

AMBASSADOR MICHAEL KANTOR
SPEECHES AND TESTIMONY
1996

- 1/31/96 STATEMENT - U.S.-China Business Council
- 3/6/96 REMARKS - Emergency Committee for American Grade
- 3/7/96 ADMINISTRATION'S TRADE POLICY TOWARD CHINA - Senate Foreign Relations Subcommittee on East Asian and Pacific Affairs and House International Relations Subcommittee on Asia and the Pacific and International Economic Policy and Trade
- 3/13/96 WTO - House Ways and Means Committee
- 3/19/96 REMARKS - National Confederation of Industries, Brasilia, Brazil
- 3/21/96 JOINT DECLARATION - Summit of the Americas, Cartagena, Colombia
- THE MIAMI SUMMIT PROCESS: CREATING JOBS AND RAISING STANDARDS OF LIVING

Speeches and Testimony

1996

DATE	DELIVERED BY:	LOCATION	LENGTH & TOPICS
31JAN96	Amb. Mickey Kantor	U.S. China Business Council	6p. "U.S.-China Policy"
03FEB96	President Clinton	New Hampshire Hydraulics Co.	20p. "Roundtable Discussion on Small Business Policies"
26FEB96	Amb. Jeffrey Lang	Geneva, Switzerland	2p. "Basic Telecom"
27FEB96	Amb. Mickey Kantor	Senate Judiciary Committee	5p. "TRIPs Agreement, UR Agreements Act, etc"
28FEB96	Amb. Ira Shapiro	Tokyo, Japan	9p. "U.S.-Japan Trade Relations"
06Mar96	Amb. Mickey Kantor	Emergency Committee for American Trade	6p. "Bribery and Corruption"
07Mar96	Amb. Mickey Kantor	Senate Foreign Relations Subcommittee on East Asian & Pacific Affairs & the House Intl Relations Subcommittee on Asia and the Pacific & Intl Economic Policy & Trade	7p. "Administration's Trade Policy toward China."
13Mar96	Amb. Mickey Kantor	House Ways and Means Committee	25p. "World Trade Organizaton"
18Mar96	President Clinton	Port of Orleans New Orleans, LA	5p. Remarks at the dedication Ceremony of the New Nashville Wharf"
19Mar96	Amb. Mickey Kantor	National Confederation of Industries, Brasilia, Brazil	7p. US.-Brazil Trade Issues.
21Mar96	Summit of the America Ministers	Cartagena, Colombia	Joint Declaration

28Mar96	Amb. Ira Shapiro	House Ways & Means Trade Subcommittee	11p Administration's Japan Trade Policy
Mar 96	Administration Statement	Summit of the Americas in Miami, FL	3. Creating Jobs & Raising Standards of Living"
19-21Apr 1996	Chairman's Statement	Kobe, Japan	Kobe Quadrilateral Trade Ministers Meeting
25Apr 96	Amb. Jeff Lang	World Trade Congress, Singapore	12p. "Trade and Investment Liberalization- the Road Ahead"
25Apr96	Amb. Jennifer Hillman	Committee on Ways and Means, Subcommittee on Trade	5.p. Administration views on HR 2795
08MAY96	Amb. Charlene Barshefsky	House Appropriations Committee, Subcommittee on Commerce, Justice, State The Judiciary & Related Agencies	6. 1997 Appropriation for USTR
09May96	Senator Bob Dole	CSIS	14p. "America and Asia; Restoring U.S. Leadership in the Pacific"
09May96	Amb. Jeff Lang	House Subcommittee on Commerce, Trade and Hazardous Materials	9p. WTO Basic Telecom Services Talks
18May96	Amb. Charlene Barshefsky	The Lehrer News Hour	5p. Trade Issues
20May96	President Clinton	Pacific Basin Economic Council	8p. Announcement of new members to the council
20May96	Amb. Ira Shapiro	House Ways & Means Committee, Subcommittee on Trade	10p. Successes in Trade

21May 96	Amb. Charlene Barshefsky	PBEC	5p. Expand trade 7 growth in the Pacific Basin
22May96	Amb. Jennifer Hillman	Ways & Means Comte Subcomte on Trade	2p.Iran-Libya Sanctions Bill
22May96	Amb. Jennifer Hillman	House Special Oversight Panel on the Merchant Marine Comte on Natl Security	8p. Implementaiton OECD Shipbuilding Agreement
6June 96	Amb. Jeff Lang	Senate Finance Comte	2.p MFN Treatment to Romania
5June 96	Amb. Jeff Lang	House Comte on Ag	Trade Opportunities in the Pacific Rim
5June96	Amb. Jennifer Hillman	Senate Foreign Relations Comte, Subcomte on East Asian & Pacific Affairs	China Trade Issues Relating
6June 96	Amb. Barshefsky	Senate Finance, Comte	China IPR Enforcement
11June96	Len Condon	Senate Commerce Comte	the UR & NAFTA on the current economic situation in the U.S. livestock and meat sector.
11June96	Amb. Barshefsky	House Ways & Means Trade Subcomte	China IPR Enforcement
12June 96	Don Eiss & Cathy Novelli	House Committe on Science	Intl Competition & U.S. Competitiveness in Space & Intl Space Launch Trade Agreement

17JUN96	Amb. Charlene Barshefsky	Beijing, China	China IPR
20JUN96	Amb. Jeffrey Lang	U.S. Senate Committee on Foreign Relations	Third International Rubber Agreement
21JUN96	EU and US		Basic Telecom
30JUL96	Amb. Jennifer Hillman	U.S. Senate Subcommittee on Western Hemisphere	LIBERTAD Act, Cuba
30JUL96	Amb. Jeffrey Lang	U.S. Senate Subcommittee on Int. Trade	NAFTA and illegal drug trafficking.
01AUG96	Amb. Jeffrey Lang	House Ways and Means Committee	Trade relations with Sub-Saharan Africa
04SEP96	Amb. Walter Mondale	National Press Club Luncheon	US Amb. To Japan
09SEP96	Amb. Barshefsky	Minority Business Conference, Dep. Of. State	USTR
11SEP96	Amb. Barshefsky	House Subcommittee on Trade	WTO first ministerial Conference in Singapore
17SEP96	President Clinton	Westland, Michigan	
19SEP96	Amb. Barshefsky	House Subcommittee on Trade	China, Taiwan, and WTO
24SEP96	Amb. Rita Hayes	International Textile Manufacturers Federation	U.S. Textile Policy and Objectives
25SEP96	Amb. Ira Shapiro	House Subcommittee on Dairy, Livestock and Poultry	Dispute over Canadian
01OCT96	Amb. Barshefsky	USTR Press Conference	Proposed Super 301 Actions against Indonesia, Brazil, Australia and Argentina

07OCT96	Amb. Lang	Press Conference - Bangkok, Thailand	ASEAN trip
10OCT96	Amb. Barshefsky	National Women's Democratic Club	Draft Remarks -- U.S. trade policy agenda

Statement of Ambassador Michael Kantor
Prepared for Delivery
U.S.-China Business Council
January 31, 1996

In the sixth century AD, Chinese engineers perfected a new technology for building bridges across small rivers and streams -- the use of iron link chains for suspension. We should all hope this skill survives in modern China. In the coming months, our country once again will engage in a broad debate over U.S. China policy. It's a debate that in many ways is about building bridges.

The end of the Cold War has presented us with an historic opportunity to place our relations with many countries on a broader and more positive foundation. A foundation based not on mutual *suspicion* -- but on mutual *cooperation*; a foundation built not on mutual *threats* -- but the potential for mutually assured *security and prosperity*.

The United States and China can achieve this mutual prosperity. I want to focus my remarks today on opportunities and obstacles. In particular, I want to talk about the potential in our trade relationship with China, and China's responsibilities in working to meet that potential.

It is an understatement to say the U.S.-China relationship is multifaceted. China plays a central role in maintaining peace and stability in Asia -- a situation of great importance to our nation. We have continuing concerns with China in areas ranging from non-proliferation to environmental protection. We have a deep and abiding interest in human rights. And increasingly, trade is center-stage in our relationship.

Let me start with a simple proposition: We will never achieve China's full integration into the international community by building walls that divide us. The most repressive periods in modern Chinese history did not occur in times of open exchange -- they occurred in times of isolation.

To promote our multiple interests, this Administration has pursued a policy of engagement with China on all fronts. We will continue to do so.

But let me be clear about what we mean by engagement. President Clinton came to office with the strong view that engagement with China does not mean *ignoring* our differences. It means we actively engage China to *resolve* our differences. We *will not* and you *should not* make apologies for China's human rights record.

Despite our differences, trading with China is an important part of our broader engagement strategy.

American products themselves carry the seeds of potential change. Think about what we sell to China -- computers, fax machines, television satellites, cell phones, books, music and movies. Do we promote ideas by cutting off access to idea industries? Or is this a genie we very much want *out* of the bottle?

Even our trade agreements promote change in China. Take the example of last year's intellectual property agreement. The essence of that agreement, and all our trade agreements, is respect for the rule of law. The IPR agreement promotes citizen access to the judicial process, by requiring China to publish relevant laws and standards, and by requiring the creation of guidebooks to the enforcement system. The IPR agreement applies these principles in a commercial sphere, but its ramifications for China go far beyond patents and trademarks.

Make no mistake about it. Americans have a commercial stake in China. At least 160,000 Americans owe their jobs to U.S. exports to China. These workers have rights, too -- the right to job opportunities, the chance to provide a decent living for their families. Just as we should not make apologies *for China*, neither should we apologize for our economic interest *in China*.

People in this room have watched the China debate evolve now for nearly seven years since Tiananmen. As the President has made clear, we believe we best promote U.S. interests in China -- from trade to human rights -- by engaging with China, by trading with China. But China is making a serious mistake if it underestimates the depth of feeling in the United States on issues ranging from trade to security to human rights.

The United States will do its part, but if we are to build a lasting, productive relationship, China has a responsibility to take concrete, meaningful steps to address areas of our concern, and to respect internationally accepted principles.

The opportunities and responsibilities in our relationship are nowhere more obvious than in our trade relations with China. The trade agenda offers a useful context for defining what we mean by engagement.

Engagement carries with it a large measure of mutual responsibility.

For China, the potential of the U.S. market is matched by a tangible reality. In 1994, nearly 40 percent of China's exports went to the United States, including tens of billions of dollars worth of electronic machinery, textiles, footwear and an ever-increasing volume of higher value added products. In addition, Chinese companies are allowed to establish freely throughout the United States.

China also benefits from U.S. investment and technology. The United States is one of China's largest investors. U.S. companies have put more than \$10 billion in joint ventures, wholly-owned companies and other investment vehicles. U.S. companies have also helped grow markets in China in virtually every sector in which they have been permitted to establish, benefitting the United States -- but most of all benefitting China. U.S. investment in China has created jobs, passed on advanced management techniques, set quality standards, and improved the rights and privileges of Chinese workers.

For the United States, it is certainly true that China offers unmatched *potential*. China is the world's fastest-growing major economy, with real growth of almost 12 percent last year, and average growth rates of greater than seven percent for each of the past 14 years. China already possesses the world's largest population. At some point in the next century, the size of its economy may rival our own.

Unfortunately for the United States, the potential of the China market remains unfulfilled. China continues to maintain one of the world's most closed markets for goods and services. While we buy 40 percent of China's exports, our exports to China have been artificially restricted by unfair and discriminatory trade practices.

China blocks access to its markets for many U.S. goods -- especially capital goods; it limits investment opportunities; and it discriminates against U.S. and other foreign business people in many other respects. In areas of increasing U.S. comparative advantage -- including services -- China maintains sanctuary markets -- blocking imports while Chinese companies scramble to create monopolies.

For most Americans, the growing U.S. trade deficit with China is deeply troubling. China last year ran an estimated \$35 billion trade surplus with the United States. Our deficit with China is threatening to surpass our trade deficit with Japan. The Japanese deficit is falling. The deficit with Asia excluding China is falling. China's burgeoning economy should be absorbing more and more U.S. exports, and not be protected by outmoded barriers.

Over the past three years, we have pursued a vigorous bilateral trade agenda with China. We have sought and achieved real results in China. By working successfully with you and your representatives, we have opened markets ranging from heavy machinery to telecommunications technology. Our exports to China have doubled since the beginning of the Clinton Administration. We expect our trade and investment with China to continue to grow.

We continue to face many problems with China. But as we address those problems, let me remind you that we also have come a long way. China has formally eliminated more than 1000 non-tariff import barriers; made its trade regime much more transparent; lowered tariffs; eliminated discriminatory regulations on telecommunications and other key sectors; opened its markets to many agricultural products.

The reality, however, is that implementation of our trade agreements has been mixed. Nearly a year ago, we initialed an agreement that mandated strict measures to enforce intellectual property rights in China. It is essential to America's future that our trade and investment in ideas and services, as well in the manufacturing sectors, are protected. U.S. computer technologies, software, books, periodicals, motion pictures, sound recordings, pharmaceuticals, other chemical products -- even automobiles -- require and deserve protection in China and around the world.

The Agreement mandated that China take effective measures to protect intellectual property -- including increased raids on pirates, structural changes in its system to sustain protection, and market access for U.S. software, motion picture, and sound recordings.

China has taken steps to improve IPR protection, and we should recognize those steps. China has launched more than 3200 raids since the signing of the Agreement in the spring of 1995, and has confiscated more than two million CDs, hundreds of thousands of pirated books, sound recordings, and computer software.

China has not taken other important and critical actions, however, to fully enforce last year's agreement. For example, 34 CD factories, with a production capacity of 90 million disks a year, are exporting sound recordings, motion pictures on CDs, and high-value-added CD-ROMS. One CD-ROM disk can contain up to \$10,000 of software -- and sell for \$5 to \$6 in China and Hong Kong. China now exports these pirated products throughout Southeast Asia, Latin America, and increasingly in North America.

China's enforcement authorities have yet to target major manufacturers and distributors of pirated products -- many of which are now distributed through Hong Kong. And China has not yet opened its markets to our creative industries.

The first anniversary of the Agreement is coming shortly. We have asked the Chinese to take specific measures to fully implement the Agreement, including: shutting down pirate factories, targeting major IPR offenders, creating effective border enforcement, and opening its markets to our products.

Let me be clear about the terms of the agreement: Shutting down factories does not mean merely a temporary suspension in operations. It means prosecuting serious offenders, revoking business licenses, destroying the equipment used to produce the pirated products, and destroying the products themselves. In addition, we demanded, and the agreement provides, that U.S. industries be permitted to license CD factories for legitimate production, or to establish joint ventures.

We will enforce U.S. trade laws and take decisive action if China does not meet its obligations. We will not wait forever.

Let me mention briefly another disturbing development. China recently took the surprising action of precipitously clamping controls on the flow of financial data. This data is crucial to creating an open trade regime, more transparency, and finally, a market in which today's sophisticated companies can make crucial business decisions.

I am deeply concerned that the Chinese are taking steps inconsistent with transparency and are imposing discriminatory restrictions on our companies. I have asked our negotiators to pursue this issue when they are in China next week.

Our negotiators also will press for resolution of ongoing disputes over wheat and citrus exports, disputes that have dragged on for far too long. In addition, we will continue to pursue market opportunities, heretofore limited or denied, for financial services and value-added-telecommunications.

This Administration has made opening foreign markets the hallmark of American trade policy. It's a simple matter of fairness and economic necessity. If the United States is expected to shoulder its obligations, its trading partners must do the same. When our trading partners fail to live up to their responsibilities, American jobs and our standard of living are threatened, and popular support for trade erodes.

We lose the credibility we need to advance open markets and expand trade. As the world's largest economy, that's a consequence with enormous implications. Especially for you. As business leaders -- you and your workers have the most to win or lose as the debate over trade continues.

Public support for trade is critical as we turn to the issue of China's membership in the World Trade Organization -- the WTO. In the WTO issue we again see both the opportunities *and* the responsibilities in our relationship with China.

During his discussions with President Jiang last fall, President Clinton reiterated U.S. support for China's accession to the WTO *on the basis of commercially viable commitments*. Since the President's meeting, USTR negotiators at every level have conducted seven meetings with our Chinese counterparts to discuss WTO.

To facilitate and organize these discussions, the United States has worked hard to prepare a document we have referred to as a WTO "roadmap" for China.

The roadmap crystallizes for China the basic decisions it must make in each substantive area covered by the WTO. On the basis of the roadmap and our discussions, we hope China can better determine whether it intends to move forward. If it is prepared to do so, then we can turn to the next step of determining how best to achieve compliance with each WTO obligation.

Let me emphasize a key point about the process of moving forward.

One of the major achievements of the Uruguay Round was the so-called "single undertaking." This means that all of the economic issues addressed in the WTO constitute a single package of rights and responsibilities that all of its members have accepted. The WTO is not a menu from which one can simply pick and choose.

To make progress in our WTO discussions, China must stop erecting new barriers to replace those previously removed, and cease establishing policies that move it away from WTO consistency.

For its part, the United States will continue to be practical and pragmatic. Our substantive approach is consistent with that of China's other major trading partners. In his discussions with President Jiang, President Clinton made clear that the United States stands ready to negotiate a genuine commercial accession agreement. The roadmap points the way.

History will record the events of our recent past as a sweeping tidal wave of democratic and market reform. Think about what has happened. At a 1967 conference of nations of the Western Hemisphere, only 12 of 19 participants were democracies. At the time of the 1994 Summit of the Americas, only one of 35 countries in this hemisphere was *not* a democracy.

In 1989, hundreds of thousands of American troops in Europe stood face-to-face against the Soviet Union and its Warsaw Pact allies. Today, 20,000 Americans stand side-by-side with Russian troops to enforce a peace agreement in Bosnia. Just a few years ago, Nelson Mandela was a political *prisoner* of South Africa's apartheid regime. Today, Nelson Mandela is the democratically elected *president* of South Africa.

We know none of these changes occurred overnight. And it's difficult to place contemporary events in historical perspective. But there's an element of reality that we must bring to the China debate. Failure to engage China will lead us *away* from the changes we all seek.

The U.S.-China relationship is as important as any bilateral relationship in the world. We have an opportunity to bridge important gaps in our relationship, so that benefits travel *both* directions. To make this potential a reality, the United States stands ready to do its share. But China, too, must bear *its* share -- living up to its responsibilities and accepting the burdens of a major power.

China's promise and promises must evolve into actions and realities. That is the only bridge to peace, stability and economic prosperity.

Remarks Prepared for Delivery
Emergency Committee for American Trade
Ambassador Michael Kantor
March 6, 1996

The most profound challenge we face in an increasingly globalized and interdependent economy is how to remove impediments to effective access to markets outside the United States. Many of these tariff and non-tariff barriers have been the subject of much discussion. However, one increasingly prevalent practice has long been ignored or tacitly accepted -- bribery and corruption in international transactions.

Make no mistake: this is a barrier to trade. At a time when American businesses are more competitive than ever, increasingly they face new problems in selling their goods or services abroad. In meeting after meeting, U.S. businesses cite bribery, corruption and the lack of transparency in government procurement as among the most difficult barriers they confront in the real world. These activities place products and services made by or offered by U.S. workers at an obvious disadvantage, inhibit our exports, cost U.S. workers jobs, and constitute an unfair advantage to those who either fail to recognize the problem or actively avoid confronting it.

All too often what makes the difference in big ticket foreign contracts -- whether it be for turbine powered generators or telecom network equipment -- is not the quality or price of a product, but because something "extra" was involved in the competition.

President Clinton has directed his Administration to take on this problem. The President has made it clear that we will demonstrate the same access to foreign markets that our competitors enjoy in the U.S. market. Addressing the problem of bribery and corruption is yet one more step in that important effort. We are not trying to eliminate competitive advantage. Our goal is to level the playing field and make the rules fair by eliminating this pernicious practice.

In addition, by addressing and beginning to eliminate this problem, we will make progress toward building confidence in an international trading system which must, at its core, promote reciprocity, national treatment, fairness and the respect for law. The American people demand a tough, no-nonsense trade policy and the President insists on it.

Corruption has existed as long as there have been people in power and money to influence them. Can we ever get rid of it completely? Unlikely. Can we do something about it to limit its impact on U.S. businesses in this country? Absolutely. Do we have a legal, moral, economic and political responsibility to pursue this problem in every possible forum and with every tool at our disposal? Without a doubt.

Our commitment to address this practice in order to eliminate it is part of the recognition that we live in a world with new challenges born of four new realities.

President Clinton is committed to accepting the challenge of change. He knew that Americans can

compete and win in this new era, what the President calls an "Age of Possibility." That's why he recognized -- and acted on -- four new realities which are shaping our world.

First, our nation's economic strength begins at home. With the President's leadership, a tough and far reaching economic package was enacted, which lowered taxes for millions of Americans, helped to lower interest rates, cut the deficit dramatically and aided the successful fight on inflation. The economy has created 7.8 million jobs and 93 percent of those jobs have been in the private sector. In December 1995 unemployment was 5.6 percent. We're reducing the size and scope of government so that creates opportunity, not bureaucracy.

Second, globalization and interdependence of the economies of the world is here to stay. We've seen a lot of what I am talking about in stories in the newspapers in just the last couple of weeks: BMW and Fuji film plants that are now in South Carolina, a poultry processing plant in Gainesville, Georgia whose success depends on exports. Nostalgia for a time when the U.S. economy was self-contained is understandable, but it doesn't provide any answers for how to create jobs in the new economy. The nations of the world are truly interdependent.

Third, in the post-Cold War world, trade has taken its place at the foreign policy table, alongside strategic and political concerns. The days of the Cold War, when we sometimes looked the other way when our trading partners failed to live up to their obligations, are over. National security and our national economic security cannot be separated.

Finally, trade is more important than ever to the U.S. economy. In 1970, the value of trade equaled just 13 percent of the value of U.S. GDP. In 1995, that figure was an estimated 30 percent. Eleven million workers in this country owe their jobs to exports. On average, these jobs pay 13 to 17 percent more than non-trade jobs. Every billion dollars of exports supports, on average, 15,000 jobs. Clearly, expanding trade is critical to creating good, high-wage jobs.

We live in a world of opportunities. Dynamic economies in Asia and Latin America are growing at astounding rates. The United States has a mature economy, and we are nearly at zero population growth. We have four percent of the world's population. That means 96 percent of our potential consumers live outside our borders. To grow and prosper at home we must open the most lucrative markets in the rest of the world to U.S. exports -- in both our historic trading partners like Canada, Europe and Japan, as well as the dynamic emerging countries in Asia and Latin America.

President Clinton has articulated and implemented a trade policy that responds to these realities. His goal consistently has been to achieve more opportunities to sell our goods and services in foreign markets. His means toward that goal have been to enter into agreements which open new markets to U.S. exports; monitor and enforce those agreements to ensure our trading partners are living up to their obligations; and enforce our trade laws.

The key to this, as the President said in a speech at American University in February 1993 when he outlined his trade policy, is to "continue to welcome foreign products and services into our markets, but insist that our products and services be able to enter theirs on equal terms." He knows

that if we can level the playing field, the American worker will do the rest.

That's why the United States under President Clinton's leadership has concluded nearly 200 trade agreements; vigorously implemented, monitored and enforced those agreements as well as agreements entered into in previous administrations; and enforced our trade laws.

His policy is working. American workers and companies are once again the most competitive and productive in the world. We've surpassed the Germans in exports, and the Japanese in automobile production. Exports are growing at record pace since President Clinton entered office, creating more than one million new jobs. And we're beginning to crack open Japan's long-closed market. According to Japan's own figures, the U.S. trade deficit with Japan reached its lowest point in twelve years last month.

We are moving in the right direction. We've brought historic reductions of trade barriers to U.S. exports and American workers and businesses have responded to these new opportunities. The key question we face now is this: How can we continue to level the playing field for American workers and continue to create jobs? How can we continue to meet the standard the President set: that our products and services enter foreign markets on equal terms to those foreign exporters enjoy in our market?

The fact is there are still a lot barriers which our exporters face. Tariffs are still too high in a lot of places. Some countries sign an agreement and then don't live up to their obligations. Our efforts of the last three years won't amount to much if our trading partners are cheating on the side. Don't think all the work is done.

Part of the answer is to continue what we have been doing: press to open foreign markets and expand trade, while standing up for U.S. workers by enforcing and monitoring our trade agreements and trade laws.

But the other part of the answer is to go after barriers to trade which are becoming more important in our new, interdependent era. To ensure a level playing field for American workers, we must have a forward-looking trade policy which addresses the new challenges we face in the international trading system.

Trade policy has become much more complex in the last fifteen years. When the GATT was founded after World War II, it began by only addressing the question of tariffs. Later, we began to address non-tariff barriers. In the Uruguay Round, we established rules for agriculture, services and protecting intellectual property for the first time.

This fifty-year record of reductions in trade barriers have sparked higher global standards of living and more jobs in the United States.

Our focus on non-tariff barriers has now led to issues that are no less important than tariffs and intersect with trade in a profound manner. These policies include a nation's actions -- or inactions -

- regarding environmental protection; adherence to internationally recognized labor standards; anticompetitive business practices; lack of regulatory transparency; protecting investments and, of course, anti-competitive practices such as bribery.

Until relatively recently, the impact of bribery and corruption on international business was little discussed. Bribery and corruption were often accepted in international circles as a necessary means of doing business, or even as a "cultural phenomenon." In 1977, the United States passed the Foreign Corrupt Practices Act. To this day, we are the only nation on earth who holds its citizens accountable for engaging in this kind of behavior.

But now we are in a new environment with a highly competitive global economy. And bribery and corruption are insidious problems, a virus threatening the health of the international trading system.

Bribery and corruption -- and toleration of them -- are worldwide problems. You see it in the dynamic emerging economies in Asia and Latin America, and you see it in our historic trading partners in Japan and Europe. In some countries in Europe you can even deduct the costs of bribery on your taxes. In South America, a former president of one country has been accused of accepting a million dollar bribe from an European company. In Asia, a government official-- the head of a development bank -- resigned after accusations of accepting bribes. We are not talking about slipping hundred dollar bills to customs officials at the border. We are talking about bribes worth hundreds of thousands of dollars or more on major business opportunities.

This impacts American workers and firms in essentially three ways.

First, and most importantly, rampant bribery and corruption affects the confidence of the American public in the global trading system. It is simply unacceptable to allow cheaters in the global trading system -- and the American people won't stand for it.

Second, bribery and corruption act as a competitive disadvantage for U.S. exporters. Bribery is essentially a tariff increase, except that it's unpredictable and, for our exporters, unfair.

Third, of course, is the impact on U.S. jobs and exports. Although it is difficult to estimate the exact losses in U.S. exports as a result of bribery and corruption, anecdotal evidence clearly indicates that it is a multi-billion dollar problem. Last year, from April 1994 to May 1995, the U.S. government learned of almost 100 cases in which foreign bribes undercut U.S. firms' ability to win contracts valued at \$45 billion.

But in addition, it also hurts the economy where the corruption is taking place, by denying it the benefits of trade agreements. And bribery and corruption interfere with trade negotiations -- corrupt officials do not want their cosy relationships disturbed by trade liberalization, so they influence governments to resist it in negotiations.

If left unchecked, bribery and corruption can negate market access gained through recent trade

negotiations and could begin to eat away at the foundations of the international trading system. That's why we are committed to leveling the playing field. We want to eliminate unfair trade, wherever it exists. Make no mistake: when a nation ignores bribery and corruption, it constitutes a barrier to trade.

The United States is doing its part in combating this problem. The Administration has vigorously enforced the Foreign Corrupt Practices Act, which makes it illegal for U.S. companies or their agents to bribe foreign officials.

The Clinton Administration will not consider any effort to amend or weaken the Foreign Corrupt Practices Act. We are committed to addressing this problem by getting other countries to stop their firms from bribing foreign officials and prevent their officials from accepting bribes, not by lowering our own standards.

At President Clinton's direction, Secretaries Christopher, Brown and Rubin and I have all expressed the Administration's determination to combat bribery and corruption. Let me talk about what we are doing to address this problem.

First, we have led developed countries in the OECD to reach a decision that will commit all members to prohibit tax deductibility of bribes to foreign officials, a decision that we expect soon. Of course, it is ridiculous that many governments have permitted tax deductibility, but nonetheless, it is an achievement to secure an agreement that it won't be permitted in the future. We need to press in the OECD for recommendations which would result in the complete criminalization of bribery.

Second, we are pressing the WTO to do several things. First, we seek a work program on government procurement to promote standards regarding transparency and due process. By negotiating and agreeing to such rules, we would begin to create a more competitive environment in which it would be difficult for bribery and corruption to flourish. At the end of this year, trade ministers from all WTO members will gather in Singapore for the WTO's first Ministerial Conference. It seems to us that the WTO can and should play a role here -- agreement in Singapore is one of our priorities for the WTO's work program.

Next, the WTO should address the substance of concerns regarding bribery of concerns. I recently wrote to Director General Renato Ruggiero on this issue and I appreciate his positive response.

We seek to extend the WTO Government Procurement Agreement, which, because of its rigorous disciplines, excludes many key markets in Asia, the Americas, Eastern and Central Europe, or in Africa. Estimates of the value of procurement markets in these countries approach \$1 trillion or more. If U.S. firms cannot compete for these contracts without being undermined by bribery and corruption -- U.S. economic opportunities and jobs will suffer.

Third, we advocate the use of regional fora, such as APEC and the Free Trade Area of the Americas -- the FTAA, to promote standards regarding transparency and due process in their

government procurement activities. In addition, each of these fora should address the issue of bribery and corruption in a direct and unambiguous manner.

We are using APEC and the FTAA to open a dialogue with developing countries on procurement and build a consensus for reform under the WTO. The Action Plan of the Summit of the Americas calls on the "governments of the world to adopt and enforce measures against bribery in all financial or commercial transactions with the Hemisphere." All countries, developed and developing, stand to benefit from a WTO initiative, since bribery and corruption exact a heavy toll on international transactions for all.

Fourth, we will urge other countries to loosen government controls on their economies. Privatizing industries and deregulating economies will have a substantial impact on corruption, by increasing competition and removing the opportunities for bribing of government officials.

Fifth, the Administration is working with the World Bank and other multilateral development banks to assist them in establishing procedures that guard against bribery and corruption in their projects. The World Bank, in particular, has recently revised its guidelines to strengthen transparency and standardization of documentation, both major safeguards.

We will also continue to work with private sector, labor and non-governmental organizations to elicit their views and proposals on addressing bribery and corruption in international transactions.

Sixth, we should ensure that our existing trade laws, specifically Section 301 and Title VII, provide appropriate remedies for this problem. If not, we should look at whether those laws can be strengthened.

Finally, I believe we should study other measures which would help us combat this problem. This Administration has sought the best ways to deal with theft of intellectual property, the use of prison labor, or other practices which result in an unlevel playing field for American workers. This is no less of a serious problem, and requires no less of a serious response. I would welcome a bipartisan effort to review this issue.

The President is committed to doing everything he can to open foreign markets so American workers, farmers and businesses can sell their products abroad. He knows that is how we must create high wage, high skill jobs in this country and raise our standards of living. Americans have never been ones to build walls of fear around our country.

The President has set the nation on a course that will forge prosperity into the next century. The President is doing his part by standing up for American workers, opening foreign markets, and pressing to ensure that bribery and corruption is the exception, not the rule in international commerce. But we must all work together to get there. All of us -- government, businessman, farmer, worker, student -- must do our part to forge new opportunities for the American community. As Americans we must join together to create the new American Century -- an era of limitless possibilities. Together, we can build a better future. Thank you very much.

higher tariffs. After negotiations under WTO procedures, we succeeded in getting full compensation, through an agreement by the EU to lower tariffs on a range of semiconductors and hundreds of other products, for the entire EU market.

This was a long-time objective of our high-technology industries and will strengthen their ability to export from the United States. The tariff reductions in the agreement will result in \$4 billion in tariff savings by U.S. companies over the next ten years. The agreement also commits the two parties to attempt to conclude an Information Technology Agreement that will eliminate tariffs in the information technology sector by the year 2000. The EU has already implemented these tariff cuts. This negotiation was more successful than negotiations in earlier EU enlargements, because we had WTO dispute settlement to back us up and the EU knew that we meant business.

- **Korea meat.** Our meat exporters had persistent problems with Korean regulations which banned sale of meat except within an arbitrary "Shelf life" that was too short to permit overseas shipments. We used the new WTO rules and the new WTO dispute settlement procedures, and we consulted with Korea. Korea agreed to fix our problem because they knew we were prepared to take them all the way through WTO dispute settlement and win.
- **Japan sound recordings.** We invoked WTO dispute settlement procedures in response to Japan's denial of protection to millions of dollars' worth of our intellectual property in sound recordings made between 1946 and 1971. Japan has already offered to change its law --but unless we are completely satisfied, we are going all the way through the dispute settlement process. WTO dispute settlement will help us fix this problem not only in Japan, but in other high-growth export markets in Korea, Taiwan and elsewhere in Asia.

We expect to continue to settle cases --or pursue them through the dispute settlement process until we obtain satisfaction --and we will be taking additional cases to the WTO in the coming weeks. At the same time, we will find ourselves defending U.S. measures in WTO dispute settlement proceedings, and we will keep the Congress apprised of every development in the cases brought against us. It would be unrealistic to deny that there are going to be cases in which WTO panels properly find that a U.S. law or regulation does not comport with WTO rules. When that happens, we will have to decide, in consultation with Congress, what is the best course of action to pursue.

The gasoline dispute. As we have already advised the Committee, on April 29 the WTO appellate body found against us in the dispute brought by Venezuela and Brazil regarding EPA's regulations on gasoline. While we would have preferred to win that case, I want to emphasize that (1) that we lost on fairly narrow grounds and (2) that there were also important positive aspects to the findings in that dispute. To be clear, the Clean Air Act was not at issue in that case but rather one element of EPA's implementing regulations that discriminated against foreign refiners. The appellate body recognized that discriminatory treatment might be justified to deal with EPA's concerns about access to data and enforcement with respect to foreign refiners. However, it felt that EPA had not adequately explored options available to deal with these

concerns, and that the United States had been concerned about the costs of the various regulatory options to domestic refiners but not to foreign refiners. We were gratified that the appellate body ruled in our favor in overturning the original panel's excessively narrow interpretation of the GATT's exception for conservation measures and that it admonished WTO panels to stick to the words of the WTO Agreements and not embellish upon them.

This element of the ruling recognizes and reaffirms the balance in the WTO agreements that provides us access to foreign markets while maintaining our freedom to protect the environment and conserve natural resources. We are currently reviewing our options for responding to this case, in consultation with Congress, and would welcome any input from the Committee. Let me reassure you that in assessing our options, our bottom line is that the results of this dispute will not compromise this Administration's commitment to strong and effective implementation of the Clean Air Act.

Telecommunications. At the end of April, the Clinton Administration led a successful effort to extend multilateral negotiations aimed at opening the global telecommunications market. Vice President Gore announced last year that the United States would open its telecom market *if other nations would open their markets*. Unfortunately, a critical mass of offers had NOT been reached. Rather than accept a bad deal -- or walk away from the good offers tabled by many countries -- the United States won support for an extension of the telecom talks to February 15, 1997.

The United States took the initiative to forge a consensus on an extension of the talks. The additional time will allow other nations to improve their market-opening offers and help to achieve our common goal -- a global telecom agreement. Such an agreement -- if done right -- can unleash the tremendous pent-up demand in most other countries for better and cheaper telecommunications services.

Much has been accomplished in the talks to date. For example, thirty countries have accepted pro-competitive regulatory principles -- a particularly significant achievement in light of past domination by monopolies. In addition, ten countries have tabled offers with market opening roughly equivalent to the U.S. offer. We are cautiously optimistic that the extension will allow us to obtain access to foreign markets. Many of our trading partners are currently in the middle of legislative processes that can influence the quality of their offers. Others have legislative authority to commit to more than they offered in these talks. Still others have made offers that need sharp, specific improvement. We aim to use the extension period to persuade all of these countries to bind the full range of market opening possible under their laws, and to change their laws, if necessary, including the adoption of fair and effective rules of competition.

Conclusion

Mr. Chairman, President Clinton believes we can never build walls of fear around our country. American workers are the most productive and competitive in the world and they are not afraid of fair, head-on competition. Our choice is not between one way trade and no trade. Our challenge is to make sure we have two-way trade.

The President has set the nation on a course that will forge prosperity into the next century. He's done it with his efforts on the economy, in foreign affairs, and with trade. We are moving in the right direction. But we still have a long way to go and we must all work together to get there. We must all take responsibility to do our part to forge new opportunities for the American community. For the President that means he will continue to stand up for the interests of American workers, farmers, and companies. As Americans we must join together to create the new American Century -- an era of limitless possibilities. Together, we can build a better future for our families and ourselves. Thank you. I would be happy to answer any questions.

Statement of Ambassador Michael Kantor
Before the Senate Foreign Relations Subcommittee on East Asian and Pacific Affairs
and the House International Relations Subcommittee on Asia and the Pacific
and International Economic Policy and Trade

March 7, 1996

Mr. Chairmen, distinguished Members, I appreciate the opportunity to appear today to discuss the Administration's trade policy toward China.

Before moving to specific issues on our trade agenda, I want place our trade relationship in the broader context of our overall relations with China. It is an understatement to say the U.S. China relationship is multifaceted. China plays a central role in our interest in the maintenance of peace and stability in Asia -- a region of great importance to our nation. In the APEC, the United States has worked with others in the Asian-Pacific region to integrate China into global economic activity. We have a broad range of common interests, such as combating drug trafficking and alien smuggling.

We have continuing concerns with China in areas ranging from non-proliferation to environmental protection. We have a deep and abiding interest in human rights. And increasingly, trade plays an important role in our relationship.

Let me start with a simple proposition: We will never achieve China's full integration into the international community by building walls that divide us. The most repressive periods in modern Chinese history did not occur in times of open exchange -- they occurred in times of isolation.

Under the Jackson-Vanik statute, the President this spring will make his annual determination on MFN. To promote our multiple interests, this Administration has pursued a policy of engagement with China on all fronts.

But let me be clear about what we mean by engagement: President Clinton came to office with the strong view that engagement with China does not mean *ignoring* our differences. It means we actively engage China to *resolve* our differences. *We will not* and *no one should* make apologies for China's human rights record.

Despite our differences, trading with China is an important part of our broader engagement strategy. American products themselves carry the seeds of potential change. Think about what we sell to China -- computers, fax machines, television satellites, cell phones, books, music and movies. Do we promote ideas by cutting off access to idea industries? Or is this a genie we very much want *out* of the bottle?

Our trade agreements promote change in China. Take the example of last year's Intellectual Property Agreement. The essence of that Agreement, and all our trade agreements, is

respect for the rule of law and respect for international norms of behavior. The IPR Agreement promotes citizen access to the judicial process, by requiring China to publish relevant laws and standards, and by requiring the creation of guidebooks to the enforcement system. The IPR Agreement applies these principles in a commercial sphere, but its ramifications for China go far beyond patents and trademarks.

Make no mistake about it. Americans have a commercial stake in China. At least 160,000 Americans owe their jobs to U.S. exports to China. These workers have rights, too -- the right to job opportunities, the chance to provide a decent living for their families. Just as we should not make apologies *for China*, nor should we apologize for our economic interest *in China*.

People in this room have watched the China debate evolve now for nearly seven years since Tiananmen. As the President has made clear, we believe we best promote U.S. interests in China by trading and engaging on political and strategic issues. But China is making a serious mistake if it underestimates the depth of feeling in the United States on issues ranging from trade to security to political matters -- on a regional and global basis.

The United States will do its part, but if we are to build a lasting, productive relationship, China has a responsibility to take concrete, meaningful steps to address areas of our concern, and to respect internationally accepted principles.

The opportunities and responsibilities in our relationship are nowhere more obvious than in our trade relations with China. The trade agenda offers a useful context for defining what we mean by engagement. Engagement carries with it a large measure of mutual responsibility.

For China, the potential of the U.S. market is matched by a tangible reality. In 1995, nearly 40% of China's exports went to the United States, including tens of billions of dollars worth of electronic machinery, textiles, footwear and an ever increasing volume of higher value added products. In addition, Chinese companies are allowed to establish freely throughout the United States.

For the United States, it is certainly true that China offers unmatched *potential*. China is the world's fastest growing major economy, with real growth of more than 10 percent last year, and average growth rates of greater than 7% for each of the past fourteen years. Unfortunately for the United States, the potential of the China market remains unfulfilled. China continues to maintain one of the world's most closed markets for goods and services. While we buy 40% of China's exports, our exports to China have been artificially restricted by unfair and discriminatory trade practices.

For most Americans, the growing U.S. trade deficit with China is deeply troubling. China last year ran a \$34 billion trade surplus with the United States. Our deficit with China is threatening to surpass our trade deficit with Japan. Recent reports have claimed the deficit with China is "only" \$23 billion. That's a goofy debate and a waste of paper. What's clear is that

China's burgeoning economy should be absorbing more and more U.S. exports, and not be protected by unfair barriers.

Over the past three years, we have pursued a vigorous bilateral trade agenda with China. We have sought and achieved real results in China. By working successfully with you and the private sector, we have opened markets ranging from heavy machinery to telecommunications technology. Our exports to China have increased dramatically since the beginning of Clinton Administration. We expect our trade and investment with China to continue to grow. In fact, in 1995 our exports to China grew at a more rapid rate -- 27%, than our imports from China, which grew 17%. This breaks a pattern which has persisted for too long.

We continue to face many problems with China. But as we address those problems, let me remind you that we also have come a long way. China has formally eliminated more than 1000 non-tariff import barriers; made its trade regime much more transparent; lowered tariffs; eliminated discriminatory regulations on telecommunications and other key sectors; and opened its markets to many agricultural products.

Intellectual Property. One of the most important issues we face concerns China's protection of intellectual property rights. Under the terms of a 1992 Agreement, China has created a sound legal regime for the protection of intellectual property rights. While this framework is in place, the problem has been enforcement.

Last year -- after 22 months of negotiations -- the United States and China signed a sweeping Agreement to ensure real protection to foreign and Chinese right holders for many kinds of intellectual property, including computer software, motion pictures, sound recordings, pharmaceuticals, agrichemicals, and even automobiles. In clear detail, the Agreement sets out 30 pages of China's enforcement responsibilities.

The Administration is in the process of evaluating China's compliance with the IPR Enforcement Agreement. The elimination of piracy in China is a long term process. But we expect China to satisfy the provisions of this Agreement. Our officials have met with their Chinese counterparts 18 times in less than eleven months to review China's compliance their responsibilities under the agreement. An Administration team led by USTR visited China last month. They met with key Chinese enforcement officials at both the provincial and national level. We are still evaluating the results of this fact finding trip, including hundreds of pages of documents in Chinese. But I want to give you a sense of what China promised to do and our expectations for enforcement.

The 1995 IPR Enforcement Agreement committed China to (1) take effective measures to protect intellectual property through enforcement actions, including action against some 34 CD factories producing CDs, CD-ROMs, Video CDs, and LDs; (2) create an effective structure for the enforcement of intellectual property rights, including establishment of intra ministerial task forces to coordinate anti-piracy efforts throughout the country and an effective Customs

enforcement regime; (3) provide market access for computer software, motion pictures, and sound recordings; and (4) extend the so-called "special enforcement period" for problem regions.

China has taken some important steps to enforce that Agreement. It has launched over 4,200 enforcement actions against IPR pirates in the year since the Agreement was signed. At one point last year, when I was in China, the Chinese enforcement authorities had more than one million enforcement officers engaged in raids and destruction of infringing works. Over the past year, China has seized and destroyed more than two million pirated CDs, CD-ROMs, Video CDs, and laser disks, and hundreds of thousands of pirated videos, audio cassettes, books, and trademarks. China also recently closed 5,000 laser disk "mini-cinemas." While still a problem, China's retail markets are substantially cleaner this year than they were last year.

China has also set up a structure that should, over time, contribute to enhanced enforcement efforts. Led by senior Chinese leaders, the central government has set up a high level intra-ministerial task force to oversee enforcement efforts nationwide. Each of China's provinces has done the same, and, in addition, set up strike forces composed of enforcement officials to tackle the most serious and difficult cases.

The United States is doing its part to ensure thorough implementation of the Agreement. The U.S. Customs Service, the FBI, Department of Justice, Patent and Trademark Office, the Department of Commerce and the U.S. Information Agency have all offered training and assistance -- and will continue to do so. Chinese prosecutors and Chinese Customs officials are receiving training right now in facilities in the United States and China. U.S. industries have been equally generous. All of the major associations, the Motion Picture Association, Recording Industry Association of America, the Business Software Alliance and others have offered training and assistance to Chinese central government agencies and to their provincial affiliates.

Despite the important steps that have been taken, piracy in China continues. While going after retail pirates, the Chinese authorities have yet to take promised action against major producers and distributors. As a result, 34 CD factories in south and central China produced some 54 million CDs and LDs in 1995 for a domestic market that can absorb only two to five million. U.S. industries report that China continues to import CD production lines, and may soon have a production capacity that is close to 200 million CDs.

While CD piracy has remained rampant -- particularly in Guangdong Province -- Chinese CD producers have moved upscale, focusing on the export of high value-added CD-ROMs. A single CD-ROM produced in China can hold \$10,000 of U.S. software, and may sell for less than \$10 retail in Hong Kong.

Make no mistake. This is not just a problem within China's market. Chinese pirates, apparently using Hong Kong as a transshipment point, are exporting pirated CD-ROMs and CDs to markets in Southeast Asia, Latin America, and North America. Pirated CDs from China are now entering markets in Russia and the CIS states. Even without counting their losses in these

third country markets, U.S. industries estimate that they lost \$2.2 billion in 1995 -- more than double the amount lost in 1994.

China's obligations under last year's agreement boil down to three key areas -- closing pirate factories; providing market access for intellectual property industries; and creating effective border enforcement.

Closing Pirate Factories. Let me first address China's pirate factories. Since December, as part of China's "winter offensive" against IPR piracy, China has "temporarily suspended" production at four factories in Guangdong Province and one in neighboring Hainan. China also revoked the business license of a factory in Suzhou. More recently, in a clear demonstration that, when the will is present, Chinese enforcement authorities are capable of tackling the problem, public security authorities in Shenzhen -- on the Hong Kong border -- closed the notorious "Overglobe" CD factory. In the process, according to Chinese press reports, they discovered that "Overglobe" had produced 11 million CDS from August 1994 to November 1995, including 340,000 pornographic CDs. We welcome strong enforcement action of this sort.

The Chinese have informed our negotiators that they will take effective action to curb CD piracy. Under the Agreement, China pledged to complete investigations of all of the CD factories by July 1, 1995. For factories engaged in serious infringing activities, China promised to revoke business licenses, destroy equipment used to produce the infringing products, and destroy the infringing products themselves. China further promised to turn over individuals suspected of criminal activity to law enforcement authorities for criminal prosecution.

We now await further, decisive action by China to fulfill these commitments and end rampant piracy in this sector.

Market Access for Intellectual Property Industries. Without market access for legitimate products, piracy cannot be markedly reduced. Clearly, market demand for U.S. products is very high and the pirates are responding to that demand. Under the Agreement, China promised to eliminate quotas for imports of audiovisual products, make censorship requirements transparent and not use censorship as a defacto market barrier, and immediately permit U.S. individuals and entities to enter into joint ventures to produce and reproduce computer software and audiovisual products.

China has not yet taken the steps necessary to provide access for U.S. exports. Informal quotas continued to exist, enforced through market "plans" for the audiovisual industry or through explicit quotas, such as limiting to ten the number of motion pictures that can enter China under revenue sharing arrangements. China will also not permit U.S. motion picture and sound recording companies to enter into joint ventures to produce audiovisual products -- that is, to set up motion picture and sound recording companies. While our emphasis has been on the suppression of piracy, failure to implement the crucial market access provisions of the Agreement will render any enforcement actions that China might take meaningless over the long term. Here

too, we expect China to honor its commitments. We can't increase our exports to China if China does not allow us to sell the cream of our crop.

Customs Border Enforcement. In last year's agreement China also committed to establish an effective border enforcement regime. That means keeping pirated products from being exported out of China. To date, China's Customs Service has taken more than 1,000 enforcement actions -- virtually all against individual travelers crossing the border. To meet its obligations, more must be done. China must detain, investigate, seize and destroy pirated goods - especially cargo shipments through Guangdong ports; institute an effective recordation system; revise current regulations so that the system permits its officials to act quickly to detain suspect goods, provides adequate time for right holders to follow up on Customs' actions, and does not permit pirates to obtain their goods upon payment of a bond.

Over the upcoming weeks, we have a narrow opportunity to resolve our differences with China on IPR. But let me be clear. We will enforce U.S. trade laws and take decisive action if China does not meet its obligations. We will not wait forever.

The 1992 Market Access Agreement. Unfortunately, IPR is not the only area in which China is not meeting its responsibilities. In October 1992, the United States and China signed a market access Agreement that committed China to make sweeping changes in its import regime.

To its credit, China has done much to implement the 1992 agreement. It has taken important strides toward making its trade regime more transparent. It has made a major commitment to eliminate non-tariff barriers, and since the end of 1993, has substantially reduced the several thousand barriers that existed. By reducing these barriers, China will open markets for computers, medical equipment, heavy machinery, textiles, steel products, chemicals, pharmaceuticals, and other products.

Nonetheless, China has failed to implement the Agreement in a number of key areas. Most importantly, China has failed to live up to commitments on market access for U.S. agricultural products. In the Agreement, China committed to eliminate unscientific sanitary and phytosanitary restrictions by October 10, 1993. China has fallen short on a number of important agricultural products, including wheat from the Pacific Northwest, citrus, stone fruit, table grapes and tobacco. Even where China has taken positive steps, for example with cherries and apples, subsequent phytosanitary requirements or old fashioned tariffs have blocked meaningful access to the market.

In fact, there is a disturbing tendency in China to give with one hand and take away with the other. While China has removed a substantial number of non-tariff barriers, we are concerned that China has in some instances substituted other barriers in the place of those removed. For example, quotas have been replaced with "tendering requirements" or "registration requirements." In sectors such as medical equipment and film, new regulations have prevented the market access we expected as a result of the 1992 Agreement. China must eliminate these impediments.

If we are to sustain our trade relationship with China, we expect China to open its services markets to U.S. companies. As we accept \$46 billion of China's exports of textiles, footwear and other products that China excels at producing, it is only fair that China permit full market access for U.S. companies, especially in areas where we excel.

Xinhua News Agency. Let me mention briefly another disturbing development. China recently took the surprising action of precipitously clamping controls on the flow of financial data. This data is crucial to creating an open trade regime.

On January 1, 1996, the Chinese Government authorized the Xinhua News Agency -- the mouthpiece of the Chinese Government -- to impose sweeping controls over U.S. information services companies in China. Xinhua is now on the verge of issuing "implementing regulations" that could irreparably damage companies such as Dow Jones, Reuters, Knight-Ridder and Bloomberg -- companies that have worked hard to set up operations in China that make available financial data on a second-by-second basis to Chinese and foreign consumers in China.

This is a problem that China can fix, and must fix quickly if an important U.S. industry is not to be hurt in China. China is essentially asking the fox to guard the chicken coop -- making Xinhua the regulator of its American competitors. I am very disturbed by this development. China's actions do not accord with the promises that China has made to us and to our trading partners in ongoing negotiations in Geneva. We are prepared to work with China to resolve the issue to the satisfaction of all parties.

This Administration has made opening foreign markets the hallmark of American trade policy. It's a simple matter of fairness and economic necessity. We have welcomed foreign products and services into our markets, but we've insisted that our products and services be able to enter theirs on equal terms. When our trading partners fail to live up to their responsibilities, American jobs and our standard of living are threatened, and popular support for trade erodes.

The WTO. During his discussions with President Jiang last fall, President Clinton reiterated U.S. support for China's accession to the WTO *on the basis of commercially viable commitments*. Since the President's meeting, USTR negotiators at every level have conducted seven meetings with our Chinese counterparts to discuss WTO.

To facilitate and organize these discussions, the United States has worked hard to prepare a document we have referred to as a WTO "roadmap" for China. The roadmap crystallizes for China the basic decisions it must make in each substantive area covered by the WTO. On the basis of the roadmap and our discussions, we hope China can better determine whether it intends to move forward. If it is prepared to do so, then we can turn to the next step of determining how best to achieve compliance with each WTO obligation.

Let me emphasize a key point about the process of moving forward. To make progress in

our WTO discussions, China must stop erecting new barriers to replace those previously removed, and cease establishing policies that move it away from WTO consistency.

For its part, the United States will continue to be practical and pragmatic. Our substantive approach is consistent with that of China's other major trading partners. In his discussions with President Jiang, President Clinton made clear that the United States stands ready to negotiate a genuine commercial accession agreement. The roadmap points the way.

The U.S.-China relationship is as important as any bilateral relationship in the world. We have an opportunity to bridge important gaps in our relationship, so that benefits travel *both* directions. To make this potential a reality, the United States stands ready to do its share. But China, too, must bear *its* share -- living up to its responsibilities and accepting the burdens of a major power. China's promise and promises must evolve into actions and realities. That is the only bridge to peace, stability and economic prosperity.



Testimony Before the House Ways and Means Trade Subcommittee
Ambassador Michael Kantor
March 13, 1996

Mr. Chairman, it is a pleasure to appear before this Subcommittee today to discuss the World Trade Organization and its first year of operation. U.S. leadership in maintaining a vibrant, open and fair trading system is essential to sustainable global growth and economic prosperity here at home. The Administration is committed to ensuring that open markets and fair trade rules work to the benefit of American workers and companies -- without infringing on U.S. sovereignty. The WTO is good for America and all our citizens.

Mr. Chairman, creation of the WTO and completion of the Uruguay Round Agreements ensured U.S. leadership in the global economy. The history of the 20th century is clear: global peace and prosperity depend on U.S. leadership. In the aftermath of World War II, the United States led the world on a path of increased growth, stability and trade expansion. We made a decision to engage in the world, and not withdraw as we did after World War I or repeat the disastrous mistake of the Smoot-Hawley Act. We led in the creation of international institutions that fostered growth and stability and met the challenges of those times. A half century of global prosperity is the legacy of our leadership during the post-World War II reconstruction, and during the Cold War.

Now, in the post-Cold War era, at a time of tremendous changes in the world, the need to continue our global economic leadership is greater than ever. By writing a set of fair trade rules for this new era, the Uruguay Round is -- and has already proven to be -- critical to our efforts to create jobs and foster growth in the United States.

U.S. leadership was critical to concluding the Uruguay Round. President Clinton, realizing the Round was essential to efforts to grow jobs and create fair trade, led the effort to reinvigorate the negotiations and to break the gridlock that had stalled agreement despite several years of preparation and another seven years of negotiation. In an important demonstration of bipartisan commitment and determination, the Congress approved the results of the negotiation and establishment of the WTO in the Uruguay Round Agreements Act (URAA). President Clinton signed the URAA on December 8, 1994, and the WTO entered into force on January 1, 1995.

I'm pleased to report to you that one year later, all the hard work and effort is paying off. But, our work has just begun. We will continue to give the highest priority to full and effective implementation of the Uruguay Round Agreements. Often called the WTO's "built-in agenda," this includes the substantial work programs and negotiations already required by the Uruguay Round Agreements. But, to continue U.S. leadership in the global economy, we must anticipate new opportunities and make progress toward sustainable development.

The Importance of Global Trade to the U.S. Economy

The Administration, with the bipartisan cooperation of Congress, has always had as its goal more opportunities to sell our goods and services in foreign markets by breaking down barriers to trade. The means toward that goal have been to enter into agreements which open new markets to U.S. exports, and monitor and enforce those agreements, utilizing U.S. trade laws where necessary, to ensure that our trading partners are living up to their obligations.

The key to this, as the President said in a speech at American University in February 1993 when he outlined his trade policy, is to "continue to welcome foreign products and services into our markets, but insist that our products and services be able to enter theirs on equal terms." He knows that if we can level the playing field, the American worker will do the rest. The stronger multilateral system created by the Uruguay Round is part of this effort.

Moreover, the system of multilateral rules provides a foundation for our efforts around the globe, whether it is the FTAA, APEC or the Transatlantic Marketplace. In turn our regional efforts aid our efforts for more open markets by creating new mechanisms which pressure our trading partners to keep pace with the progress recorded in regional fora. Clearly, the regional agreements must be consistent with WTO rules, and that has been a long-standing policy of the United States, while providing new opportunities to tear down barriers to trade of goods and services.

Bilateral and regional progress will lead inevitably to stronger and more effective multilateral rules. Indeed, the WTO Secretariat recently issued a study on regionalism and the world trading system, which concluded that regional integration agreements and the world trading system have generally functioned as complements to one another. In fact, the study recognizes that work done in the NAFTA on services actually helped to lay the foundation for the eventual Uruguay Round Agreement in this area. Taken together, our bilateral, regional and multilateral efforts all have the same goal -- open markets and fair trade rules for U.S. workers and companies.

Mr. Chairman, we are moving in the right direction. Here at home, all of our trade efforts are beginning to pay off. In 1995, we enjoyed the largest dollar volume of export growth in U.S. history. American workers and companies are once again the most competitive and productive in the world. We've surpassed the Germans in exports, and the Japanese in automobile production. Exports have grown at a record pace since President Clinton entered office, creating more than one million new jobs. And we're beginning to crack open Japan's long-closed market. According to Japan's own figures, the U.S. trade deficit with Japan reached its lowest point in twelve years in January.

Clearly, we are on the right course.

The Uruguay Round Agreements were a critical step in ensuring that Americans can compete and win in what the President calls an "Age of Possibility." We live in a world where the only constant

is change. But President Clinton is committed to accepting the challenge of change. That's why he recognized -- and acted on -- four new realities which are shaping our world.

First, our nation's economic strength begins at home. With the President's leadership, a tough and far-reaching economic package was enacted, which lowered taxes for millions of Americans, helped to lower interest rates, cut the deficit dramatically and aided the successful fight on inflation. The economy has created 8.4 million jobs and 93 percent of those jobs have been in the private sector. In February 1996, unemployment was 5.5 percent. We're reducing the size and scope of government so that it creates opportunity, not bureaucracy.

Second, globalization and interdependence of the economies of the world are here to stay. Nostalgia for a time when the U.S. economy was self-contained is understandable, but it doesn't provide any answers for how to create jobs in the new economy. The nations of the world are truly interdependent.

Third, in the post-Cold War world, trade has taken its place at the foreign policy table, alongside strategic and political concerns. The days of the Cold War, when we sometimes looked the other way when our trading partners failed to live up to their obligations, are over. National security and our national economic security cannot be separated.

Finally, trade is more important than ever to the U.S. economy. In 1970, the value of trade equaled just 13 percent of the value of U.S. GDP. In 1995, that figure was an estimated 30 percent. Eleven million workers in this country owe their jobs to exports. On average, these jobs pay 13 to 17 percent more than non-trade jobs. Every billion dollars of exports supports, on average, 15,000 jobs. Clearly, expanding trade is critical to creating good, high-wage jobs.

We live in a world of opportunities. Dynamic economies in Asia and Latin America are growing at astounding rates. The United States has a mature economy, and we are nearly at zero population growth. We have four percent of the world's population. That means 96 percent of our potential consumers live outside our borders. To grow and prosper at home we must open the most lucrative markets in the rest of the world to U.S. exports -- in both our historic trading partners like Canada, Europe and Japan, as well as the dynamic emerging countries in Asia and Latin America.

The Uruguay Round's Contribution

The bold vision for the multilateral trading system that Congress approved in the Uruguay Round Agreements is responding to these new realities. The broadest trade agreement in history, it plays to our strengths as the world's largest trading country, exporter and most productive economy. The United States has provided the world with the largest open market since World War II. The Uruguay Round and creation of the WTO gave us the opportunity to tear down the barriers that had impeded our reciprocal access. It opened foreign markets to U.S. exports in some of our most competitive industries. It contains a new set of trading rules suitable for the global economy as we approach the 21st century, including tough rules to settle disputes.

The WTO is clearly working.

This new system works to the benefit of U.S. workers in another, significant way. Under the old system, conflicts over trade issues brewed until they boiled over and had to be resolved by major "rounds" of negotiations. The WTO, however, is a forum for continuous trade negotiations on specific sectors and consideration of new issues. In the past, governments often delayed reducing their trade barriers by waiting for a round. Now the global trading nations can -- and must -- take a more methodical approach, facing issues head on. With resolute determination, we can systematically reduce barriers to U.S. exports and foster more open and fair trade.

A word about the size and scope of the WTO. The WTO is a stronger institution with more responsibilities than the GATT, monitoring a broader range of trade agreements, but this has not resulted in a significant increase in staff, nor has it changed the member-driven character of the Organization. The WTO Secretariat comprises a small number of highly trained professionals, led by Director General Renato Ruggiero, who took on the job just last May. As a result of the Uruguay Round, the WTO has undergone substantial scrutiny in terms of budget and personnel. Our conclusion: dollar for dollar, the United States gets substantial value from the WTO, especially considering the positive economic impact in terms of jobs and higher standards of living in the United States from the expansion in trade that will result from full implementation of the Agreements.

The results of the first year are impressive, even more so when one realizes that most of the tariff concessions are being implemented in stages, generally over five years. World goods trade is expected to grow by a very strong 8 percent in volume terms for full year 1995, reaching over \$10 trillion (exports plus imports). This rate of real growth is almost 3 times faster than the estimated increase in world production in 1995. For the United States the gains are even more impressive in the first year of Uruguay Round implementation. U.S. exports rose by 14.4 percent on both volume and value bases in 1995, an increase that is almost 7 times greater than 1995's GDP growth. With well over \$1.3 trillion in goods trade alone in 1995 (exports plus imports), the United States remains the world's largest trader.

The results are equally impressive in sectors that are particularly important to the U.S. economy and were the subject of intense negotiations in the Uruguay Round. For example, U.S. agricultural exports to WTO Members grew by 28 percent in the first year of the WTO's operation. Moreover, countries that heretofore had banned all imports of key U.S. products such as rice and apples were required to open their markets.

On the industrial side, the United States achieved substantial market opening by broad acceptance of the so-called "zero-zero initiatives," where the United States and other key countries agreed to reciprocal elimination of duties. Exports to WTO Members of products covered by these initiatives have grown nearly 30 percent in one year. Some examples of export growth are

striking: U.S. exports of paper grew more than 40 percent; construction equipment by nearly 30 percent; and export growth in steel nearly doubled.

It is still too early to measure all of the benefits of the new Agreements. Some, like the intellectual property rights agreement, only entered into force fully on January 1, 1996. Others, as I have noted above, provide for phasing in of market access commitments and phasing out of barriers. But it is clear that the certainty and predictability of the multilateral system is working to our advantage. We are already seeing important trends. For example, many of our APEC partners are already accelerating their Uruguay Round commitments in order to spur the prospects for growth in the region.

In brief, the Agreements:

- cut tariffs worldwide on manufactured products, on average, by over one-third, the largest reduction in history;
- protect the intellectual property of U.S. entrepreneurs in industries such as pharmaceuticals, entertainment and software from piracy in world markets;
- ensure open foreign markets for U.S. exporters of services such as accounting, advertising, computer services, tourism, engineering and construction;
- greatly expand export opportunities for U.S. agricultural products by limiting the ability of foreign governments to restrict trade through tariffs, quotas, subsidies and a variety of other domestic policies and regulations;
- ensure that developing countries follow the same trade rules as developed countries and that there will be no "free-riders;"
- establish an effective set of rules for the prompt settlement of disputes, thus eliminating shortcomings in the previous (GATT) system that allowed countries to drag out the process and block judgments they did not like; and
- create an on-going forum for multilateral trade negotiations to assure that the rules of the system remain current and able to address pressing new issues such as the relationship between trade and the environment.

The Agreements do not, however:

- impair the effective enforcement of U.S. laws;
- impede U.S. action against foreign acts, policies or practices falling outside the scope of the WTO;

- limit the ability of the United States to set its own environmental and health standards and to pass its own laws; or
- erode the sovereignty of the United States to enact and enforce its laws.

The Uruguay Round was -- and is -- a good deal for U.S. workers and firms. All told, the Uruguay Round, when fully implemented, generally is estimated to add \$100-\$200 billion to U.S. GDP annually.

The WTO and the Debate on Sovereignty

Let me emphasize again that the WTO does not infringe on U.S. sovereignty.

The WTO retains many of the strengths and traditions of the GATT. It operates on the basis of consensus, and is a member-driven organization. It does not operate like the United Nations. Article IX of the WTO Agreement begins with the admonition that the WTO continue a nearly fifty year practice of decision-making by consensus. And as the largest economy in the world, the United States has the major voice in making any decisions.

No substantive right or obligation of the United States can be altered or changed without our consent. The WTO does not affect the ability of the United States to pass its own laws, to enforce existing laws, or to set its own environmental or health standards. Only the U.S. government, along with state and local governments, can change federal, state or local laws or regulations.

We maintain the right to use our trade laws -- and this Administration is committed to using those laws. The Uruguay Round contains tougher dispute settlement rules which are already serving U.S. interests, but they are not our only tool to open foreign markets. We have used -- and will continue to use -- all of our trade laws to stand up for the interests of American workers and firms.

Of course, should we ever decide that the WTO is not working in our interest, which is very unlikely, in my opinion, to occur, we can simply leave the organization after a six month notice.

I would urge you to study carefully the views of a range of thoughtful commentators.

Professor John Jackson, author of the landmark treatise, *World Trade and The Law of the GATT*, testified to the Senate Finance Committee:

It is doubtful that the WTO provides any additional institutional power to that effectively exercised by the GATT, and indeed, WTO clauses provide some additional checks and balances against misuse of authority. . . . A careful examination of the WTO Charter leads

me to conclude that the WTO has no more real power than that which existed for the GATT under previous agreements...

Peter Suchman, former Deputy Assistant Secretary of Treasury for Tariff Affairs in the Nixon, Ford and Carter Administrations, observed:

The World Trade Organization (WTO) represents a significant advance in the reform of the GATT. The Uruguay Round final provisions on dispute settlement and the WTO represent a major victory for U.S. negotiators, who had rejected the WTO concept as proposed early in the Round by Canada and the EC. The U.S. held out on the WTO as a means to ensure that its own trade laws, including Section 301, would not be unreasonably limited. And it worked! The WTO strikes a reasonable balance between the need to increase the effectiveness of the GATT panel system and the interests of the United States as the world's leading trading country....

The United States, in pressing for freer trade and as the world's leading exporting nation, has historically been a plaintiff at the GATT more than a defendant. It is the United States that therefore has the greatest interest in an effective and expeditious GATT dispute settlement mechanism. We should be particularly pleased at the result of the Uruguay Round because the United States won inclusion of many of the provisions increasing the effectiveness of the dispute resolution process that it had suggested.

Joe Cobb, former Chief Economist for the Senate Republican Policy Committee and Minority Staff Director for the Joint Economic Committee of Congress, wrote for the Heritage Foundation:

The creation of the World Trade Organization as a permanent rulemaking assembly for nations eager to expand exports is an historic achievement.... Without this uniform system of international trade law and the new rules in the Uruguay Round agreement, including the enforcement provisions, the U.S. would find it much harder to continue its economic progress into the 21st century.

Judge Robert Bork wrote:

The sovereignty issue, in particular, is merely a scarecrow. Under our constitutional system, no treaty or international agreement can bind the United States if it does not wish to be bound... Congress should be reluctant to renege on an agreement except in serious cases, but that is a matter of international comity and not a loss of sovereignty.

Finally, Rhoda Karpatkin, President of Consumers Union, said when endorsing the Round:

Through the mechanisms of competition and economic expansion [the Uruguay Round] will benefit American consumers. And, it will benefit consumers around the world. At the

same time, it will permit the U.S. to maintain strong health, safety and environmental standards.

Review of Developments

In 1995, we were able to turn our efforts to implementation of the Agreements and bringing the WTO into reality. The details of these efforts are contained in our first report to Congress on WTO implementation mandated by the Uruguay Round Agreements Act.

My intention today is to focus on a number of selected issues that I know are on the minds of the members of this Committee, and to look at the year ahead, which will conclude with the WTO's first ministerial meeting in Singapore.

Dispute Settlement. While the dispute settlement mechanism in the WTO does not infringe on U.S. sovereignty, it is proving to be a very effective tool to open other nation's markets. In fact, the United States insisted on tough new dispute settlement rules. We bring -- and win -- a significant number of cases before dispute settlement panels. And we settle a lot of disputes by initiating the dispute settlement process and panel proceedings. Before the Uruguay Round, the global trading rules did less to benefit American workers. For example, under the old system, nations could decide which rules they wanted to follow.

One of the most important tools at our disposal is the WTO dispute settlement mechanism. We have in the past year had situations -- for example in dealing with the European Union on grains or Korea on "shelf life" standards -- where the specter of dispute settlement proceedings provided the needed incentive to resolve the problem. Currently, the United States is engaged in seven matters as a complaining party under WTO dispute settlement procedures, involving: Japanese taxes on distilled spirits; Japanese protection for rights in sound recordings; European Communities (EC) import restrictions on bananas; EC import restrictions on hormone-treated meat; Australian import restrictions on salmon; Korean regulations and testing/inspection requirements for agricultural imports; and Canadian barriers to the sale of U.S. magazines in Canada.

But, the dispute settlement panel process is not the only WTO forum used by the United States to assure that other countries' obligations are met. For example, under Articles XXIV:6 and XXVIII, the United States negotiated an agreement with the EC that compensates our U.S. companies for higher tariffs in Austria, Finland and Sweden as a result of their accession to the EC. Included in this agreement, which is worth more than \$4 billion in duties to our companies over the next few years, is a significant reduction in the EC's semiconductor tariffs. Additionally, the United States is working in each of the WTO committees to ensure that obligations in each of the Agreements are fulfilled. For example, several countries implemented their commitments under the Agriculture Agreement more quickly than they would have if there had been no scrutiny by the WTO Members in the Committee on Agriculture, and others came under pressure to change their policies when the review process revealed possible WTO inconsistencies.

Transparency. When the Uruguay Round results were debated in the United States, one of the clear messages we sent to our trading partners was that further progress was needed in assuring transparency in the operation of the WTO and its proceedings. It is clear that one of the most important steps we can take in ensuring fair trade in the multilateral trading system is by increasing transparency in its procedures and better understanding of the Organization and its rules.

U.S. efforts have been focused in the WTO initially on reforming practices with respect to the restriction and derestriction of WTO documents, including dispute settlement panel reports, and creating mechanisms for enhanced lines of communication between non-governmental organizations (NGOs) and the WTO. We have made progress towards this end and hope to achieve a consensus in Geneva to ensure public access to information regarding the WTO. We have made it clear that resolution of this issue is a high priority for the United States. Director General Ruggiero is seized with this issue in Geneva and has taken some important steps -- including providing access to the WTO on the Internet.

In addition, the President's Advisory Committee for Trade Policy and Negotiation (ACTPN) has just presented its second report on the WTO. The first report addressed the WTO's dispute settlement provisions in detail; the current report reviews the Uruguay Round Agreements in detail and provides policy recommendations on a wide variety of subjects. A third report is anticipated prior to the first meeting of the WTO Ministerial Conference in Singapore, this December. An important conclusion from the current report confirms what the Administration and many in the Congress have been saying: The WTO system provides substantial benefits to the United States and requires continued U.S. commitment and leadership.

Accessions. The number of applications for WTO Membership is at a record high, despite the much more rigorous requirements established by the WTO's "single undertaking." The list of applicants now numbers 29 and is growing, providing the United States substantial opportunities for market access in these new markets subject to the same set of rules we have undertaken. Equally important, many of these countries represent economies engaged in democratic reforms and transition to market-oriented regimes. Demanding a high standard of commitments from countries seeking to accede to the WTO is one area where the United States has demonstrated sustained leadership.

The Congress placed special emphasis on accessions in our debate on the Uruguay Round. I can report to you that the United States has, consistent with the provisions of the Uruguay Round Agreements Act, made it a priority to obtain commitments from new entrants at least similar to the terms accepted by all WTO Members. The results of the negotiations on Ecuador's accession reflect this reality, as do the positions we have taken for all accession applicants. To do otherwise would be detrimental to the system we worked so hard to establish.

The Year Ahead

Enforcement. A very high priority for the Clinton Administration in the year ahead is to remain resolute in ensuring that Agreements reached are implemented. We will continue to enforce our trade agreements and trade laws. For the multilateral system to remain credible, the agreements already in hand, as well as the current work before the WTO, must be fully implemented.

In addition to assuring implementation of the Uruguay Round Agreements and proceeding with all the accessions, the WTO provides an effective tool for enforcement of U.S. rights. To beef up our efforts to enforce our trade agreements and trade laws, in January 1996, we created a permanent Monitoring and Enforcement Unit at USTR devoted exclusively to monitoring implementation of U.S. trade laws and trade agreements, determining compliance by foreign governments with their trade agreement obligations, and pursuing actions necessary to enforce U.S. rights under those laws and agreements. This unit is supported by similar groups at the Departments of Agriculture and Commerce. We must stand up for American workers and companies -- as well as for the notion that the global trading system must be based on mutuality of obligations.

Basic Telecommunications Services. Important negotiations are under way in the services area that have enormous potential for the U.S. economy. Most of the new high-wage jobs created in the last few years have been in the services sector. Services exports are already equivalent to nearly 40 percent of the value of our merchandise exports and are growing dynamically. Americans are very competitive in responding to and creating new demands for services in the world marketplace.

The Uruguay Round established a General Agreement on Trade in Services (GATS), the first multilateral agreement dealing with services. The GATS covers all service sectors and represents a major breakthrough in setting agreed trade rules for these sectors. Further negotiations were called for in areas such as basic telecommunications services, in which talks are to be completed by April 30 of this year.

The United States maintains one of the world's most open and competitive telecommunications markets. Our objective in the negotiations is, quite simply, to obtain similar levels of openness to foreign investment and competition in the markets of other major trading partners, most of which are dominated by single providers, private or public. Greater openness to competition in telecommunications services will allow new investment to fill unmet demand in many markets around the world. This has enormous potential benefits for manufacturers of telecommunications, computer and aerospace equipment and telecommunications suppliers.

I wish that I could report to you that all that remains for success is to obtain the signatures of all WTO Members. Regrettably, we do not yet have contributions from a critical mass of countries to declare success, but we still have some days ahead of us. Clearly, a strong agreement in this area is good for the sector, and the WTO. It is also, frankly, a test for those who seek to bring new issues to the WTO, such as investment and competition policy. Both of these issues are important in the current negotiations.

The basic telecommunications services negotiations cannot be limited to the traditional issues of market access and access for investment. The reason is that in most foreign countries, the telecommunications services provider is a monopoly, usually a state monopoly. For this reason, a successful agreement must also include commitments to adopt Procompetitive Regulatory Principles -- that is, commitments that assure new entrants in foreign markets have a chance to compete with entrenched monopolies. For example, we need a rule that provides that when a foreign telecommunications company seeks to interconnect through a former monopoly, it may do so on reasonable and non-discriminatory terms. We should also require transparency in foreign telecommunications services licensing. We have laid down an ambitious paper on this subject and are discussing it with our trading partners.

Singapore Ministerial Meeting. The WTO will embark on a series of regular ministerial sessions to be held, according to the WTO Agreement, at least once every two years with the first meeting in Singapore, December 9-13, 1996. The purpose of such meetings is to assure regular, political level review by ministers of the operation of the WTO. This is a major change from the GATT, where ministerial meetings were traditionally only convened to launch or conclude negotiations. The WTO, unlike the GATT, was intended to provide an on-going forum for negotiation and liberalization. Thus, the WTO ministerials will take on a different character. As the first of these sessions, the Singapore meeting cannot avoid setting certain precedents and the United States is therefore taking great care to ensure that the first conference is realistic in its aspirations. The WTO General Council is responsible for developing the agenda for the meeting. The agenda will involve at least five major issue areas:

- Implementation of the Agreements;
- The WTO's "built in" agenda, including in areas where further negotiations were called for prior to the 1996 ministerial;
- The Committee on Trade and Environment's report and possible recommendations, as mandated by Ministers at Marrakesh;
- Possible trade liberalizing initiatives, including in the area of market access; and
- Issues to add to the WTO's agenda.

The first three of these issues -- implementation, the built in agenda and the work of the Committee on Trade and Environment -- are already a major focus of work in Geneva and, undoubtedly, will receive attention by Ministers at the Singapore meeting. The Committee on Trade and Environment will provide its first report to Ministers, including any recommendations for action regarding the relationship of trade rules to environmental concerns identified in the Committee's work program. It is clear that many WTO Members share the U.S. view that the work of this Committee will be an important element of the Ministers' agenda at Singapore. We will also have to anticipate work to be undertaken between 1996 and 1998 in important areas.

For example, Ministers will want to focus on needed preparations for further actions required in the individual Agreements. In many cases, the Agreements already call for further negotiation or review after 1996 -- for example, with respect to agriculture, industrial subsidies and services.

Market Access and the Information Technology Agreement. Although not specifically provided for in the Uruguay Round Agreements, Members have already signaled that additional market access opportunities should be the focus of attention at Singapore. A number of suggestions have been made, including accelerating tariff reductions and expanding market access in particular sectors. The United States, within the confines of existing tariff cutting authority, is ready to pursue further market access agreements. The United States continues to have substantial tariff cutting authority to pursue further the sectoral and harmonization initiatives that were priorities in the Uruguay Round. U.S.-EC agreement in late 1995 to pursue an Information Technology Agreement (ITA) should galvanize efforts multilaterally in 1996 to reduce further barriers to market access in this important sector. It is hoped that agreement can be secured by Singapore so that the ITA can be fully implemented by 2000.

I understand that the Committee will hear testimony from representatives of the ITA Coalition. We are working closely with industry on this endeavor and appreciate the activist approach that they have taken with us to pursue the ITA.

Adding to the WTO's Agenda. Finally, Members have argued that the WTO must continue to look forward and to continually add new items to its agenda once the necessary consensus is developed by WTO Members, just as we did for trade and the environment as the Uruguay Round concluded. Among the most prominent of these issues are: the relationship of trade to internationally-recognized labor standards, anti-corruption efforts in international trade, particularly in the area of government procurement, and foreign direct investment and competition policy. Not surprisingly, the United States has an interest in all these issues.

Trade and Labor Standards. As the Committee well knows, successive Administrations have, since the launch of the Uruguay Round in 1986, attempted to build consensus for GATT and now WTO consideration of the relationship between trade and labor standards. This was among the issues that was identified at the Marrakesh ministerial meeting in April 1994 and included in the URAA where the President was directed to seek the establishment of a WTO working party to examine the relationship between trade and labor standards. To date, however, developing a needed consensus for multilateral work within the WTO has not been possible.

Nonetheless, the Administration is continuing to pursue the establishment of a working party as one of the issues for Singapore. On-going work in the Organization for Economic Cooperation and Development (OECD) may help to develop this consensus. Current analysis within the OECD is focusing on core labor standards that are both human rights and preconditions for the achievement of better working standards. These are: freedom of association; collective bargaining; elimination of exploitative forms of child labor; prohibition of forced labor; and non-discrimination in employment. Working with other like-minded countries and the International

Labor Organization (ILO), we hope to use the OECD's efforts and the growing recognition around the world that there is a relationship between trade and labor issues to begin long-awaited work in the WTO on this issue.

Bribery and Corruption. The prevalence of bribery and corruption in international transactions undermines confidence in the global trading system and threatens to negate our gains on market access which we have already negotiated and agreed upon. The WTO is already making an important contribution to combatting these practices in the trade area. Several WTO Agreements already deal with some of the problems we have with bribery and corruption. The Preshipment Inspection and Customs Valuation Agreements apply to all WTO Members and protect against corruption in the use of customs procedures. Additionally, the TRIPs Agreement curbs the theft of intellectual property worldwide. But the WTO can and should do more to deal with this situation.

We will continue to seek to extend the WTO Government Procurement Agreement, which, because of its rigorous disciplines, excludes key markets in Asia, the Americas, Eastern and Central Europe and Africa. Estimates of the value of procurement markets in these countries approach \$1 trillion or more. At the same time, the United States has proposed that all WTO Members begin negotiations following the Singapore ministerial on an interim WTO procurement agreement focusing on transparency, openness and due process. WTO Director General Ruggiero has pledged himself to work with me in furthering this objective.

Investment. Work is under way in the OECD to establish a Multilateral Agreement on Investment. Some have argued that the WTO is really the better place to have such negotiations. We have taken the view that no subject should be declared "off limits" to the WTO. But it is not clear to us that the WTO is ready to embark on substantial new negotiations on investment in the short term. We look for continued progress in OECD negotiations toward an investment agreement that will set high standards for investment protection.

Competition Policy. Others have argued that work should begin in the WTO to examine the relationship between trade and competition policy. After the negotiations on basic telecommunications are completed we should be in a position to gauge the extent to which the WTO is ready to embark on this issue.

Conclusion

I have not touched on all the issues before the WTO, given the breadth of its coverage. All of the issues before the WTO are important to the United States. That has to be the case. The United States has the largest economy in the world, is the largest trading nation and has the most open large economy in the world. Our efforts must always be to press foreign nations to open their markets, not shut down our own. This is critical to our efforts to create a better life for all Americans.

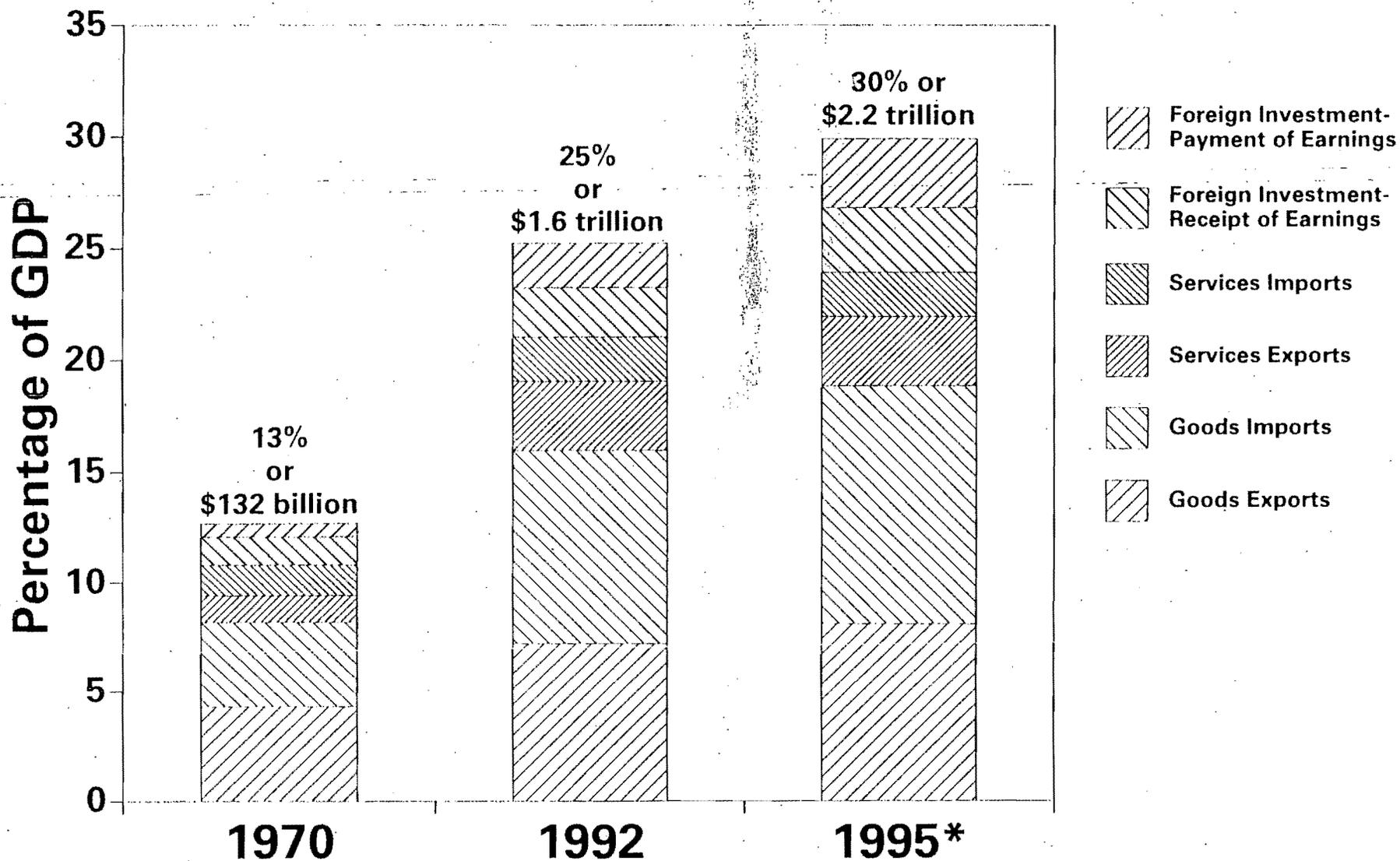
The President is committed to doing everything he can to open foreign markets so American workers, farmers and businesses can sell their products abroad. He knows that is how we must create high-wage, high-skill jobs in this country and raise our standards of living. We cannot afford to build walls of fear around our country.

The President has set the nation on a course that will forge prosperity into the next century. The President, with the bipartisan support of Congress, is doing his part by standing up for American workers, opening foreign markets and pressing to ensure fair trade rules. But we must all work together to get there. All of us -- whether we are in government, business, are a student or a farmer -- must do our part to forge new opportunities for the American community. As Americans we must join together to create the new American Century -- an era of limitless possibilities. Together, we can build a better future.

Thank you very much.

Growing Importance of Trade to the U.S. Economy

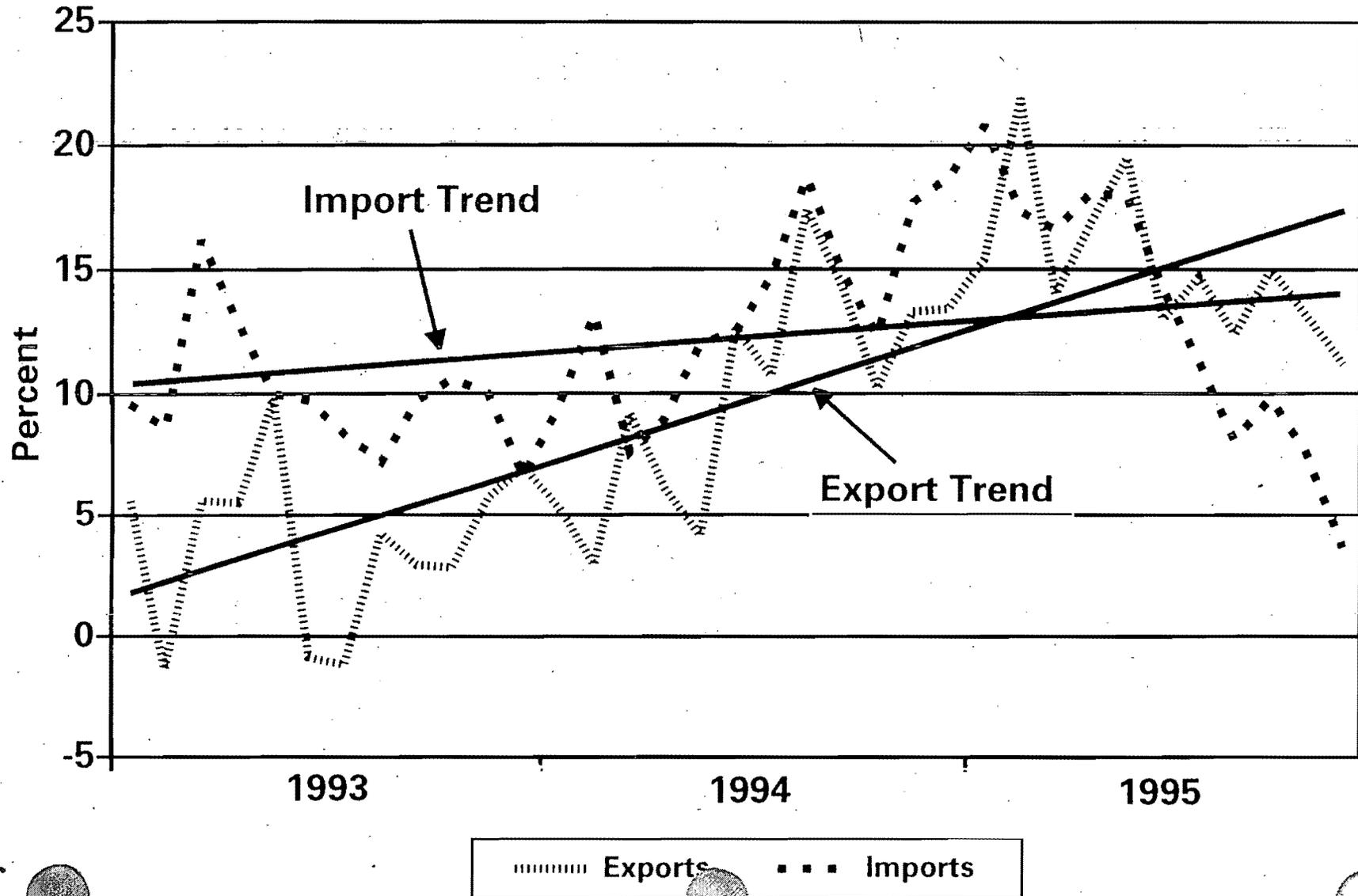
Total exports plus total imports as a percentage of the value of U.S. GDP



*annualized from 1st (3) quarters

Exports Booming

Trends in the Growth Rates of U.S. Goods Exports & Imports to the World
January 1993 – November 1995
(Percentage change from same month of previous year)



**Remarks Prepared for Delivery
National Confederation of Industries
Brasilia, Brazil
Ambassador Michael Kantor
March 19, 1996**

I appreciate this opportunity to address you today. This is my first visit ever to Brazil and I have wanted to make a trip here as Trade Representative for a long time. Already I have gained a sense of the immense hospitality and joy of living one finds in this country.

The United States and Brazil are thousands of miles apart, but we share much in common. We are both blessed by bountiful natural resources. Our societies are both nourished by the diversity of a myriad of cultures. Immigrants have played an important role in the vitality of our countries.

At times, our nations have joined together to face the challenges of the times. During World War II, Brazil was not only one of the first South American nations to join the Allies, but also made a major contribution in defeating the Nazis. We are at another point in our histories where our interests and destinies are merging.

Truly, the ties that bind us together are stronger than those that pull us apart. Now, with the leadership of both President Clinton and President Cardoso, our two nations are poised to lead the hemisphere on a continued path of democracy and prosperity.

Tomorrow I will head to Cartagena, Colombia, to meet with other trade ministers in the hemisphere. Both visits have one goal: To further the goals set out in the 1994 Summit of the Americas, when the nations of the hemisphere met and agreed to create open trade in the Americas and eliminate barriers to trade by 2005.

But our goal is not fair and open trade for the sake of fair and open trade. Our goal is to raise the living standards of the people of all our nations. As we talk about the details of lowering barriers to trade as part of the FTAA, we must never lose sight of what we are really trying to achieve: prosperity and democracy throughout the hemisphere which benefits all people. Today, I want to talk about why trade plays such a crucial role in this effort.

For decades, American Presidents have made an effort to bridge the vast distances between the United States and Latin America. A half of century ago, Franklin Roosevelt, a great President who realized the need to engage our country in the world, and in this hemisphere, termed his desire for the Americas, a "Good Neighbor Policy."

A generation later, President Kennedy, who understood the same need for partnership with our neighbors, advocated an "Alliance for Progress."

Both of these efforts recognized the importance of expanding trade as a road towards common hemispheric prosperity. Yet, despite good intentions, these efforts rarely moved from rhetoric to

results.

Now it is time for a partnership that is both a good neighbor policy and an alliance for progress. Now it is time for concrete actions to move beyond rhetoric, to a reality of partnership, mutual prosperity and growth. President Clinton took that step with the historic Summit of the Americas.

What has changed to offer new hope that the partnership will become a reality?

First, democracy has swept through the hemisphere. At the meeting of Western Hemisphere leaders in 1967 in Punta del Este, only 12 of the 19 participants were democracies. At the time of the 1994 Summit of the Americas, only one of 35 countries in this hemisphere was not a democracy. Democracy is now the rule, not the exception in this hemisphere. The only holdout is Cuba.

Chile, Argentina, Brazil, and many other nations in this region all deserve great credit for the steps they took to end dictatorships. And let us never forget the sacrifices people made -- including, at times, their lives -- to ensure democracy ruled in their homelands.

Second, the nations of the hemisphere have relaxed controls on their economies, and liberated the entrepreneurial spirits of their people. Throughout Latin American and the Caribbean, economic growth under open economic policies in the 1990s has replaced stagnation behind protectionist walls in the previous three decades.

There are 850 million people living in this hemisphere, accounting for a \$12 trillion market. Enacting economic and political reforms has unleashed the spirit and potential of the people of this hemisphere as never before. That's why Latin America and the Caribbean is the second fastest growing region in the world.

Just take a look here in Brazil. President Cardoso's economic reforms have helped stabilize the economy. Inflation has been drastically reduced. Brazil will prosper by continuing on this course.

Throughout the hemisphere we see the same lesson. Democracy, open markets, engaging, not withdrawing from your neighbors -- all offer a clear path toward prosperity.

Trade is playing a big part of the growing dynamism of the hemisphere and has grown more important to all of our economies. Both the United States and Brazil have huge domestic economies, which for many years were largely insulated from the rest of the world. But, we are now increasingly interdependent with the rest of the world.

Last year in the United States, trade equaled an estimated 30 percent of our economy. When President Johnson attended the Punta del Este Summit in 1967, the value of U.S. trade equaled only 11.5 percent of our GDP. Today, eleven million workers in my country owe their jobs to exports. On average, these jobs pay 13 - 17 percent more than non-trade jobs. Clearly, expanding trade is critical to creating good, high-wage jobs -- but not just in the United States. The same is true everywhere in the hemisphere.

I'll make no bones about it -- the United States is benefiting from the changes in this hemisphere. U.S. trade -- both exports and imports -- with Latin America excluding Mexico has increased nearly 34 percent since 1992.

U.S. exports to Latin America now approximate our exports to the European Union. We estimate by that by 2010, our exports to Latin America will reach \$232 billion -- greater than our combined exports to the EU and Japan. Last year, Brazil was our largest export growth market in the region.

Clearly trade will play a key role in fostering growth in the hemisphere.

Recognizing these immense opportunities, President Clinton and the 33 leaders in the hemisphere -- all democratically elected -- planted the seeds for prosperity in December of 1994 at the historic Summit of the Americas in Miami. Those leaders all knew we must lock in the reforms of the last decade and work together to build a better hemisphere. To continue our progress toward expanding ties in this hemisphere, the United States supports holding a second Summit of the Americas in late 1997 or early 1998.

At Miami, the leaders made a bold pledge to create a Free Trade Area of the Americas (FTAA) by 2005. Together, we began to forge a future of mutual prosperity. In Denver last May we continued to nurture this tree of prosperity. This week, I am visiting Brazil and meeting other trade ministers from the hemisphere in Colombia to ensure that the tree will bear fruit.

In creating the FTAA, we agreed that the nations of the hemisphere should not just look at tariffs and other issues which are the traditional matters of discussion in trade negotiations. Because of the increasing interdependence among our nations, and the undeniable linkages between trade and other aspects of our lives, we must discuss issues which have been largely ignored in trade discussion of earlier eras -- some would even say "out of bounds."

Our leaders did this at the Miami Summit, and we are doing this in the FTAA. For the first time in history, the democratic nations of our hemisphere agreed to recognize the link between trade and the environment, as well as trade and improving working conditions. The Miami Declaration of Principles says, "Free trade and increased economic integration are key factors for raising standards of living, improving the working conditions of people in the Americas and better protecting the environment."

The Summit Plan of Action was even more direct: In it, the 34 heads of state pledged to make trade and environment mutually supportive, and to "further secure the observance and promotion of worker rights" as we proceed with economic integration.

We must address these issues because they can distort or inhibit trade. But it is also critical to ensuring that we build confidence in the FTAA -- and trade in general -- that we address these issues.

9.

Let us never forget: We do not seek trade for its own sake.

Our goal is this: to raise standards of living and make this hemisphere the world's largest zone of prosperity. To reach that goal we must strengthen our economic ties, expand trade -- and work together to raise standards of living in all countries in the hemisphere.

We cannot successfully promote international trade unless working men and women see its benefits in their lives. The way to prove to people who are struggling to support their families that trade is good for them is not by reciting a lot of economic theory and ideology. We can only do it by showing that we will stand up for their interests. And we will do that by working together to raise standards of living in this hemisphere and by protecting the environment.

When it comes to trade, the rising tide doesn't raise all the boats by itself -- sometimes you need pulleys and people to pull the boats up by hand.

There is a right way and a wrong way to promote trade. The wrong way is to assume that we can only talk about the traditional trade issues. The right way is to understand that we must ensure that expanded trade occurs in conjunction with raising standards of living and improving worker rights. We want to do it the right way in the FTAA.

The United States is committed to ensuring we do this the right way. We are committed to removing the barriers to trade to foster growth. And we are committed to ensuring that expanded trade occurs in conjunction with raising standards of living and improving worker rights, and a healthier environment. Growth cannot exist, as President Cardoso has said, "without social justice or if it destroys the balance of nature."

The key to maintaining economic growth is to build the middle class in countries around the globe. Moving people up from poverty into the middle class fosters stability and democracy within those countries. And let me be frank -- we want a middle class in Latin America because we know it creates new markets for American exports, just as the U.S. is the major export market for most countries in the hemisphere. But we also want to see the middle class in Latin America grow bigger because it means greater hemispheric prosperity and political stability in a democratic system.

Social justice, market economies and democracy are all closely linked. Under President Cardoso's leadership, Brazil is showing that economic progress can -- and must -- go hand in hand with social progress. Time after time, the lesson is clear: democratic and social reforms enhance the market oriented system.

We should ask ourselves, then, what is the best way to ensure all people reap the benefits of this new economy in which we live? How can we raise standards of living and create jobs throughout the hemisphere? Is it by cutting ourselves off from each other, reversing the gains of the last decade and building walls of fear to divide us? Or is there a better way, by continuing to open up to each other, and working together?

President Clinton knows the path to prosperity is by working together. My country once chose the path of protectionism during the 1930s. The result was massive unemployment, lower standards of living and, eventually strife with other nations. We learned our lesson.

The path we must take now is one of continuing to open up toward each other. We must continue to strengthen our ties, and reduce the barriers that divide us.

We stand at a historic threshold. Before us lie both immense opportunities -- and immense challenges. If the nations of this hemisphere are going to continue to prosper, we must embrace both the opportunities and the responsibilities which lie before us and build on the bold political and economic reforms that have swept through the Americas. To do that we must ensure that growth and trade raise standards of living throughout the hemisphere.

Let me say a word about the unique responsibilities the United States and Brazil both have in fulfilling the promise of the Summit of the Americas. As the two largest economies in the Americas, we have a special responsibility to work together and lead the nations of this hemisphere on a path toward greater prosperity.

Brazil has already done much to assume its proper place as a leader in the hemisphere. As I said, President Cardoso has made bold moves to reform Brazil's economy. In addition, we are very encouraged by the progress that has been made in intellectual property protection in Brazil. We hope the government of Brazil will continue its efforts to pass remaining legislation to protect intellectual property rights. Strong intellectual property protection will benefit both countries, since foreign investors look closely at IPR protection when deciding where to invest. Brazil's proposed law on patents will place it at the forefront of countries providing IPR protection.

Brazil has also played a key role in removing barriers to trade in the region through its leadership in Mercosur.

With regards to the FTAA, since the Summit, the United States and Brazil have played prominent roles in constructing the foundation for achieving the FTAA's goal -- first at the Trade Ministerial held in Denver and subsequently in the seven working groups created by the Denver "Joint Declaration."

The United States and Brazil have also been looking at additional ways to strengthen our ties. Last April, President Clinton and President Cardoso asked Minister Lampreia and myself to conduct a detailed review of the Brazilian-U.S. bilateral commercial relationship.

In the fall we issued our report, which was based on four themes: expanding our bilateral trade; contributing to the FTAA; exploring links between NAFTA and Mercosur; and supporting the WTO. We learned a great deal from this review and developed a degree of cooperation that has continued beyond the completion of our report. Already we've made progress on a number of the report's recommendations, and we expect a status report in July. The review began an ongoing process which will serve to further strengthen ties between us.

This doesn't mean that we will eliminate all differences between us. From time-to-time, we will each question specific elements of each other's trade policy, for example orange juice tariffs or auto quotas. But overall, our progress together is good.

We will address such differences as friends who do not lose sight of the much greater common interests that we have.

A word about an issue that I know bothers many in Brazil. Recently, U.S. exports to Brazil have substantially increased. This is no doubt due in part to the commendable efforts initiated by the Brazilian government in recent years to reduce barriers to trade and the Cardoso Administration's economic reform measures. Although, in part, it also reflects the heightened competitiveness of the U.S. economy

Let me be clear: expanding trade between our two nations is in both our interests. Our exports to you, as well as your exports to us, will help us grow together, and raise standards of living for both nations.

The United States also has witnessed an explosion of foreign trade and investment in recent years. For example, investment in producer durable equipment has risen to an eleven year high of 7.5 percent of our Gross Domestic Product. This enables the U.S. to replace more rapidly our plant and equipment, leading to more modernization of the U.S. manufacturing base and increasing U.S. competitiveness in the world market.

A similar process appears to be occurring in Brazil. Many of Brazil's imports consist of durable goods which will help modernize the Brazilian economy. Such modernization will certainly enhance Brazil's competitiveness abroad.

The Cardoso Administration also is loosening controls on the domestic economy, pursuing privatization, and macroeconomic stabilization -- all of which is making Brazil a much more attractive environment for investment, both foreign and domestic.

These developments, and the close relationship between our presidents, give us the opportunity to move beyond the frictions of the past and pursue a positive trade and investment agenda that will bear fruit for our citizens, for the hemisphere, and for the international trading system. What I said before bears repeating: A strong relationship between the United States and Brazil is critical to the success of raising standards of living in the Americas.

President Clinton calls this era, "The Age of Possibility." He knows that we will never achieve the goal of a better life for our people if we build walls of protection to divide us. We will only make the most of the opportunities before us by working together, remaining engaged, and strengthening our ties.

Let us join together to build a peaceful, democratic and prosperous hemisphere. Minister Lampreia and I both need your help to accomplish that and I look forward to working with you. By working together, we will ensure that all of our people prosper in the years ahead. Thank you

very much.

**SUMMIT OF THE AMERICAS
SECOND MINISTERIAL TRADE MEETING
CARTAGENA, COLOMBIA
MARCH 21 1996
JOINT DECLARATION**

INTRODUCTION

1. We, the Ministers responsible for trade, representing the thirty-four nations that participated in the Summit of the Americas, met in Cartagena for the Second Trade Ministerial Meeting, according to the mandate issued by our Heads of State and Government during the Summit of the Americas, held in Miami. We continued the work program, to which we unanimously agreed at the First Trade Ministerial Meeting in Denver, to prepare for initiation of negotiations on the Free Trade Area of the Americas (FTAA). We strengthened our commitment to conclude negotiations no later than 2005, and to make concrete progress towards the attainment of this objective by the end of this century.
2. The principles previously adopted for constructing the FTAA include: maximizing market openness through high levels of discipline as we build upon existing agreements in the Hemisphere; full consistency with the provisions of the World Trade Organization (WTO); be balanced and comprehensive in scope, covering among others, all areas included in the Summit of the Americas Plan of Action; not raise barriers to other countries and represent a single undertaking comprising mutual rights and obligations.
3. We examined approaches for constructing the FTAA which will build on existing subregional and bilateral arrangements in order to broaden and deepen Hemispheric economic integration and to bring the agreements together. The approaches are varied and complex and must include consistency with Article XXIV of GATT 1994 and its Uruguay Round Understanding and Article V of the GATS. We instruct our Vice Ministers to discuss such approaches and to make specific recommendations before the 1997 Trade Ministerial Meeting.
4. We also considered the timing and means of launching negotiations to establish the FTAA. We agreed that substantial and additional preparatory work is necessary for productive negotiations. We also agreed that concrete progress must be achieved by the end of the century. Taking this into account as well as the progress achieved in the working groups, we direct our Vice Ministers to make an assessment of when and how to launch the FTAA negotiations and to make recommendations to us on these issues before the 1997 Trade Ministerial meeting.
5. We reiterate our commitment to actively continue seeking ways to provide opportunities to facilitate integration of the smaller economies and increase their levels of development. We call upon all working groups in their deliberations to take into account this commitment as well as specific suggestions of the Working Group on Smaller Economies. Acknowledging the differences in levels of economic development among countries in the Hemisphere, we recognize the need for technical assistance in order to facilitate the full participation of the smaller economies in the entire process leading to the FTAA.

WORKING GROUPS:

6. In light of the decisions taken at the Miami Summit and at the Denver Trade Ministerial meeting and in the process of continuing preparations for negotiations, we received the reports from the chairpersons of the seven working groups established in Denver as well as the working groups' specific recommendations for subsequent action. On the basis of each group's report, we are convinced that substantial progress on preparing for negotiations has been achieved and that the initial work program is well underway.

We take note of the work programs proposed by the seven existing working groups and direct them to carry out the tasks identified with a view to presenting conclusions and recommendations for our consideration in 1997. To facilitate achieving this objective, we ask that chairpersons of all working groups, in consultation with all participating countries, arrange to meet to coordinate the work so as to: avoid duplication of effort, while at the same time ensuring that there are no gaps in their preparatory work, as well as to ensure the most effective use of available resources, including those of the Tripartite Committee. In order to promote the participation of all countries in all aspects of the preparatory work, chairpersons of working groups should endeavor to coordinate the scheduling and venues of the meeting of the working groups, ensuring that best efforts be made to limit the dispersion of venues of the working groups.

7. We direct Vice-Ministers to direct, evaluate and coordinate the work of all working groups, so as to ensure significant progress in advance of our 1997 meeting. To this end, Vice-Ministers should meet on at least three occasions in advance of our next meeting. We ask the host of the 1997 Trade Ministerial Meeting to chair these meetings.

8. We thank the chairpersons for the work they have done during their tenure between the Denver Trade Ministerial and the Cartagena Trade Ministerial meetings. We also thank the countries for their collaboration in gathering information and their proposals for future work.

9. To comply with the commitments that we acquired in Denver, we are establishing additional working groups in the following areas: Government Procurement, Intellectual Property Rights, Services and Competition Policy. We are providing overall guidance, including individual terms of reference for each of these new groups (Annex I). At the same time, we agreed to establish a Working Group and the terms of reference for dispute settlement procedures at the Third Trade Ministerial Meeting. We request the OAS to start compiling information on the dispute settlement mechanisms being used in bilateral and subregional trade agreements in the Hemisphere.

10. We approved the list of countries that were nominated to chair the eleven working groups (Annex II). These countries are responsible until the next Trade Ministerial Meeting for coordinating the schedule of meetings, in consultation with representatives of member countries, and for ensuring that all terms of reference are achieved.

11. Each working group should identify and examine trade-related measures in its respective area, in order to determine possible approaches to negotiations. We direct each of the working groups to submit to Vice-Ministers, for their approval, concrete proposals on areas for immediate attention in advance of the 1997 Trade Ministerial Meeting, within the agreed mandate. At the Third Trade Ministerial Meeting, we will receive reports and decide on subsequent steps to be taken in each area. Today we agree on the immediate actions in the areas listed in Annex III.

12. We recognize and appreciate the important analytical and technical work done by the Tripartite Committee in support of existing working groups as well as the contributions from other specialized regional, subregional and multilateral organizations. We ask that the Tripartite Committee continue to provide such analytical support, technical assistance and relevant studies, as may be requested by the working groups. In support of this work, we encourage further contributions, within their areas of expertise, from relevant regional and subregional institutions as may be requested by the working groups.

OTHER REPORTS AND CONTRIBUTIONS TO ECONOMIC INTEGRATION

13. In accordance with the Summit of the Americas' Plan of Action, we noted the significant developments that have been taking place in the various trade and investment fora in the Hemisphere.

14. The Chairman of the Special Committee on Trade (SCT), of the OAS reported on the progress achieved on the tasks assigned to the SCT by Leaders at the Miami Summit. We thanked the SCT for its preliminary version of the Analytical Compendium of Trade and Integration Accords in the Hemisphere. This Compendium will be regularly updated in order to ensure that it remains complete, accurate and up-to-date. We agree that the Compendium is an important instrument for the understanding and comparison of regional trade agreements and therefore urged the OAS to publish the Compendium once the final version has been approved. We also thanked the IDB for its report to the SCT on "Rules of Origin in Preferential Trade Agreements in the Americas," which has been forwarded to the FTAA Working Group on Customs Procedures and Rules on Origin for their consideration.

15. We received with great interest the conclusions the business sector reached regarding the 13 topics developed at the Americas Business Forum. We recognize the importance of the role of the private sector and its participation in the FTAA process. We have also agreed on the importance of Governments consulting their private sectors in preparation for the Trade Ministerial Meeting to be held in 1997. We reaffirm our commitment to transparency in the FTAA process. We direct our Vice Ministers to consider appropriate processes to address the protection of the environment. After having received the report of the committee that will be presented at the WTO Ministerial Meeting in Singapore, we will consider creating a study group on this issue based upon recommendations from our Vice Ministers. To this end, we and our Vice Ministers will consider how to proceed in the construction of the FTAA in this area. We received with appreciation the Declaration of the Tenth Inter-American Conference of Ministers of Labor. We recognize the importance of the further observance and promotion of worker rights and the need to consider appropriate processes in this area, through our respective governments. We will keep this matter under consideration and have asked our Vice Ministers to keep us informed.

OTHER MATTERS:

FUTURE MINISTERIAL MEETINGS:

16. In view of the mandate of our Heads of State and Government, and in accordance with the decisions adopted at the Denver meeting, we agree to hold the Third Ministerial and the Business Forum Meetings in the second quarter of 1997. We accept, with appreciation, the invitation of the Government of Brasil to host these meetings. The Fourth Trade Ministerial and Business Forum meetings are to be held in 1998 in Costa Rica.

ANNEX I

ACTION PLAN FOR NEW WORKING GROUPS:

I. THE WORKING GROUP ON GOVERNMENT PROCUREMENT WILL:

1. Collect, systematize and create an inventory of the legislation, regulations and procedures in the countries of the Hemisphere regarding government procurement, starting at the central government level, including, among others, state-owned enterprises. On the basis of that inventory, undertake a study of barriers to access to procurement by the public sector.
2. Create an inventory and analysis of regulations on government procurement included in integration schemes and other existing agreements to which countries in the Hemisphere are signatories.
3. Compile available data on purchases of goods and services by central governments, including, among others, state-owned enterprises, in the Hemisphere.
4. Identify areas of commonality and divergence among government procurement systems in countries of the Hemisphere.
5. Recommend methods to promote understanding of the WTO Government Procurement Agreement.
6. Recommend methods to promote transparency in government procurement.
7. Make specific recommendations on how to proceed in the construction of the FTAA in this area.

II THE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS WILL:

1. Create an inventory of the intellectual property agreements, treaties and arrangements that exist in the Hemisphere, including all international conventions to which countries are parties.
2. Compile, in the most efficient manner, an inventory of intellectual property protection laws, regulations and enforcement measures in the Hemisphere and, on the basis of this information, identify areas of commonality and divergence.
3. Recommend methods to promote the understanding and effective implementation of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs).
4. Identify possible areas for technical assistance, which countries may request, involving both the administration and enforcement of intellectual property rights.
5. Analyze the implications of emerging technologies for intellectual property rights protection in the FTAA.
6. Make specific recommendations on how to proceed in the construction of the FTAA in this area.

III THE WORKING GROUP ON TRADE ON SERVICES WILL:

1. Undertake conceptual background work on the nature of trade in services, including the relationship to other working groups, including investment.
2. Compile a comprehensive inventory of agreements, accords and other arrangements covering trade in services in the Hemisphere and determine areas of commonality and divergence.
3. Create a comprehensive inventory of measures affecting trade in services within the Hemisphere and identify steps to enhance transparency and facilitate trade.
4. Create a statistical database of trade flows in services in the Hemisphere.
5. Recommend methods to promote understanding and effective implementation of the WTO General Agreement on Trade in Services (GATS), including technical assistance.
6. Make specific recommendations on how to proceed in the construction of the FTAA in this area.

IV THE WORKING GROUP ON COMPETITION POLICY WILL:

1. Promote understanding of the objectives and operation of competition policy.
2. Compile an inventory of domestic laws and regulations that exist in the Hemisphere that deal with anti-competition conduct and, on the basis of that information, identify areas of commonality and divergence.
3. Create an inventory of the competition policy agreements, treaties and arrangements existing in the Hemisphere.
4. Identify cooperation mechanisms among governments in the Hemisphere aiming at ensuring the effective implementation of competition policy laws.
5. Recommend ways to assist members to establish or improve their domestic competition policy regimes, as they may request.
6. Exchange views on the application and operation of competition policy regimes in the countries of the Hemisphere and their relationship to trade in a free trade area.
7. Make specific recommendations on how to proceed in the construction of the FTAA in this area.

ANNEX II

CHAIR PERSONS OF THE WORKING GROUPS

We have agreed that the following countries will assume the chairs of each of the respective working groups until the next Trade Ministerial Meeting.

WORKING GROUP	COUNTRY
MARKET ACCESS	EL SALVADOR
CUSTOMS PROCEDURES AND RULES OF ORIGIN	BOLIVIA
INVESTMENT	COSTA RICA
STANDARDS AND TECHNICAL BARRIERS TO TRADE	CANADA
SANITARY AND PHYTO-SANITARY MEASURES	MEXICO
SUBSIDIES, "ANTIDUMPING" AND COUNTERVAILING DUTIES	ARGENTINA
SMALLER ECONOMIES	JAMAICA
GOVERNMENT PROCUREMENT	UNITED STATES
INTELLECTUAL PROPERTY RIGHTS	HONDURAS
SERVICES	CHILE
COMPETITION POLICY	PERU

ANNEX III

PROGRESS REPORTS FROM THE WORKING GROUPS CREATED IN DENVER AND RECOMMENDATIONS FOR FUTURE WORK:

In addition to the guidance provided elsewhere in this document, we request that the relevant working groups implement the following areas for immediate action:

MARKET ACCESS

- Keep data bases current; make them public, once its contents have been approved by governments.

CUSTOMS PROCEDURES AND RULES OF ORIGIN

- Develop and improve the complete inventory of customs procedures in the Hemisphere and publish the Customs Procedures Manual for its use by the private sector.
- Make recommendations on promoting electronic filing of customs documentation.

INVESTMENT

- Publish a guidebook on investment regimes in the Hemisphere;
- Promote accession to existing arbitral conventions.
- Publish the inventory of investment agreement and treaties in the region

STANDARDS AND TECHNICAL BARRIERS TO TRADE

- Develop proposals on mutual accreditation of testing facilities.
- Prepare an inventory of standards and related measures;

SUBSIDIES, ANTIDUMPING AND COUNTERVAILING DUTIES

- Release the compendium of the Hemispheric trade laws and procedures being compiled by the OAS.

SANITARY AND PHITOSANITARY MEASURES

- Develop proposals on ways to promote the recognition of sanitary and phytosanitary certificates among countries in the Hemisphere.

SMALLER ECONOMIES:

- Make recommendations on measures, including technical assistance, to facilitate the integration of smaller economies into the FTAA.

PROPOSALS FOR EXPANDING TERMS OF REFERENCE

WORKING GROUP ON SUBSIDIES, ANTIDUMPING AND COUNTERVAILING DUTIES

- We take note of the "Report and Recommendations of the Working Group on Subsidies, Antidumping, and countervailing Duties", and urge the Working Group to identify other practices that can be shown to have trade-distorting effects on agricultural trade in or with the hemisphere, with an aim to make specific recommendations on the subject.

THE MIAMI SUMMIT PROCESS: CREATING JOBS AND RAISING STANDARDS OF LIVING

INTRODUCTION

Recognizing the enormous opportunity to create jobs, raise standards of living and increase exports, President Clinton hosted the historic Summit of the Americas in Miami in December 1994. The Summit inaugurated a new era in which the 34 democracies in the Western Hemisphere pledged to work together to create the largest, most dynamic open market in the world by the year 2005.

President Clinton is committed to building on the historic changes that have swept through Latin America and the Caribbean over the last decade. Democracy and economic reform have flourished, raising standards of living, building middle classes and increasing political stability. In 1967, when President Johnson met with Latin American leaders at the Punta del Este Summit only 12 of the 19 participating countries were democracies. Today, Cuba is the only country in the hemisphere that is not a democracy.

President Clinton and the 33 other participating leaders created the vision in Miami; now, trade officials are turning that vision into reality. The United States hosted the first follow-up Western Hemisphere Ministerial meeting last June in Denver and will continue to play a leadership role in this year's Ministerial in Cartagena, Colombia on March 20 - 21.

THE IMPORTANCE OF LATIN AMERICA TO THE U.S. ECONOMY

Since taking office, President Clinton had done more to open markets for U.S. products than any President in U.S. history. Just as he fought vigorously to conclude and secure passage of NAFTA and GATT, President Clinton is committed to creating a Free Trade Area of the Americas (FTAA) by 2005 and supports a second Summit of the Americas in late 1997 or early 1998.

The FTAA will represent the largest open market in the world -- 750 million consumers and \$9 trillion of output. Latin America already represents the second fastest growing region of the world. As Latin America grows, so does the United States.

In 1994, the value of U.S. trade equaled approximately 30 percent of our economy. Similarly, goods exports to Latin America, excluding Mexico, in 1994 exceeded \$50 billion. These exports supported an estimated 600,000 American jobs -- jobs that pay 13 - 16 percent more than those not associated with trade. Including Canada and Mexico -- both FTAA partners -- U.S. exports to the Western Hemisphere exceeded \$220 billion last year, which account for over 38 percent of total U.S. exports.

U.S. exports to the region are not only large, they are growing and will continue to grow rapidly. Since 1992, exports to the region have grown more than 44 percent. By the year 2010, U.S. exports to Latin America are estimated to reach \$244 billion (constant 1994 dollars) --

greater than our expected combined exports to the European Union and Japan. Our merchandise trade surplus with Latin America has grown by 380 percent since 1992 to \$7.8 billion. It is the only region in the world with which we have a trade surplus of more than \$1 billion.

No country is better situated to reap the benefits of an growing Latin America than the United States. U.S. exports account for over 45 percent of the region's trade. In many Latin American countries, more than 70 percent of all imports are produced in the United States by American workers.

Just as important as the quantity and growth of U.S. exports to the region is the quality and type of these exports. U.S. exports to the region will support high-skill, high-paying manufacturing jobs -- the type that were lost throughout the 1980s. In 1994, the United States' top two exports to Latin America were capital goods and industrial supplies. These two categories accounted for more than 65 percent of total U.S. exports to the region. Since 1992, exports of capital goods to the region have grown by more than 40 percent; exports of industrial supplies and materials have grown more than 50 percent. Sales of U.S. consumer goods are also booming -- exports in this category increased by 47% since 1992. As the region's middle class continues to grow, so will U.S. exports.

THE MIAMI PROCESS: LOWERING BARRIERS TO TRADE

Lowering barriers to trade in Latin America makes sense for two reasons: jobs and fairness. Currently, the average Latin American tariff on American products is over four times the average American tariff on Latin American goods. Lowering Latin American barriers will lower the cost and increase sales of American products, thereby creating U.S. jobs. From the standpoint of fairness, our market is open to Latin American products; Latin American markets should be open to ours. Only with fair trade will the American people continue to support an open trading system.

At the Miami Summit, Western Hemispheric leaders laid out the vision of a free and open market in the region by the year 2005. Last June in Denver, Trade Ministers took the first concrete steps toward implementing that vision through:

- Agreement on key trade principles. For example, the 34 countries agreed that the FTAA will be a "single undertaking" -- that everyone will play by the same rules. Countries will not be able to pick and choose which parts of the FTAA to accept. In addition, the FTAA will be both consistent with and move beyond existing WTO commitments. These principles will serve as guidelines for future, more specific discussions on the best approach to lowering trade barriers.
- Creation of seven working groups on market access; investment; customs procedures and rules of origin; technical standards; sanitary and phytosanitary procedures; subsidies, antidumping and countervailing duties; and smaller economies. These working groups will have met three five times each since Denver and will be submitting detailed reports to Trade Ministers in Cartagena on the progress they have made in their preparations for

negotiations of the FTAA.

The United States has ambitious goals for the Ministerial meeting in Cartagena. Specifically, the United States seeks:

- Creation of four new working groups to address issues critical to the U.S. economy -- services, intellectual property, government procurement and competition policy.
- Agreement by FTAA countries to take concrete steps toward opening markets even before the launch of formal FTAA negotiations. Progress in areas such as customs procedures and investment would be an economic benefit to U.S. business and would provide momentum to the FTAA negotiations.
- Progress and clarification regarding the "paths" and timetable for achieving the FTAA process. Each of the working groups -- the existing seven and the four to be established at Cartagena -- should make recommendations at the next ministerial in 1997 on the best approach to negotiations in their respective areas.
- Greater interaction with the private sector to exchange views on priorities and objectives for FTAA process.

Anyone who has followed previous trade negotiations such as the Uruguay Round, NAFTA or the creation of the European Union understands both the importance and difficulty of the preliminary work leading to formal negotiations. The Miami process has and will continue to move forward expeditiously. The United States is committed to leading the way.

CHAIRMAN'S STATEMENT
KOBE QUADRILATERAL TRADE MINISTERS' MEETING
April 19-21, 1996

Ministers from Canada, the European Union, Japan and the United States held the 28th Quadrilateral Meeting in Kobe to review recent developments in international trade and to continue planning and preparation for the Singapore Ministerial Conference of the WTO.

We emphasized the need for full implementation of WTO Agreements by all members to reinforce the credibility of the WTO. We agreed to keep under review the situation regarding implementation, bearing in mind recent measures in violation of WTO obligations, such as TRIMs. We look forward to the report of the General Council on implementation.

We affirmed our strong commitment to the work of the Committee on Trade and Environment on all items of its agenda. We reviewed its agenda with particular focus on eco-labelling and the relation between multilateral environmental agreements (MEAs) and WTO provisions. We recognized that these topics might be more ripe for specific recommendations to be endorsed by Ministers. We also decided to support the establishment of this Committee on a permanent basis.

We, the Quad, strongly support the negotiation of an Information Technology Agreement (ITA), which is an initiative for trade liberalization in the information technology industry, and reaffirmed our efforts towards its realization on the basis of mutual benefit.

We also instructed officials to explore the possibility of acceleration of tariff reduction commitments under the Uruguay Round results, and to explore the possibility of further tariff reductions, and to report back to us at the earliest opportunity with a view to maintaining momentum for further liberalization.

As a further contribution to liberalization, we agreed on the desirability of completing the work program on accountancy by the time of the Singapore Ministerial Conference, of expanding the work program in 1997, and of the development of generic rules that could be applied to several professions.

Ministers responsible for the WTO basic telecommunications negotiations reviewed the current status of negotiations and reaffirmed their commitment to a successful conclusion by April 30. They decided to redouble their efforts to complete the negotiations by presenting their best MFN-based offers and strongly

urged the other WTO members to follow suit. They concluded that other participants must significantly improve their offers. They reaffirmed the need to make additional commitments on regulatory principles by referring to the reference paper, which would substantiate market access commitments. Ministers reviewed the outstanding issues in the talks, particularly the possible risk that monopolies could distort competition in international services.

We reaffirmed the importance of concluding the maritime transport negotiations by June 30 and discussed the need for contributions from all participants in order to conclude the negotiations successfully.

Noting the built-in agenda under the various WTO Agreements, we welcomed the offer by Canada to prepare a discussion paper on ways and means by which the successful completion of future work and negotiations contemplated under these agreements might be facilitated.

We reaffirmed our urgent commitment to successfully concluding negotiations on a Multilateral Agreement on Investment under OECD auspices in the spring of 1997. We recognize that informal discussions on investment have already begun in Geneva. Without in any way detracting from our determination to reach the OECD agreement, we agreed that an informal WTO Working Group should now be set up in Geneva with a view to establishing a formal WTO Working Group at the Singapore Ministerial Conference.

Recognizing that core labor standards are matters of human rights and that their development is the responsibility of the International Labor Organization, we agreed that the relation between trade and labor standards should be discussed at the Singapore Ministerial Conference with a view to determining how to proceed.

We agreed on the importance of enhancing the coherence between trade and competition policy, and agreed that this issue should be discussed at the Singapore Ministerial Conference with a view to determining how to proceed.

We took note of the important advances in the OECD to combat bribery and corruption in international trade.

We agreed to renew our efforts to expand membership in the WTO Agreement on Government Procurement (GPA) and to improve its disciplines through reducing barriers to government procurement. As a first step, we agreed to initiate work on an interim arrangement on transparency, openness and due process in government procurement, which would help to reduce corruption as an impediment to trade.

We emphasized the importance of transparency to enhancing the credibility of the WTO, and agreed to urge other WTO members to agree on procedures for derestriction of panel reports and other WTO documents.

We affirmed our view that we intend to work to expand WTO membership as rapidly as possible, on the basis of respect for WTO rules and the achievement of meaningful market access. In this connection, we believe that effective enforcement of intellectual property rights protection is necessary for confidence building among the members needed for accession.

With regard to regional trade initiatives, the last Quad Meeting suggested the establishment of the new WTO Committee on Regional Trade Agreements, and we welcome its establishment. We believe that regional trade initiatives must be consistent with and complementary to the multilateral trading system. With a view to building confidence in the relation between regional initiatives and the WTO, we exchanged information on our respective regional initiatives in the interests of transparency.

On regulatory reform, we agreed that ongoing work at the OECD should be supported, and agreed to explore a plurilateral Mutual Recognition Agreement (MRA) for telecommunications equipment to remove regulatory barriers to trade.

We also underlined the need to deal with trade and development, having in mind the commitments taken at Marrakesh.