with the European Union, 14 agreements with Japan, and an agreement covering 80 percent of global shipbuilding. In addition, his Administration completed scores of other bilateral trade agreements, including textile agreements.

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His strategy reflects an age that is marked by tremendous change, on the threshold of a new century. The end of the Cold War altered political, strategic and economic equations of the world. A new economy has emerged which offers both opportunities and challenges for ordinary working American families.

President Clinton understands that future prosperity in the United States depends on our ability to compete and win in the global economy. He has based his trade policy on three basic truths about the era in which we live.

1) Trade is increasingly important to the U.S. economy.

Where our economy was once largely self contained, now we are increasingly interdependent with the rest of the world. This change began decades ago, but has accelerated in recent years. The value of U.S. trade is now equal to 28 percent of the U.S. economy.

This global economy offers tremendous opportunities for American workers. Over 11 million workers in this country owe their jobs to exports. These jobs pay higher wages, on average, than jobs not related to trade. Every billion dollars of exports supports 17,000 jobs. Clearly, expanding trade is critical to our effort to create good, high-wage jobs.

Trade is important to other economies around the world, not just the United States, however. Over the last five years, global exports have increased 32 percent. Goods, services, capital and information now speed around the globe.

The global economy will not disappear. We can not turn back the clock. Even if we could, we must face the fact that the United States has a mature economy and we have only four percent of the world's population. Future opportunities for growth here at home will depend in part on providing goods and services to the other 96 percent. Given this fact, opening markets, expanding trade and enforcing our trade agreements are important to fostering growth here at home.

2) Trade is increasingly central to our foreign policy.

With the end of the Cold War, and the growing importance of trade to our economy, economic concerns are now as evident in our foreign policy as strategic, or political concerns.

After World War II and during the Cold War, the United States used trade policy as part of the strategy to help rebuild the economies of Europe and Japan and resist communist expansionism. We led the world in global efforts to dismantle trade barriers and create institutions that would foster global growth.

During that period, we often opened our market to the products of the world without obtaining comparable commitments from others. As the dominant economic power in the world, we could afford to do so. And as part of a strategy in the Cold War, we needed to do so.

Despite the uneven commitments, the resulting expansion of trade fueled rapid western growth, which ultimately proved to be the winning card in the Cold War. While these, then communist countries, closed off their economies from domestic and international market-driven competition, and stagnated, the western world pursued the opposite strategy of opening up their markets to increasing internal and external competition, and prospered.

But now we are no longer the sole dominant economic power in the world. We are the world's largest economy -- and largest trading nation -- but our economy, which represented 40 percent of the world's output following World War II, now represents 20 percent. Europe and Japan rebuilt and became tough competitors. The newly industrialized nations, such as the so-called Asian Tigers,

became increasingly productive, winning a share of our market, without opening theirs equally.

Although we welcome the products, services and investment of other nations here in the United States, now we insist that the markets of our trading partners be open to the products, services and investment of the United States. We will no longer tolerate "free riders" in the global trading system. We insist on reciprocity in our trade agreements. This is a critical change in the way we view both trade policy and foreign policy.

In addition, it is critical to fostering global stability that we expand economic ties with other countries. Nations around the globe have found the best road to prosperity is through opening markets and trading with the world. Those economic reforms, in turn, have helped support the remarkable transitions to democracy we have witnessed in recent years and have helped build the middle class in those countries. Fostering growth in other countries is still in our interest, because as the middle class grows, stability increases, as does their ability to buy our goods and services.

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deficit reduction, and the second wave of the reinventing government effort.

A Steadfast Trade Policy

President Clinton set out his trade policy in a series of speeches during the campaign and the early days of his presidency. At Georgetown University on November 20, 1991, he first laid out his strategy for competing and prospering in the new economy. Later, at North Carolina State University on October 4, 1992, he proclaimed his support for the North American Free Trade Agreement, and argued that it was strongly in the interest of American workers and firms. Shortly after taking office, he spoke at American University, and laid out his trade agenda for his Administration and said "In the face of all the pressures to do the reverse, we must compete, not retreat."

President Clinton has followed through on this policy with resolute consistency. In the process he has reasserted American leadership in the global economy and opened doors of opportunity that have led and will continue to lead to the creation of jobs. Despite the temptation to turn inward and cut ourselves off from the world, the United States has renewed its commitment to remain engaged in the world and continue the U.S. leadership role in the global economy.

1995 Trade Agenda

Our trade agenda is now entering a new phase. We must get down to the hard work of reaping the benefits of those trade agreements that we have negotiated over the past two years for the good of U.S. workers and companies. This is no time to rest on our laurels.

I characterize our trade agenda for the foreseeable future with three words: implementation, enforcement, and expansion.

Implementation

Our trade agreements are mere pieces of paper unless we pursue their dictates in a vigorous manner.

Our first priority is to implement the Uruguay Round, and begin building a World Trade Organization that works as conceived, with discipline, by consensus, with all countries living up to their commitments.

The Uruguay Round is a single undertaking. Before the Uruguay Round, between 27 to 45 countries were signatories to the five codes in the General Agreement on Tariffs and Trade. Countries could pick and choose which agreements to sign. Non-signatories were allowed to enjoy the benefits of more open markets without corresponding responsibilities. It was a classic free rider

system.

Under the Uruguay Round, we insisted that all 123 countries that signed the agreement, sign all five codes, as well as the other multilateral agreements. Now, everyone will, in a comparatively short time, play by the same rules. This includes the developing countries, where potential growth is so great, who are now all bound to international trade rules for the first time. Our policy is to build this kind of mutual responsibility into all of our trade agreements.

Implementation of the Round will further open markets to U.S. exports of goods and services in a number of ways. Foreign tariffs on industrial products will fall by more than one-third and non-tariff barriers will be significantly reduced or eliminated. For the first time, trade rules will extend to agriculture and services. New rules will protect intellectual property rights, strengthening key U.S. industries.

It is critical that we complete successfully the unfinished business of the Uruguay Round in the services sectors. Negotiations were extended in four areas: financial services, temporary entry of people, basic telecommunications, and maritime. The negotiations on financial services will conclude in June, and we must have improved market access for our banks, insurance companies, and securities firms from a number of key countries by that time.

We will continue to implement the North American Free Trade Agreement. Mexico's economic partnership with the United States is critical to their recovery and our own future prospects for job creation. Chile's accession to NAFTA is a high priority for us. We will launch negotiations with Chile by May of this year.

Finally, it is important to note that increasing interdependence among nations requires all of us to accept new responsibilities, which means we must begin to address internal domestic policies that distort or inhibit trade, including a nation's actions -- or inactions -- regarding anticompetitive business practices, lack of transparency, corrupt practices such as bribery, environmental policies and internationally recognized labor standards. We began to address these issues in the NAFTA and we will continue to do so.

An area of great concern to this Administration is the lack of openness in multilateral proceedings. International institutions are closed to outside observers. This must change. Because trade is increasingly important to the livelihoods, not just of Americans, but people around the world, we simply can no longer tolerate such a closed system. The credibility of the global trading system depends on greater public access to, and confidence in, that system.

Enforcement

During the Cold War, the United States often looked the other way when countries did not live up to their trade commitments, as a strategic necessity. That has changed. Now all sides must play on a level playing field. To reap the opportunities in the global marketplace, all countries must accept the responsibility to open their markets.

Enforcement of both international trade agreements and U.S. trade laws underpins our entire approach to trade. Since we are the world's largest trading nation, it is in our interest to strengthen the rule of law and institutions. We have made it clear that promises are worth nothing without effective rules, dispute settlement procedures, and remedies.

We will closely monitor the agreements we have reached, as well as those negotiated in previous administrations, to ensure that other countries live up to their commitments. Of course, if a country is not living up to its WTO obligations, our first course will be through the strengthened dispute settlement process in the WTO. However, we will continue to use every tool in our disposal -- 301, Super 301, Special 301, Title VII, GSP, the Telecommunications Trade Act, or WTO accession -- to open markets around the globe.

I have frequently been amused by the reaction that is triggered when the United States initiates an action against another country using our trade laws. Cries of "trade wars" and "protectionism" go up. Well, we are protecting U.S. workers and interests, but by using our position as the world's largest market to open foreign markets. Some people seem to think that signing an agreement is enough. I don't.

Our willingness to use our trade laws has contributed to many of our successes. For example, our recent agreement with China epitomizes this strategy.

China. Last month, I travelled to China to sign an historic agreement, which will provide for both immediate and longer term improvements in enforcement of intellectual property rights (IPR) and provide U.S. companies greater access to the Chinese market. The agreement came after pressure following an investigation under the Special 301 provision of the 1974 Trade Act. While in China, I also signed an historic space launch agreement, and we reached an "eight point accord" that is a roadmap for our work to resolve differences over market access, services, agriculture, and China's accession to the WTO.

Underlying these agreements is a much more fundamental concept -- the rule of law. Respect for the rule of law not only results in a more efficient economy and trade regime, but also leads to a better society. Enforcing the law -- for example, cracking down on copyright pirates, eliminating unfair trade practices, halting textile transshipments -- helps both our economies grow. Respect for the law is also contagious. It improves human rights and

creates a more open society. This has proved to be the case throughout East Asia. China will be an important focus of our trade efforts in the coming months as we work to develop reciprocity in our trading relationship.

Japan. Our enforcement strategy also underpins our policy towards Japan. Over several decades, the United States has tried many different approaches to deal with the unique structural and cultural obstacles to market access in Japan. Difficulties faced by U.S. firms stem from trade barriers that are a combination of government and private industry exclusionary practices and a myriad of non-transparent, unpublished rules and regulations, known as "administrative guidance."

The cornerstone of the Clinton Administration's trade policy toward Japan is the Framework, which represents a practical, market-based, "results-oriented" approach to dealing with these non-market barriers. In 1994, we reached significant agreements under the Framework in such areas as telecommunications, flat glass and insurance. We now have begun to monitor closely Japanese implementation of these agreements.

In addition, we continue to press the Japanese government to take bold action to free up over-regulated sectors of the Japanese economy. These complex regulations constrain the country's economic growth, hurt Japanese consumers and impede foreign access to the Japanese market.

A high priority area for our trade relationship with Japan is the automotive and auto parts sector. Trade in this sector constitutes approximately 60 percent of the U.S. bilateral deficit with Japan, and 22 percent of our total trade deficit. Discussions with Japan have focused on three major areas: access to Japan's motor vehicle market, auto parts purchases in Japan and in the United States by Japanese motor vehicle makers, and deregulation of the Japanese auto parts "aftermarket." After eighteen months of negotiations under the Framework, there has been virtually no progress in the automotive area. In addition, on October 1, 1994, we initiated a Section 301 investigation of Japan's virtually closed market for replacement auto parts.

In the last 25 years, Japan has exported 40 million cars to the United States. During the same period, the United States has shipped 400,000 cars to Japan. This imbalance must be addressed.

Korea. I would also like to say a few words about Korea, one of the toughest markets in the world. Korea's trade barriers increasingly resemble those of Japan's about fifteen years ago-- Korea has already "targeted" the auto, computer chip and shipbuilding sectors. And U.S. exporters are constantly harassed by significant layers of often unknown and unpublished regulations and endless regulatory requirements which are contrary to international norms. Bilateral agreements are frequently ignored or reinterpreted. It's no wonder that

American businesses have been going elsewhere in Asia for the past five years. Senator Baucus's March 16 resolution was right on target.

We are actively reviewing our trade relationship with Korea and intend, where appropriate, to take particular advantage of the new rules in the WTO under the Sanitary and Phytosanitary Agreement. Yesterday we requested dispute settlement consultations regarding Korea's testing requirements for agricultural chemical residues. Fruit was rotting at the port while exporters waited for as long as three weeks to receive the test results. Today I learned that Korea intends to change those laws. Next month, we will challenge Korea's unscientific government-mandated shelf-life system in the WTO, a system that hurts not only U.S. meat exports, but a wide range of food products.

We also depend on U.S. trade laws to enforce the numerous U.S. - Korea bilateral agreements. The Section 1377 telecom review is essential in enforcing our 1992 telecom agreements with Korea. Two weeks ago we successfully negotiated a deal worth over \$100 million to U.S. telecom companies. We intend to enforce our laws and those of the WTO without hesitation.

Intellectual Property Rights. Intellectual property protection has been a significant feature of our trade policy. Piracy of intellectual property is a problem in numerous countries around the world. One study estimated that U.S. companies lose over \$40 billion a year as a result of piracy.

Negotiating strong IP agreements and enforcing them has taken on new urgency because of the increased importance of our intellectual property industries to our national competitiveness. Our copyright-based industries are growing at twice the annual rate of the economy and employing new workers at almost four times the annual rate of the economy as a whole.

We are particularly concerned about continuing problems in Brazil, Argentina, and Turkey, and new problems in Singapore, especially regarding product patent protection of pharmaceuticals. We look for these countries to make significant improvements if they wish to avoid a major trade confrontation with us.

Expansion

The other area of focus in the coming months is expansion, that is, to build on the trade agreements we have reached so far, and to open markets further and expand trade. In particular, we will pursue the Free Trade Area of the Americas, it is critical to hemispheric growth that we move forward with the FTAA. And we must move forward the process started by the Bogor Declaration, the commitment made in Indonesia to eliminate barriers to trade and investment in Asia. I will discuss these two in a moment, but

first there are two areas of trade expansion I would like to mention.

G-7. Last year in Naples, the President challenged his colleagues to begin thinking about how the G-7 could continue to demonstrate leadership by pursuing further initiatives to open markets. Clearly, with the successful conclusion of the Uruguay Round, we enter a new phase in our trade relations. As the largest economies in the world, the G-7 countries have a responsibility to stay at the forefront of trade expansion. In the time leading up to the next Summit in Halifax, we will have opportunities to pursue specific initiatives as well as to begin to plot a course for a new WTO agenda.

First, I will be meeting with the trade ministers of the Quad -- Canada, Japan, and the European Union -- in early May where I expect that we will review developments in the ongoing negotiations on services, including financial services which has a deadline of June 30, and basic telecommunications services which must be energized if we are to reach agreements by April 1996. Additionally, we shall explore further cooperation in implementing the Uruguay Round agreements, for example, moving forward in key areas such as transparency and dispute settlement, and the prospects for cooperation in the standards area.

I expect that the OECD Ministers in May will endorse negotiations on a multilateral investment agreement. The United States supports these talks. Negotiations will be tough, but we all know that trade follows investment and this will be an important issue over the next several years.

Europe. The European Union is a huge market for U.S. products. Our exports to Europe already exceed \$100 billion a year. The Uruguay Round greatly reduced trade barriers between the United States and Europe, but there is still much more that could be done to increase Transatlantic trade. The Administration is studying a number of options for the U.S.-European trade relationship.

We will also continue to be actively engaged with the countries of Central Europe and the newly independent states of the former Soviet Union as they make the transition to market economies. Our goal is to assist these economies' full entry into the world trading system on commercial terms. In addition to their strategic importance to the United States, there is great long-term potential for U.S. trade and investment in the region.

LATIN AMERICA AND ASIA

Our trading partners in Europe and Japan, of course, remain critically important. But future opportunities for growth and new job creation lie in Asia and Latin America. That's why we are moving forward with the commitments we made to expand trade in Indonesia with the Bogor Declaration and in Miami with the Free

Trade Area of the Americas.

Development of a central position for the United States in evolving trade arrangements in these regions will be critical to our economic future and to our broader security interests.

FTAA. Latin America is a key area of focus for trade expansion through the FTAA. It is critical that we move forward with the FTAA to foster hemispheric prosperity through economic partnership. Let me explain why.

As a result of efforts to reform their economies countries in Latin America are exploding with growth and trade with the United States. In recent years, Latin America has been the second fastest growing economic region in the world.

Along with the economic reforms in Latin America have come striking political changes. The only country in the hemisphere with a leader who is not freely elected is Cuba.

The results have been stunning. The "lost decade" of the 1980s has been replaced by found opportunities in the 1990s. Inflation rates which reached several thousand percent in some countries have fallen to single digits in most nations.

The United States benefitted from economic reform in the hemisphere. U.S. exports to Latin America jumped from \$30 billion in the mid-1980s to over \$78 billion in 1993, creating 600,000 additional export-supported jobs and employing 1.3 million U.S. workers.

U.S. exports to Latin America now approximate our exports to the European Union, and, if trends continue, may reach \$232 billion by 2010, greater than our *combined* exports to the E.U. and Japan (\$216 billion).

It's not just geographic proximity that accounts for this explosion of trade. By reforming their economies, developing countries have unleashed a tremendous demand for everything from consumer products to capital goods and the materials needed in major infrastructure projects.

Latin Americans spend 40 cents of every dollar spent on trade on U.S. goods. We supply over 70 percent of some countries' imports and often three to four times as much as a country's next largest trading partner.

However, the average Latin American tariff is still over four times the average U.S. tariff. Although a number of non-tariff barriers have been removed, Numerous non-tariff barriers remain. U.S. firms continue to face some investment restrictions and inadequate intellectual property protection in the region.

The opportunities -- and problems -- in Latin America are

greatest for small and medium businesses. Large businesses, for the most part, have the resources that have allowed them to surmount the legal and technical barriers to trade in other countries. Many have sold their goods in Latin America for decades. Small businesses don't have those advantages.

We must level the playing field. These are historic opportunities. But to make our trade agreements work for all people, each country must accept certain responsibilities. We will not accept free riders. Our trade agreements will be single undertakings, like the NAFTA and the Uruguay Round, where each side accepted the same obligations.

Recognizing this historic moment, President Clinton hosted the Summit of the Americas last December in Miami, the first time in 30 years that the nations of this hemisphere have gathered together.

The 34 democratically elected leaders enthusiastically endorsed the U.S. proposal to construct "The Free Trade Area of the Americas," or FTAA, by the year 2005, with substantial progress expected before the end of this century.

In June, the trade ministers of the region will meet in Denver to adopt specific recommendations for both immediate action and long-term work towards the FTAA. This is a long road. But we must remain focused and move forward with determination and optimism. We intend to press the attention of the hemisphere on making concrete progress over the next year and beyond.

Chile's accession to the NAFTA will be a first strategic step in creating the FTAA.

The Latin Americans are not waiting for us. Neither are our trading partners outside the hemisphere. Latin America is in the process of integrating now. Nearly every country in the region is part of at least one major subregional trade agreement. There are five major sub-regional trading arrangements in Latin America, of which the NAFTA is only one. All are different in nature and scope, but they share a goal of reducing trade barriers and opening markets.

In addition, countries outside the hemisphere are keenly interested in Latin America. The European Union and the Southern Common Market have agreed to negotiate a reciprocal trade agreement. China, Japan and Korea are investing heavily in Latin America.

What happens if the United States is not involved in Latin America? U.S. firms, workers and farmers will be placed increasingly at a competitive disadvantage. Business opportunities for construction contracts, medical equipment, computers -- all the things developing countries want and need -- will go to Europeans, Japanese or Canadians. We will lose chances

to create jobs and promote growth in this country.

We have a historic window of opportunity now. Countries in Latin America want to create an FTAA. It is clearly in the U.S. economic interest to make this happen.

We want to make sure this integration occurs on terms that are in our mutual interest. That means eventually establishing a common set of trading rules for the whole hemisphere, based on high standards of openness to match our own, not a maze of agreements that complicate, instead of enhance, commercial relationships.

APEC. The Asia Pacific region has the fastest growth in the world -- three times the rate of the established industrial countries. Over the past three decades, Asia's share of the world's GDP has grown from 8 percent to more than 25 percent. By the year 2000, the East Asian economies are likely to form the largest market in the world, surpassing Western Europe and North America.

This growth has led to an explosion of trade with the United States. East Asia is the number one export market for U.S. products. US merchandise exports to Asia have grown nearly 60 percent over the last five years. U.S. trans-Pacific trade was 22 percent more than our trans-Atlantic trade in 1992. Our exports to Asia account for over 2 million jobs in the United States. One projection shows that Asia, excluding Japan, will be our largest export market by the year 2010, amounting to \$248 billion.

APEC is the regional centerpiece of our efforts to open markets, expand trade and ensure the future of our economic cooperation with the Asia Pacific region. Six years ago, when APEC was established it was generally viewed as a forum for consultation and cooperation on economic issues. Now, because of President Clinton's leadership in Seattle in November of 1993, and President Soeharto's leadership in Bogor, Indonesia last November, we have focused APEC's central objectives on one common goal: the achievement of free and open trade and investment in the Asia Pacific region by no later than 2020. "Industrialized" countries have agreed to strive to implement liberalization by 2010. This goal will involve promotion of business facilitation steps, economic cooperation and technical assistance as well as traditional liberalization which builds upon and "broadens and deepens" Uruguay Round outcomes within the region.

The first post-Summit meeting of APEC senior officials was held several weeks ago in Fukuoka, Japan; initiating the APEC trade process under Japan's chairmanship. Although much work remains to be done, we believe the APEC trade process is off to a good start this year in developing a concrete, credible and comprehensive action plan to implement the Bogor mandate. This plan must be completed for approval by leaders at their next meeting to be held in Osaka this coming November. In addition, officials are working on some short term results, such as the simplification of customs and standards procedures, improvements

in telecommunications and transportation infrastructure, which will add momentum to the APEC process and be of immediate benefit to businesses.

APEC members account for over 40 percent of the world's population, over 40 percent of world trade, and about 50 percent of the world's output of goods and services. Our efforts to expand trade with this region are critical to future growth and job creation in the United States.

Fast Track

I look forward to working with you in the coming weeks and months to establish a consultative arrangement. Fast-track renewal is critical if we want to continue expanding economic and job growth in this country by opening key foreign markets for our firms and workers. It is important that we have a consultative arrangement that balances the responsibilities of the executive and legislative branches of our government.

We need fast track to pursue opportunities in the world's fastest growing economies, countries that now restrict access to their markets but that show huge potential for our exports.

Other Issues. There are a few other issues that we will need to address in the coming weeks and months, in particular, graduating Bulgaria under Jackson Vanik, granting Cambodia Most Favored Nation status, implementing the historic shipbuilding agreement, extending the Generalized System of Preferences, or "GSP", program, enacting a Caribbean Basin Initiative program, and establishing the U.S. Israel Free Trade Zones.

Finally, I know the Finance Committee will take up Senator Dole's proposal, S. 16, The WTO Dispute Settlement Review Commission Act, on May 10. The Administration supports Senator Dole's efforts and stands ready to work with him and the members of this committee to ensure the creation of an appropriate review commission.

Conclusion

Mr. Chairman, President Clinton and a bipartisan coalition in Congress have proven their dedication to doing everything possible to raise standards of living and improve the lives of working Americans as they compete in the new economy. Together, we must continue to fight to open markets and expand trade, because it will foster new opportunities for working Americans, create jobs and raise standards of living.

The President put it best in a speech last November: "The center, the heart of our economic policy must be an unbreakable link between what we do to open the global marketplace and what we do to empower American workers to deal with that marketplace."

Americans need not hide behind their fears, but must boldly build a new country of peace, growing prosperity, and economic security. I look forward to working with you this year as we work to achieve that goal. Thank you very much.