

**PREPARATIONS FOR THE UPCOMING WTO
MINISTERIAL MEETING**

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

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SEPTEMBER 29, 1999
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Printed for the use of the Committee on Finance

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U.S. GOVERNMENT PRINTING OFFICE

62-606-CC

WASHINGTON : 1999

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-060246-7

5361-8

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PREPARATIONS FOR THE UPCOMING WTO MINISTERIAL MEETING

WEDNESDAY, SEPTEMBER 29, 1999

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 9:42 a.m., in room SD-215, Dirksen Senate Office Building, Hon. William V. Roth, Jr. (chairman of the committee) presiding.

Also present: Senators Grassley, Murkowski, Thompson, Moynihan, Baucus, Conrad, Graham, Kerrey, and Robb.

OPENING STATEMENT OF HON. WILLIAM V. ROTH, JR., A U.S. SENATOR FROM DELAWARE, CHAIRMAN, COMMITTEE ON FI- NANCE

The CHAIRMAN. The committee will please be in order.

It is a great privilege to have this distinguished panel here this morning, and we are looking forward very much to hear what they have to say on what I think is a most important issue to America's economic future. That, of course, is international trade.

Exports have driven one-third of the economic growth we have witnessed in recent years. Trade has raised our standard of living by making a wider array of higher quality products at lower prices available to the American consumer.

Jobs linked to export pay, on average, 15 percent higher wages than other jobs in the economy. Trade has helped contain inflation, lower interest rates, and make housing more affordable to all Americans.

But, despite the manifest benefits of international trade, protectionism is once again on the rise in both political parties. As long as I am Chairman of the Finance Committee, I will fight that trend. If there was ever a time to call those who believe in free markets to the ramparts, now is the time.

We have before us an historic opportunity. The world is coming to Seattle, Washington in late November. There we will launch a new round of multilateral trade negotiations that will write the basic rules of the international trading system for the decades to come. We must seize that opportunity to ensure that the rules are written in a way that fosters trade, competition, and economic growth.

In my view, the alternative we face is stark. The alternative is to cede the streets to the new voices of protectionism, to the voices of limits and economic decline. Trade wars and bad economic times

tend to become real wars that sweep us in despite our best intentions.

To avoid that result, we must offer workers in our own society and abroad the opportunity to make the most of their labor and the freedom to choose where and how to invest the return from their wages.

A new round of multilateral negotiations within the WTO provides an opportunity to do just that. What we need to hear from the administration today is how they intend to achieve these objectives in Seattle.

We need to hear what tangible progress we can expect from the Seattle meeting, and what concrete objectives will guide our negotiators in the talks that will follow. We also need our witnesses to explain how we can best contribute to the process in support of our farmers, workers, manufacturers, and service providers.

Now, with that, let me say that Senator Moynihan will be here later, so we will move ahead with the witnesses.

It is my pleasure, now, to call on Ambassador Barshefsky.

STATEMENT OF HON. CHARLENE BARSHEFSKY, U.S. TRADE REPRESENTATIVE, WASHINGTON, DC

Ambassador BARSHEFSKY. Thank you, Mr. Chairman, very much. It is a great pleasure to be here before the committee, and it is a great pleasure to be here with my colleagues, Secretary Daley and Secretary Glickman. The three of us and our agencies have worked very, very closely on the agenda that we intend to outline this morning.

The next 2 months are a vitally important period for our trade policy. Our negotiations with a number of economies toward WTO accession are progressing. In November, we will open the WTO's ministerial conference in Seattle.

This will be the largest trade event ever held in the United States, bringing heads of government, trade ministers, business executives, and citizen groups to Seattle from all over the world.

It will highlight to the world the U.S. economic achievement and focus public attention as never before on the role trade plays in the longest peacetime expansion in American history.

Mr. Chairman and members of the committee, for the past half century Democratic and Republican administrations have worked with the Finance Committee and Congress to build a fair, open, and free international economy.

This work has culminated most recently in the Uruguay Round in 1994, which created the WTO. In the past five years, the WTO has fully proven its value to Americans and to the world.

It has helped create jobs and raise living standards. American exports have risen by nearly \$300 billion, contributing to the economic growth we have enjoyed, and helping us specialize in high-skill, high-wage jobs.

It has advanced the rule of law with a strong dispute settlement system that has helped us significantly improve our enforcement of trade commitments.

It has given the world a crucial source of economic stability. In the financial crisis, the respect WTO members have generally shown for their commitments help prevent a cycle of protection and

retaliation which would hurt us, as the largest exporter of farm products, manufactured goods, and services in the world, more than any other country around the globe.

With the ministerial, we have the unique opportunity to build upon this foundation, to open markets for American workers, businesses, and farm families, to raise living standards here and around the world, to complement and support efforts to reduce hunger, protect the environment, improve the lives of workers, and promote global financial stability, to take advantage of our leadership in the scientific and technological revolution, and to further improve the WTO itself.

My written statement lays out our WTO agenda in very substantial detail. I would urge that the committee accept that full testimony in the record. But, if I may summarize, briefly.

Since President Clinton's call for a new global round of trade negotiations in his State of the Union address, we have worked with Congress, with members of the committee, and others to develop a very detailed and ambitious agenda for the round, together with a timetable that will make sure it yields concrete benefits in a short period of time.

In general terms, we are working toward domestic and international consensus on an agenda broad enough to address the market access priorities that we have, but also manageable enough to be completed within three years.

The core of this agenda on the negotiation side, which is only one aspect of the round, would be market access in agriculture, services, and industrial goods—and on the industrial goods side, of course, I mean tariff and nontariff barriers—balanced by attention to a number of over-arching issues and institutional reform of the WTO itself.

We would propose to achieve this in three different ways: (1) concrete decisions made by the WTO as we approach Seattle; (2) a 3-year negotiating round which I will describe more fully; and (3) the institutional reform aspects.

By the ministerial, we would hope to conclude a number of initiatives. This is the first aspect of our three-tiered approach to the new round.

First, we would hope to conclude a series of global agreements on the accession of a number of countries to the WTO. As you may know, we are in the process of negotiating now with 31 countries for their admission to the WTO.

Many of these countries are former Communist countries. They are countries which had for many years exhibited command and control economies, but who either now have moved toward market reform or intend to move in that direction. I believe that a number of these global negotiations for accession of these countries will be completed by Seattle.

Second, we will also seek for Seattle an agreement on transparency in government procurement. This is vital, not only because it will open a \$2 trillion market to our export of goods and services, but because government procurement is a chief culprit in the bribery and corruption we see globally.

Next, an extension of the stand-still on tariffs applied to electronic commerce. We hope to achieve some consensus on the accel-

erated tariff liberalization proposal to harmonize or eliminate tariffs in eight industrial sectors.

Looking to the round's negotiating agenda, which is the second aspect of the round, within the past six months we have tabled proposals at the WTO in Geneva on an enormous array of issues, including the sectors and the precise issues the round should address. Of course, Mr. Chairman, we have worked closely with the committee and the committee has all of these documents.

The core of our proposals are market access, making up a package broad enough to offer concrete benefit to agriculture, manufacturing, and services, win support from a wide range of countries, and give us maximum leverage in areas that will be most politically difficult from any countries around the world, and that is agriculture.

A brief review of our proposals include the following. In agriculture, we seek aggressive reform. We will work to eliminate and prohibit for the future all export subsidies, a goal I am pleased to say the APEC countries have now agreed to sign onto, and substantially reduce trade-distorting domestic supports.

We will work to lower and bind tariffs and improve the administration of tariff rate quotas. We will see strength and disciplines on the operation of state trading enterprises, including, Senator Conrad, the Canadian Wheat Board.

We will address disciplines to ensure trade in agriculture biotechnology products is based on a transparent, predictable, and timely process.

As to services, where American industries are the world's most innovative and competitive, we will seek to liberalize a broad range of sectors: distribution, telecom, financial services, audio-visual, environmental services, the professions, construction, and others.

We will work to ensure that GATT's rules anticipate the development of new technologies, which are already creating new services such as telemedicine and the satellite delivery of entertainment to the home.

We will seek to prevent discrimination against specific modes of delivering services. Whether one has a real retail outlet or a virtual retail outlet should not matter in terms of the disciplines that are imposed.

We will work to develop an across-the-board method for liberalizing services, basic disciplines to ensure transparency and good governance and regulations across a range of services sectors.

On industrial goods, we will pursue broad negotiations on industrial goods. We will reduce existing tariff disparities using applied tariff rates as the basis for negotiation. We will seek fully bound tariff schedules from our trading partners.

We will work to develop new sectoral agreements and increased participation in existing agreements, like the Global Telecom Agreement and the Global Financial Services Agreement, as well as the ITA.

We will also seek zero-for-zero tariff initiatives, including in the agricultural sector, as well as tariff harmonization. We will, of course, also address nontariff barriers and other measures affecting market access.

As these negotiations proceed, we also want to address a number of over-arching issues. Number one, compliance with existing agreements. We are working to ensure full compliance with the agreements made in the Uruguay Round, which also includes countries meeting the time deadlines set in the Uruguay Round.

The credibility of the trading system and the value of any new negotiation depends on confidence that WTO members will implement their commitments. We have done so in time, and in full, and we expect our trading partners to do the same.

Second, building the 21st century economy. We want to ensure that the trading system helps us to promote the unimpeded development of electronic commerce. We want to ensure that differing technological advances can be subsumed within basic WTO rules like transparency, nondiscrimination, national treatment, and the like.

Third, trade and the environment. We must ensure that trade liberalization complements and supports our environmental initiatives. For example, through an early environmental review of the round, which the administration is committed to doing, and initiatives like liberalizing trade in environmental goods and services, or eliminating fishery subsidies which have contributed to vast over-harvesting of fish globally.

Fourth, trade and labor. We must ensure that the WTO contributes to efforts to improve core labor standards, particularly, but not exclusively, through closer collaboration with the ILO and other multilateral institutions.

Last, with respect to the third element of our agenda for the round, we must seek significant institutional reform of the WTO itself. The principal areas here include maximizing transparency, opening dispute settlement panels to public observation, the earlier release of documents, and the enhanced ability for civil society groups to meet and discuss policy with delegations and staff.

We also wish to create a WTO trade facilitation capability, with a special focus on global Customs reform. This is particularly important for our small- and medium-sized business, which have great difficulty dealing with the red tape many countries impose.

We also must improve, and we will seek to improve, the WTO's capacity building function. We have to ensure in this round that developing countries, and in particular the least developed countries, can fully implement commitments that they make in complex areas, like intellectual property rights and services, and that they can take advantage of market access opportunities that are created by reductions in barriers of many of the major trading partners.

This is very much in our interest, not only because of our general support of development overseas, but also because growth in less-developed countries will make them better markets for American farmers and other exporters.

Mr. Chairman and members of the committee, these are very ambitious goals. We have taken a very broad view of what a global round should cover, far beyond negotiation for market access into issues like institutional reform, as well as concrete achievements early on and as the round proceeds.

But we believe these are goals that are achievable. We believe also they will offer concrete and rapid benefits to the United

States. Taken as a whole, these goals will help us create a world economy which does more to raise living standards and create jobs than ever before.

This is the agenda that we have set out. I am very thankful, Mr. Chairman, to you, to Senator Moynihan, members of the committee, and in particular to your staffs, with whom we have worked very, very closely on this as we move forward to Seattle. Thank you very much.

The CHAIRMAN. Thank you, Ambassador Barshefsky.

Now, Secretary Glickman, please.

[The prepared statement of Ambassador Barshefsky appears in the appendix.]

STATEMENT OF HON. DAN GLICKMAN, SECRETARY OF AGRICULTURE, WASHINGTON, DC

Secretary GLICKMAN. Thank you very much, Senators Roth, Moynihan, and the rest of the Senators. I am honored to be here. I will try to summarize as quickly as I can.

These are very difficult times for farmers and ranchers, both here in the United States and around the world. We have had nearly four straight years of worldwide record crop production. We have not seen that since the second World War. Financial problems in Asia, Russia, and other places have contributed to quite depressed commodity prices.

So, in many parts of the country, the economy is doing better than in two or three generations, but in farm country it is a much more mixed economic message right now.

In some cases, prices have fallen to 30-year lows. The anguish and doubt among farmers in the U.S. is as great as any time since the 18 years I served in Congress, as well as the time in this job. I know that everybody on your panel faces the same problems.

The key lesson from the last 4 years is the critical significance of trade to the farm economy. Although boosting exports will not happen overnight, the fact is, agriculture is more reliant on exports than any other sector of the American economy. That reliance is projected to grow as the world's population grows.

As the result of the world stumbled, we saw that agriculture stumbled as well. In late 1997 and 1998, when 40 percent of the economies in the rest of the world stumbled badly and they stopped or reduced their purchases of U.S. products, that is really when the price decline for American farmers was hit.

As a result, the USDA is forecasting this year's exports to be less than it was 3 years ago, although we do show a slight increase in U.S. agricultural exports in fiscal year 2000 to about \$50 billion.

In terms of the agenda for agriculture, we would put up, I would say, five or six major things. Number one, the elimination of export subsidies, which make for unfair trading practices and depressed world commodity prices.

Right now, we believe the EU is responsible, according to our records and OECD records, for 80 percent of the world's total subsidies. The U.S. is at a figure substantially less than 10 percent of that number. So, that is a very significant thing and that is the number one priority.

Number two, is further reduction of worldwide tariffs. Our figures from our Foreign Agricultural Service, led by Mr. Schumacher and Mr. Galvin who are behind me, shows that the average member WTO tariff for agriculture in the world is 50 percent, the U.S. average is 8 percent.

So it shows you that we are substantially lower in tariffs than the rest of the world. That reduction in worldwide tariffs needs to be replicated by other countries.

Number three, is the expansion of market access under tariff rate quotas. Number four, is developing disciplines on state trading enterprises so that their operations do not support trade, enterprises like the Canadian Wheat Board.

Number five, the facilitation of trade and products of biotechnology, particularly with the European Union. Number six, opposing the opening of the sanitary and phyto-sanitary agreement to ensure the continued effectiveness of the rules government SPS measures so that regulations are based on scientific data and analysis and that nations cannot mask protectionism behind invalidated, secretive studies.

Since we first outlined these goals, USDA has gone out and held 12 listening sessions, along with USTR, around the country, hearing from several hundred farmers, ranchers, and just people interested in the subject in all parts of this country, developing sound U.S. agricultural trade policy for the next round. I commend the folks around the country who attended these hearings in unprecedented numbers.

As we deal with our negotiating strategy, we are also consulting with other countries. In August, I traveled to Argentina to attend the Cairns Group meeting in Buenos Aires. Tomorrow, I will be meeting with the agricultural ministers of Canada, the EU, Australia, and Japan as part of the Quint Group in Montreal to exchange ideas and perspectives on the next round.

While we have many allies in our quest for freer and fairer world agricultural trade, there is, of course, considerable opposition. There are powerful voices who see agricultural trade not as a win-win situation, but as a zero-sum game where the exporter wins and the importer loses. We believe that is a short-sided approach.

I will not talk about specific countries, except to mention that a sound agreement with China will open Chinese agricultural markets to U.S. exporters, and that is something that obviously we are watching closely, because the principles of the WTO—transparency, fair trade practices, and the rule of law—are those we hope to advance in China, and worldwide.

I would also mention Russia for a moment. Russia was a major importer of U.S. agricultural products through the 1990's. They were the largest purchaser of U.S. poultry. Russia is basically, because of their economic situation, substantially out of the market. That is another reason why these exports have fallen so dramatically.

Just late last week, I received an official request from the Government of Russia for significant additional food assistance, which we are currently evaluating right now. But the fact is, because of the weakness of the Russian economy, that's been another reason why our agricultural exports have been down.

I would like to focus on the EU for a moment, however. Our trade relationship with the EU illustrates the need for the agricultural reforms that I mentioned before. Earlier this year in its Agenda 2000 proposal, the EU retreated from fundamental reform of its domestic agricultural policies. By the way, about half their budget in the EU is agricultural subsidies.

These policies have invariably led to the continued use of export subsidies and domestic support programs that distort world prices and agricultural trade. What they do, is they, frankly, provide such assistance to their producers that they are required to subsidize their exports, because there is no other way to move the product. This, of course, not only affects us, but it affects a lot of Third World and developing countries who cannot possibly compete with farm products at those subsidized prices.

The Cairns Group has joined us in calling for the elimination of these export subsidies. The EU has yet to comply with WTO rulings on lifting the ban on imports of U.S. beef from hormone-treated cattle, and on its banana import regime. It is important for the integrity of the system that all WTO members, including the EU, honor their international obligations.

In biotechnology, the EU's slow pace and decision and failure to develop a consistent science-based approval process has disrupted trade, and quite frankly, threatens to constrain innovation in one of the most promising new technologies for ensuring future global food security.

This is a subject that is receiving a lot of high-priority attention, certainly, in the administration. But the fact is, this issue of failure to approve products, failures based on non-science factors, this threatens to be a very dominating issue in the next WTO round.

It is something that could produce trade chaos, thwart progress for agricultural issues the next round, and could conceivably thwart progress in the entire WTO as well. It is something that we hope we can get some movement on.

I think everyone in this room knows the importance of trade to U.S. agriculture. In the recent past, we have been sobered by a global financial crisis that has devastated many of the emerging Asian economies, as well as impacted Japan and softened demand in Russia.

While we are seeing some strengthening in the Asian economies, we continue to face global over-supply of many commodities. This is not necessarily a long-term theme, but it is certainly one that is affecting us right now. That global over-supply has sent prices plunging to their lowest levels in 10 years.

In the process, I think we have learned that our farmers cannot rely entirely on trade as their only safety net. The fact is, the safety net is both international trade, as well as a sound domestic farm safety net as well, as well as one that protects them from natural disasters. But we must continue our efforts to reform world agricultural trade so that farmers have new, more open markets, and a level playing field.

I thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Secretary Glickman.

Now it is a pleasure to hear from Secretary Daley.

[The prepared statement of Secretary Glickman appears in the appendix.]

**STATEMENT OF HON. WILLIAM M. DALEY, SECRETARY OF
COMMERCE, WASHINGTON, DC**

Secretary DALEY. Thank you very much, Mr. Chairman and members of the committee. I thank you for the opportunity also to join my colleagues and discuss the Seattle ministerial and the new round that will be kicked off in late November.

While agriculture is obviously central to the new round, we must also address the fact that our manufacturers still do not face a level playing field and our service industries have barriers restricting their competitiveness.

I strongly agree with Ambassador Barshefsky that compliance and enforcement of our existing agreements is our first priority. We will not tolerate weakening of existing agreements or stepping back from commitments made.

A number of countries are suggesting that the antidumping agreement should be reopened. This includes, in particular, a country with a huge and continuous trade surplus and which ranks amongst the major dumping countries of the world.

Perhaps what is needed is thought given to whether or not there will need to be special rules covering any country that runs a perennial surplus. We should not reopen the antidumping or subsidy agreements, and we have already told this to our trading partners.

Over the years, our administration of laws has proven effective in addressing unfair trade practices against a wide array of goods. We have worked hard to ensure U.S. farms and workers have strong remedies available to combat unfair competition.

Last year, the steel industry was beset by a record flood of steel imports. Overall, steel imports in 1998 were 33 percent higher than 1997, and we responded effectively to these surges.

We have made a centerpiece of our program the strong enforcement of unfair trade laws in a WTO-consistent manner. Since last fall, we have been conducting more than 60 antidumping and countervailing duty investigations on steel products alone. They have had a significant impact on the import surge.

While our laws are effective in addressing unfair trade, I want to emphasize that they are not impediments to legitimate trade. Some trading partners have said the enforcement of our laws is a serious barrier to doing business with the United States. Let me put that myth to rest.

In 1998, total U.S. imports were \$897 billion. Only about \$4 billion of those were covered by antidumping duty orders. So, less than one-half of 1 percent of our worldwide imports were covered. No question about it, we, the United States, continue to be the most open market in the world.

Exaggerating the impact of antidumping actions, as some have done, makes it easier for them to argue for negotiations on a WTO antidumping agreement in the new round. We reject that idea. So far, the agreement has worked well, which is reflected in the few dispute settlement proceedings in this area.

What we need is a strong effort to ensure effective implementation of the existing agreement. This is especially important, be-

cause many companies are still putting in place antidumping laws and implementing regulations.

With this much work yet to be done, the WTO should focus on proper implementation of the rules which we have, not negotiations of wholly new ones. Nor do we want negotiations on trading competition in the new round, which some view as a way to amend antidumping laws.

Eight years of tough negotiations on antidumping and subsidies agreements during the Uruguay Round resulted in strong measures. We do not want to see those reversed in the new round.

Speaking of compliance, I want to stress it is also very important that all countries implement their intellectual property commitments, the TRIPS agreement, by the end of this year.

Now, let me add to what Ambassador Barshefsky stated as far as our new negotiating goals. The fact is, many countries still have tariffs several times larger than ours, so one of our key goals is completing the accelerated tariff liberalization initiative by the time of the Seattle meeting.

These eight sectors account for \$198 billion of U.S. exports, 29 percent of all merchandise exports, which we estimate support about \$2.2 million jobs. We have proposed that the initiative be implemented on an interim basis pending final conclusion of all new round issues, including agriculture. This would guarantee it would fully support our agricultural goals in the new round.

This initiative is good for all countries, not just us. For example, the European Union, which is resisting this, would benefit even more than we would. A recent Commerce Department study shows it would affect 31 percent of the EU's foreign exports, compared to about 29 percent of the United States' exports.

Also, we're pressing for agreement on lower tariffs and information technology products, the Information Technology Agreement II. We would like to extend the current moratorium on tariffs on e-commerce, and then work to make it permanent.

Last year, our services exports were \$246 billion, with a trade surplus of about \$83 billion. Yet, few services commitments were made in the Uruguay Round. We must not overlook small business.

Ninety-six percent of all U.S. exporters are small-and medium-sized firms. They tell us one of their most important needs is to simplify and expedite Customs clearances. As e-commerce grows, the cost of transacting small amounts of trade will become even more important.

Mr. Chairman, I also believe important steps are needed to develop a consensus for trade as we move towards Seattle, and even more importantly, beyond.

Earlier this year, we launched a National Trade Education tour, along with the President's Export Council, the Business Round Table, and the Chamber of Commerce, to help Americans understand the role that trade plays in their daily lives.

To be frank with you, this has not been an easy sell, as you know. Many people see only layoffs, they don't see the payoffs, of this open trading system. They believe that trade rules are made in secret, giving workers and the general public no voice in the process.

The WTO process must be made more transparent and more humane. People outside Washington must be able to see that global trade does work for them. It is time to move forward on a work program of the WTO which addresses trade and labor issues. We also support closer cooperation between the WTO and the ILO.

I am pleased that the President's Export Council wrote the President last week saying, "The development of the global trading system must proceed in parallel with efforts to ensure respect for core labor standards and its results must include benefits for working people in all nations." I think the PEC has made a tremendous contribution, and I would like to include their letter as part of the hearing record, Mr. Chairman.

The CHAIRMAN. Without objection.

[The letter appears in the appendix.]

Secretary DALEY. By the way, last week, for the first time, the President's Export Council, since it was created in the early 1960's, held its meeting here on Capitol Hill. I hope that they institute this as an annual event. It was very successful, including several members who participated, including Senator Baucus.

We must also be able to show that trade supports high environmental standards. Let me just single out, quickly, two goals that we at Commerce are seeking.

Worldwide elimination of trade distorting and environmentally harmful fish subsidies, and liberalization of trade of environmental goods and services. Over 60 percent of the world's fisheries are depleted or over-exploited, yet governments subsidize this sector by \$14 to \$20 billion annually.

Like the fisheries case, eliminating tariffs on environmental technologies and liberalization of environmental services will both help environmental protection and economic growth.

So, Mr. Chairman, we see significant goals for a new round that will benefit not only U.S. companies, but U.S. working men and women. Working with the Congress, we look forward to achieving these goals.

Thank you, Mr. Chairman, and members of the committee.

[The prepared statement of Secretary Daley appears in the appendix.]

The CHAIRMAN. Thank you, Secretary Daley.

I have to say that I continue to be deeply concerned that we have not articulated in clear terms what we need to see come out of Seattle.

What have we done to make clear to our trading partners that we need to see concrete progress on market access, particularly agriculture—I cannot stress that too much—as well as significant improvement in the WTO dispute settlement machinery? We have to do this in order to maintain and strengthen public support for trade.

Ambassador BARSHEFSKY. If I might respond, Mr. Chairman. I think the agenda that we have set out this morning is about as concrete as you can make an agenda for global talks, both on the negotiating side, as well as on the issues of institutional reform, the over-arching issues, as well as agreements at Seattle.

With respect to the process we are following, first, we have tabled a variety of very specific papers in Geneva, which the com-

mittee has, which go through in great detail, as does my testimony, very specific goals we wish to achieve.

We are working in Geneva, as well as in individual country capitals, in order to persuade countries that the vision that we have for this round is also the vision they should adopt.

Second, we are using all of our subregional and regional forums in order to galvanize support for the agenda the U.S. wishes to see. At APEC, we have 20 countries agreeing to a 3-year round, agreeing to the notions of transparency in government procurement, greater transparency in the WTO, significantly agreeing that all agricultural export subsidies must be completely eliminated, and various other features.

Similarly, we are working with our Free Trade Area of the Americas partners in our hemisphere, as well as with the Europeans in various forums to also persuade them that our vision is a vision they should adopt.

Of course, bilaterally, much of my office, which tends to be on travel a lot of the time, is traveling to very specific countries—indeed, I am hoping to catch Senator Moynihan's ear at some point this week on the question of India, where we could use some expert advice—traveling to many, many capitals individually, one by one, step by step, to achieve their support for the kind of agenda we seek.

Many countries have made proposals in Geneva. There are 150-plus proposals on the table. Those are being sifted through. We would like to be able to come back to the committee as we see, potentially, additional areas for inclusion, things that we could adopt in order to accommodate other countries' desires. But that process, that is, sifting through these 150-plus papers, is still ongoing.

The CHAIRMAN. You mentioned subregional groups. I read, as a matter of fact, in today's Washington Post that Fred Bergsten, with the Institute for International Economics, says that, "Trade liberalization is dead in the water."

Bergsten suggests that we should sidestep what he calls a "stalemate within WTO by initiating Free Trade Area negotiations within the so-called Pacific Five," which includes the United States, Australia, New Zealand, Singapore, and Chile.

Now, we did this once before. We started the U.S.-Canada Free Trade Agreement as a way of putting pressure on our GATT trading partners to move ahead on a multilateral basis. I believe the President has said that he supports such an initiative. Could we use a negotiation with the P-5 to help move things along in the WTO?

Ambassador BARSHEFSKY. Let me say that I do not want to comment on any particular agreement or arrangement with any individual country or group of countries. I do think that it will be important for the United States to demonstrate quite clearly that it can, and intends, and has, moved forward with respect to trade liberalization. There may be many ways to accomplish that aim.

I do take issue with the notion that trade liberalization is dead. I think that that is rather preposterous, to be frank. If one looks at the record of the administration, a global telecommunications deal, a global financial services deal, the ITA—

Senator MOYNIHAN. Ambassador, could I just make a nautical reference?

Ambassador BARSHEFSKY. Yes, please.

Senator MOYNIHAN. Dead in the water simply means your engines have been turned off. [Laughter.]

Ambassador BARSHEFSKY. I do not agree with that notion, either. Then again, I am not a sailor.

But I do think that trade liberalization, particularly those three agreements, which in dollar terms far exceed the totality of the Uruguay Round, has demonstrated a continuing U.S. push toward open markets. That has been, I think, the hallmark of this administration, working with the Congress. I think we have successfully accomplished that aim.

I do not think that the WTO should be in any way sidestepped. The President was very insistent on calling for a new round, and very, very insistent on hosting it in the United States to demonstrate a firm U.S. commitment to the multilateral system, and a firm U.S. commitment toward increasingly open markets.

Ambassador BARSHEFSKY. Let me go back a moment to agriculture. Let me go back to our strategy for achieving our objectives in agriculture. There is no question in my mind, there is no area of activity as far as trade is concerned that is more important than providing access to markets for our agricultural products which we produce with such effectiveness and efficiency.

How do you propose to move the Europeans on the changes that we need to see in their common agricultural policy? About the only thing I hear about is, well, it is going to cost them so much if they add new countries to EU, common agriculture policy will fall of its own weight. I do not think we can wait for that to happen.

I remember years ago being with Lloyd Bentsen in Paris, talking to the president of that great country, Mitterand. Everybody was stressing then how critically important that something be done to open the European markets to common agricultural products, it just could not continue. But here we are, still strong and healthy as a program.

How are we going to make any progress in this area? We need agriculture to support liberal trade policies, and somehow we have got to meet their needs.

Secretary GLICKMAN. Senator, if I may comment. First of all, one, is enforcing our rights under the WTO, which Charlene and her team have done aggressively, is extremely important. They have got to know that we are willing to go to the mat when they violate world trade agreements, as we have done with beef hormones, bananas, and other issues. Now, that has rankled a lot of feathers, but the fact is, we have shown our will to fight unfair practices where they occur.

Second of all, we have a whole group of nations in this world that have joined with us, and the primary goal is to reduce these subsidies. The Cairns Group, which is Australia, Argentina—

Ambassador BARSHEFSKY. Canada.

Secretary GLICKMAN. Canada, Brazil, South Africa. There is a huge group of countries that have banded together, and their prime goal is to get rid of EU subsidies. It is not just us, it is big chunks of the world.

Charlene mentioned the regional strategy. We are working very aggressively on the sub-Saharan African group of countries who are directly damaged by the subsidization of agricultural exports in the EU because those products come out at below cost of production, below market prices, so they cannot produce the products and be competitive in other parts of the world. They are beginning to recognize that. I attribute a lot of the success to the work at our Foreign Agricultural Service, who have been working on these parts of the world.

The fourth thing, I do think, is this: it is not as if the EU is our enemy. When you consider all the nations together, they are the largest agricultural trading partner, so to speak, of the United States. Japan is the largest single country, but the EU, together, is a large group of countries working with us.

So we are both trying to appropriately isolate them with respect to other countries in the world. I am not sure that is the best terminology. That is not why I am not Secretary of State, so I can use that kind of language. [Laughter.] But appropriately isolate them, as well as working with them.

There are voices of reason within the EU. They understand that the costs of their programs are not going to be tolerated, and even though the Agenda 2000 did not go nearly as far as I would have liked to see, at least there was the recognition that they cannot continue these expensive programs forever.

It is just a constant, persistent effort. With Charlene's leadership, we have been able to develop a lot of countries in the world working with us to try to do these things.

Ambassador BARSHEFSKY. Mr. Chairman, if I just might add, the APEC countries, those 20 countries, saying as a critical objective the absolute elimination of export subsidies, is something we were not able to achieve before the Uruguay Round.

In addition to Africa, where, as Dan is saying, the Foreign Agricultural Service is doing just an incredible job because these countries are directly damaged by EU policies, we are also working with Latin America. You have key Latin America countries—Chile, Argentina, Brazil—that are part of the Cairns Group which wants to see radical reform in agriculture.

In the FTAA process, we are working very diligently with Commerce and with USDA to bring on board the region, largely the region, on the notion that agricultural export subsidies and other agricultural reform must be undertaken.

So if you look around the world, Africa, Asia, Latin America, the United States, working with the Cairns Group, this is a coalition we have never, ever before had.

It is very focused on heavy subsidizers or what many would consider abusers of the current system, and that would be Europe, Korea, Japan, and several other countries. There will be tremendous international pressure, in a coordinated fashion, as never before. That does not ensure or guarantee success, but we are rather a large step ahead of where we were before the Uruguay Round was inaugurated.

The CHAIRMAN. Well, I hear you. But I have to tell you, I continue to be concerned. I have seen how Europe, in particular, and Japan, stand firm. They, in effect, refuse to negotiate. If they were

in labor negotiations in this country, it would be said they did not negotiate in good faith.

It has got to be cracked. Somehow, we have got to make progress if we are going to maintain the kind of support we need in this country. I cannot stress that too much.

Let me ask this question. It is important, I think, as we march towards the ministerial in Seattle that we avoid any division in the ranks, particularly between the agriculture and business sectors that really have provided the foot soldiers for our open trade policy.

In practical terms, how can we maintain the maximum negotiating leverage possible, while still permitting early liberalization on industrial goods like wood and paper, as promised at the end of the Uruguay Round?

Ambassador BARSHEFSKY. As Bill Daley said in his statement, and I just touched on it very briefly—

The CHAIRMAN. Let me say, your full statements, by the way, will be included as if read.

Ambassador BARSHEFSKY. As he indicated and as I touched on, I think what you are referring to is the notion of accelerated tariff liberalization, particularly on the industrial product side.

We have worked very closely with the industries affected and interested in that, and with the agricultural community, and I think we have come up with a very good approach to ensure that, on the one hand, accelerated liberalization can occur, but on the other hand, critical leverage is maintained for conclusion of agricultural negotiations and services negotiations.

That is, and this was agreed to by the 20 APEC countries, that we could conclude the accelerated tariff liberalization on a provisional basis, implemented only provisionally, and no final binding, that is, no final commitment, to implement until agriculture, services, and other negotiating items are fully complete.

So it is actually a little bit of an impetus toward completion of the other negotiations, while not reducing our leverage in order to successfully complete those other negotiations.

The APEC countries which had identified this very issue as a problem were very comfortable with this approach. We had unanimity on this notion. We will be pursuing this kind of approach in Geneva. Not just potentially with respect to these accelerated sectors that had emerged from APEC, but there may be other sectoral tariff reductions we would like to see undertaken, at least provisionally, as the round progresses. An approach like this would help us to do that.

The CHAIRMAN. Senator Moynihan?

Senator MOYNIHAN. Mr. Chairman, it is rare for me to take any exception to what you have said. But you remarked just a moment ago that we have to maintain the kind of support we need in this country for these policies. I would say, sir, the problem is, we have to regain that support.

The CHAIRMAN. I stand corrected. I wholeheartedly agree with you.

Senator MOYNIHAN. You could not find three more energetic or admirable representatives of our Nation abroad than the Ambassador and the two Secretaries, and their discussions of what they

are doing with APEC, the Cairns Group, and so forth is clearly persuasive.

But we have lost support for trade liberalization in this country. With the exception of you, sir, and your leadership in this committee, there appears to be little interest in any other quarters in reviving the trade negotiating authority of the President. Five years, we have been at it, we have not had it.

Last year, it was defeated almost two to one in the House, something unprecedented in 60 years, almost 70 now, since the reciprocal trade agreements began under Cordell Hull.

We do not get the energy from the administration about this subject in this country. I do not know if I should even ask you, but all of us here have been involved in negotiations at one time or another. Nobody is going to negotiate with American representatives in the knowledge that the President does not have the authority to reach an agreement, and he does not. Sir, does he?

The CHAIRMAN. No, he does not.

Senator MOYNIHAN. He does not. Negotiators will not give you anything in return, in the exchange that negotiations imply, if they do not know you can go back home. We are a special government in this sense. Any other representative from any other country, if they reach agreement, the country will have agreed. We are divided, constitutionally, the government.

If we have not given the President the authority to negotiate, he will not be able to. I know Ambassador Barshefsky said, well, we can negotiate and then get authority later. I do not think it will work.

Can you help us? Can we help you?

Ambassador BARSHEFSKY. Certainly, Senator, we know that the committee had, at least for a time, actively looked at the question of fast track again.

Senator MOYNIHAN. Trade negotiating authority.

Ambassador BARSHEFSKY. Sorry, trade negotiating authority. You are absolutely right. Like normal trade relations, trade negotiating authority.

Senator MOYNIHAN. Right.

Ambassador BARSHEFSKY. We know that the committee had actively looked at this issue. I had thought perhaps the committee might act this year on that issue because, of course, trade negotiating authority was resoundingly successful in the committee about a year and a half ago, or something on that order.

I do think that it would be most desirable for the President to have trade negotiating authority. On the other hand, I would say that no launch of any round has ever been accompanied by the authority to conclude it.

I realize the situation is somewhat different now because countries are concerned that there has been an inward turning on the part of the United States, though I would suggest the figures read by Secretary Daley belies that fact.

But I do think that we will make every effort to help ensure that trading partners do begin these negotiations promptly. There is a general view in Geneva that, by 2002, if not earlier, the United States will certainly have trade negotiating authority, and that

view is quite pervasive in Geneva. I think it is an accurate view, and we intend to move on from them.

Secretary DALEY. Senator, if I could add to that comment.

Senator MOYNIHAN. Yes, sir.

Secretary DALEY. And react to your comment about building a consensus. I firmly believe, and as I mentioned, this education tour we have been doing with the President's Export Council, Business Round Table, and Chamber of Commerce has been rather difficult, and at times very disappointing, to be frank with you, the lack of understanding, first of all, by people who should understand the benefits of this trading system of ours, and, obviously, the difficulty of getting a positive story through. There is no question, as we all know, there are winners and there are losers in life.

There are difficult challenges by this dynamic economy we have got, and the open trading system, and the technologies that have made us more productive. But out there amongst the average people, there is a tremendous distrust, fear, and negative feeling.

The trips we have done, we have tried to encourage those who should have an understanding to get out and engage on this subject, do not just stand back. I think two of the difficulties with the period we are in is, one, things are very good, so there is a complacency.

I get oftentimes, well, what is the big deal? Things are going so well. Why do you want to rock the boat? They do not understand that, when times are good, as the President said often, is when we ought to be moving forward.

But I firmly believe that, if we are going to see fast track, we must address the issues that have caused the lack of this consensus in many areas of labor and environment, and find ways to address those.

If we are not able to accomplish that in the next 15 months of this administration, I firmly believe whoever is the next President or whoever controls the Congress, unless that consensus develops, you will not see it.

Senator MOYNIHAN. Thank you, sir. I very much agree. Thank you.

The CHAIRMAN. Thank you, Senator Moynihan.

Next, we have Senator Conrad.

Senator CONRAD. Thank you, Mr. Chairman. Thanks to the panel.

Let me say, as I have listened here this morning, I think there is a certain disconnect from reality. The disconnect from reality, for me, is we are talking about things going well when things are not going well. The reason we are losing support, is because this trade policy is not working.

We just had a record trade deficit in 1 month, \$25 billion, and an awful lot of people in the country believe now that we are being taken advantage of, that in effect we are being sucker-punched, that we are being taken to the cleaners, and they do not see us responding.

Let me just say, my own State is, I think, a textbook case for this. A textbook case. My State is the most rural State in the Nation, heavily dependent on agriculture.

The stakes are enormous in these next round of talks for agriculture in the United States. Frankly, we are headed for a loss. We are headed for a loss, not because we do not have good people, not because they are not sincere, not because they are not working, but because they have no leverage.

I tell you, if I were the Europeans heading into these trade talks on agriculture, I would be licking my chops waiting for you folks to arrive, because you are sunk before you begin.

You are sunk for a very simple reason: we are in no position to battle them because, in our last farm bill here, we engaged in unilateral disarmament. We undercut our negotiators so dramatically, there is no chance for them to bring home a victory. Let us get serious.

The chief negotiator for the Europeans told me, Senator, we believe we are in a trade war in agriculture with you. We believe at some point there will be a cease fire. We believe there will be a cease fire in place, and we want to occupy the high ground. The high ground is market share.

You know what? That is exactly what they are doing, they are winning, and we are doing nothing. We are in a trade war, only we are not fighting. Farmers in my State have been hit by a triple whammy: bad prices, lowest prices in 50 years in real terms, wheat and barley, the lowest prices in 50 years; bad weather; we have got three million acres in my State not even planted this year; and bad policy. Our trade and farm policies are disasters themselves and they guarantee another loss at the negotiating table.

Here is why. Let me just show you the disparity between what we are doing and what our chief competitors, the Europeans, are doing on agriculture. This is what they have averaged in expenditures the last 3 years in supporting producers: \$44 billion a year. This is what we have spent: \$6 billion. They have got us outgunned seven to one. We sit here wondering why we are losing? It does not take any rocket science to figure this out.

Let us go and look at export subsidy. It is even more dramatic here. Secretary Glickman said it very well. This is world agricultural export subsidies. The blue part of the pie is Europe's share, 83.5 percent. You know what the United States' share is? That little sliver right here, 1.4 percent. They are out-gunning us 60 to 1; 60 to 1.

That is not our negotiators' fault, that is the fault right here in the Congress because we, in the last farm bill, cut the legs out from agriculture. We engaged in unilateral disarmament.

Let us go to the next chart and show what happened in the last farm bill. In the last farm bill, our Republican friends said, let us cut agriculture dramatically because we do not need that support, we have got permanently high farm prices. That was a cruel hoax.

Those high prices lasted about 90 days, then they started collapsing and we were left with unilateral disarmament in a trade dispute. We would never do it in a military confrontation, but we have done it in trade and we wonder why we are losing.

Under the previous farm bill, we averaged \$10 billion a year of support for producers. We cut it in half. In the new farm bill, we cut it to \$5 billion. So it does not seem to me that it is too hard to figure out here what is happening.

Let us go to the next chart and see what the results are of their strategy and plan, which is to dominate world agricultural trade. They are doing it the old-fashioned way. They are buying these markets.

Make no mistake: they are out there buying these markets each and every day, and our farmers are losing. We are on the brink of losing tens of thousands of farm families unless we sober up and decide we are going to fight back.

The blue line shows U.S. market share of wheat from 1975 to today. You can see, our trend line is down, down, down. The red line is Europe, and you can see their trend line is up, up, up. We had a huge advantage in 1975; now they enjoy an advantage because their strategy and plan is working. They are engaged in a trade war in agriculture and we are not fighting, so it is not surprising that we are losing.

I would just say to my colleagues here—my time has run out—that unless we decide to re-arm our negotiators before these talks, we are sending them for a guaranteed loss.

I would just conclude by what the chief negotiator for Europe told me. He said, Senator, we are up here on level of support, you are down here. We will insist on equal percentage reductions. Not leveling the playing field, equal percentage reductions. That is what they got in the last trade talks, that is what they are aiming to get in the next ones, and they will because we have no leverage. We are going to lose.

The result is going to be tens of thousands of farm families forced off the land. And shame on us, because we are the ones who are failing. We are failing to arm our negotiators so they can win. We are sending them to a guaranteed loss. The deck is stacked against us, and unless we rearrange the cards, we cannot win.

I thank the Chairman.

The CHAIRMAN. Senator Grassley?

Senator GRASSLEY. The extent to which you are disarmed in negotiating is the extent to which you make victories for agriculture, or the extent to which you do not link agriculture with other sector negotiations to make victories.

To protect yourself and the farmers against what Senator Conrad said means that we cannot marginalize agriculture during these negotiations. Now, I know we have accused you of not understanding that, and I think you have made some statements earlier today to Senator Roth that you do understand our concerns about that.

You have said that the extent to which things might be provisionally agreed to in non-agricultural areas, until we get an agricultural agreement, is the way that you are going to see that you do not disarm yourself when negotiating for agriculture, and you do not hurt American farmers.

So, obviously, we are happy to hear you say that, but I think the most important thing is, it is how closely linked those provisional agreements are in non-agriculture to actually getting an agricultural agreement.

So you and your staff will have to satisfy us, before we go to Seattle, that these are going to be very, very closely linked because,

as Senator Conrad has said, we are disarmed if we do not get victories for agriculture by trade-offs in other sectoral areas.

So I do not intend to pursue this with you right now, but I hope that we will be able to, with Peter Scher later on, on this whole effort, because we want to get these very closely tied together to satisfy American agriculture, the family farmer, that we are not going to go in there disarmed and that we are going to negotiate from full strength.

Ambassador BARSHEFSKY. May I make a comment, if I could?

Senator GRASSLEY. Yes, you can.

Ambassador BARSHEFSKY. First of all, I very much appreciate your helping us work through the problem that we face on this issue, as well as your staff. These will be inextricably linked.

That is to say, there cannot be any final binding or final commitments on anything that is of an interim nature unless and until the market access negotiations—in particular on agriculture—successfully conclude.

Senator GRASSLEY. Then I hear you saying that the words “early harvest” will never be in your vocabulary.

Ambassador BARSHEFSKY. No, no, no. We would hope for, and what APEC agreed, was provisional implementation. However, countries are not contractually bound, if you will, unless and until the round successfully concludes. So, there is no final binding.

Any tariff reductions would be on a provisional basis only. Countries would remain fully free to revert to previous MFN rates or other rates of duty, as negotiated, if at the end of the day agriculture, services, as well as other industrial tariffs, are not fully satisfied together.

Senator GRASSLEY. All right. Then let us see if we can satisfy Senator Conrad to some extent about your goals, for instance, in the zero-zero approach. Now, this was very much an objective in the Uruguay Round, and it fell apart because of disagreements with our negotiating partners and some things like that. A lot of these same issues are still with us. If anything, they might even be more contentious.

So you have been in your position several years now. You might be able to tell us what you think you have learned from the Uruguay Round about handling agricultural agreements, and particularly the same goal in the Uruguay Round, zero-zero, as you expressed that today. How can we make sure we do not get into that same mess again?

Ambassador BARSHEFSKY. I think Dan probably would want to comment, but I will just make a few general comments.

One, is that, with respect to the writing of the rules in agriculture, we have now, I think, substantially more experience, especially on the issue of TRQs, than we ever had going into the Uruguay Round.

We in agriculture have worked on a vastly expanded, much more careful model on how those TRQs need to operate, and therefore how the rules have to now be written. We just did not have that kind of experience going into the Uruguay Round, but we certainly have it now.

I think the second point I would make, and then I would turn this over to Dan, is this. I think that Senator Conrad made a ter-

rific point when he talked about levels of support, levels of agricultural export subsidies, and the comment I want to make applies to that, and it also applies to the issue of tariffs.

We have stuck far too long with a formula approach to tariff cuts, as well as cuts in support, as well as trade distorting support, as well as cuts in export subsidies. What a formula approach is, every country will reduce their level of support by X percent, which will inevitably leave us down at the bottom and Europe at the top.

What we have said in Geneva, is that a formula approach may be fine if you are relatively on an equal plane, then everybody reduces quite equally and that is pretty fair. But it is not an appropriate approach when you have the kinds of disparities that we see, not only on the tariff side, but on the agricultural support side and the export subsidy side.

Rather than a formula approach, which is a guaranteed loss for us, there are other approaches we are going to have to insist up and adopt, and I think we will get most of the rest of the world in agreement on this, because those high EU levels have got to come down disproportionately, if you will, relative toward other countries and most of the result of the world need to do in this area.

So I think one of the big lessons of the Uruguay Round, and it was a lesson, perhaps, we should have learned from the Tokyo Round, was that a formula approach can be useful, but it has very severe limitations and it is to our disadvantage when applied in situations of great tariff, or in agriculture support or export subsidy disparity.

Secretary GLICKMAN. May I just comment quickly, Senator Grassley?

Senator GRASSLEY. Yes.

Secretary GLICKMAN. I agree. I think Charlene has laid out that case fine. I will tell you, there is another thing we have learned, and that is the whole issue of nontariff barriers.

Ambassador BARSHEFSKY. Right.

Secretary GLICKMAN. I recall the issue of the tomatoes in Japan, or this whole litany of problems, that we have difficulty getting our products into because of either sanitary or phyto-sanitary barriers that are put up that do not have a scientific basis to it, or else a horrendous bureaucratic rigmarole we have to get countries to change their positions.

In some cases we have been successful, some cases we have not been, but the next round will require a lot more attention to the nontariff side of the picture as well.

Senator GRASSLEY. Mr. Chairman, could I ask you a question? It was a follow-up on your discussion with Ambassador Barshefsky. That is, you said that you have strong disagreement with whether we have very specific goals.

Maybe the issue is not that we do not have specific goals, but we have not enunciated specific steps for accomplishing those goals. I think that that would be what I would read.

Maybe there was a misunderstanding between you and Ambassador Barshefsky. I think she has spelled out goals that we have. But what I would like to have before we got to Seattle is specific steps on how we are going to accomplish those goals.

The CHAIRMAN. Let me just make one comment. In asking for the elimination of tariffs, is the process not to harmonize, first, the tariffs, then move from there? In other words, bring the others down to the U.S. rates?

Ambassador BARSHEFSKY. We have done it both ways. In ITA, we all agreed, whatever our levels were—and the levels were very disparate, with Asian tariffs very high, our tariffs lower—that on X date we would basically go to zero, with just a few exceptions, take a few extra years, then go to zero on everything else. Chemicals, we have done differently.

That was a harmonization exercise, asking countries to take peaks down to a certain level, mid-range tariffs down to a lower level, and so on, and so forth, and you have a kind of step approach.

I think both are very useful and it may be that, in some instances, harmonization is the better first step on IT products. Our trading partners agreed to go to zero because the technology is moving so rapidly, the step approach, frankly, took too long. In other words, the harmonization mid-step just took too long.

But we are open to both of those approaches, and other approaches, to the extent we want to seek, ultimately, zero-for-zero or harmonization in a variety of sectors.

I would say, Mr. Chairman, if I could, to Senator Grassley, that on the issue of specific steps, this is something that we will be working on with the committee. We have in mind, actually, a number of specific steps.

Of course, we are in the stage now of all of our agencies and all of us personally going out to individual countries and groups of countries to discuss what we view as the appropriate bounds of a manageable 3-year round, getting them to sign on board.

But there are a variety of other mechanisms we would expect to use post-Seattle to make sure we stay on target, including, for example, mid-term review—that is, review at the 18-month period—as well as specific rules on the time frame in which all the negotiating documents have to be on the table. That time frame will be very short post-Seattle. You are looking at a very short period of time.

So we are going to try and employ a variety of management devices, if you will, to ensure that this thing stays on track and that there is very substantial oversight of the process. But we would like to come back to the committee, if we could, and discuss that further.

The CHAIRMAN. Senator Thompson?

Senator THOMPSON. Thank you, Mr. Chairman.

A bit of a change of subject. While advocating free trade and open markets, the WTO provides exceptions for national security reasons. In light of recent revelations concerning U.S. exports of sensitive technology to potential military problem countries such as China, which hopes to, of course, accede to the WTO, this is becoming more and more of an important issue.

I am not sure it has to do directly with your ministerial in Seattle, but as we consider the possible reauthorization of the Export Administration Act, for example, it is becoming more and more of an issue.

I was wondering, what specific exceptions does the WTO allow for national security reasons, given that WTO members must accede to the same trade benefits to all member countries? How the WTO would approach a situation in which the U.S. denied export, let us say, for a dual use item that clearly had both civilian and military purposes?

As you know, with regard to things like super computers, we tier these countries, one, two, three, four, depending on how they sensitive they are. We, of course, have bilateral agreements with countries like India and Pakistan, I think, tier three countries.

Ambassador BARSHEFSKY. Right.

Senator THOMPSON. I think China would probably fall into that category, but it would be of probably much more significance.

So I was wondering how the framework deals with that, and to what extent? The answer to my question has to do with whatever bilateral we happen to work out with China. Could you enlighten me a little on that?

Ambassador BARSHEFSKY. Sure. WTO accession does not have any effect on our exports. The U.S. Government always retains all the authority it has to stop exports, if those exports threaten national security, or simply because the government says, do not sell it to that country.

Our obligations on WTO accession, as China's would be, is on the import side. We are committed to certain rules on imports, we are committed to nondiscrimination of imports, though imports are subject, as Bill Daley said, to our unfair trade laws. But on the export side, there are no WTO rules that pertain in any respect.

Senator THOMPSON. So the fact that we have certain rules, for certain products, for certain countries does not bind this.

Ambassador BARSHEFSKY. Not a problem at all. It is not challengeable in any respect in the WTO.

The other point I would make, is that the WTO has a provision for exceptions to national security. National security is self-defining. We have used the national security exception for 30 years on our embargo of Cuba. We used it in connection with Nicaragua. We used it, I believe, at some point—I will not even say it. I want to be 100 percent sure. I know we have used it with Cuba and Nicaragua. It is a self-defining exception.

That was on the import side. We do not take goods from Cuba, we did not at the time take goods from Nicaragua, and we used the national security exception to justify that embargo.

So the WTO rules are really rather flexible in that regard. The WTO obviously does not have anything to say about a country's determination of its own national security needs.

Senator THOMPSON. So how would technology transfer between, say, the U.S. and China be affected by their entry into the WTO?

Ambassador BARSHEFSKY. Well, actually, entry into the WTO would help stop what is actually a rather pernicious practice employed by the Chinese. The Chinese forced technology transfer often as a condition of doing business in China. If you want to export to China, you have got to give us your technology. If you, company X, want to set up shop in China, we will not let you invest until you give us some technology.

One of the things that we have negotiated with China will be a rule that prohibits forced technology transfer. Obviously, the U.S. Government cannot force a company not to divulge technology if, in a private deal, that company decides that is what it wishes to do.

But it will be illegal for the Chinese Government to get involved in technology transfer between companies, to force it, to suggest it, to enforce technology transfer agreements. In that respect, their accession would actually help us get a handle, in a legal way, on what is, I think, a very pernicious practice now employed by the Chinese Government.

Senator THOMPSON. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Thompson.

Senator Graham?

Senator GRAHAM. Thank you, Mr. Chairman. Thank you for holding this and a series of hearings as we prepare for the Seattle WTO meetings.

I would like to return to the discussion that you and Senator Moynihan had about what is going to be required to regain public support for enhanced trade in the United States. I would suggest that there are at least three factors that have contributed to the current lack of public support.

The first, is what I would define as the perception of broken promises in previous trade agreements. To use my delegation as an example, 75 percent of the members of the House from Florida voted for NAFTA. Seventy-five percent today would vote against any expansion of the Free Trade Agreement or fast track. I think the primary reason is the scar tissue left over from this perception of commitments made, commitments not fulfilled, in NAFTA.

Second, is a lack of local-based advocacy. I think it is important, as the Secretary has stated, to be advocating at a national level for free trade. But, like former Speaker O'Neill said, all politics is local.

I will use as my example there another Florida one. There are six members of Congress who represent the area from Key West to Ft. Lauderdale. There is no area in the country that has a greater interest, a greater share of its economy, that is based on international trade specifically with the Caribbean and Latin America.

Yet, of those six members of Congress, if the vote were taken today on the Free Trade of the Americas or fast track, only one of those six would be a sure vote for expansion of trade. Somehow, there has been a delinkage between what the economic realities of that region of the country are and the attitudes of the members of Congress of both parties.

Third, is the failure to deal with some of these contentious issues which serve as boulders in the efforts to pass legislation, whether it is a comprehensive fast track or Caribbean Basin initiative, or other, more specific trade measures. Those are particularly in the area of labor and environment.

I want to say, having stated what I think are the three principal contributants to the lack of current public support, that the agencies that you represent have made some significant strides to try to deal particularly with the promises made.

The efforts of the Department of Commerce, relative to some of our agricultural issues where most of those promises made have had a negative effect, have been very beneficial. The situation has improved today over what it was three or 4 years ago, but the scars have not yet fully healed.

Turning to the third issue of the failure to deal with contentious trade affecting issues, Senator Moynihan has been advocating for some time that we do not need to think that the only forum in which to deal with these issues is a trade forum. His example has been the International Labor Organization, which has a half a century of experience in trying to deal with trade issues.

I recently did an analysis of all of the countries that are members of the CBI, and with very few exceptions, they all belong to ILO, and with very few exceptions they have adopted all, or most, of the core labor principles.

So, focusing on that issue of labor standards and the importance of dealing with them as a means of getting to liberalized trade policy, what are your thoughts as to how non-trade organizations like the ILO and like the United Nations entity that deals with environmental policies, how can they be used as a means of dealing with those issues so that those issues do not serve as a continuous barrier to trade reform?

Ambassador BARSHEFSKY. I think the issue is two-fold. One, there have been charges in years past of ineffectiveness, for example, at the ILO, that the ILO lacked enforcement mechanisms. Senator Moynihan knows much more about this than I, so I will probably stop there.

But certainly the ILO has taken a much more activist posture, particularly on issues related to exploitative child labor and other issues. I think there has been quite a change, a change that is emerging in the ILO, to take a much more activist and directed posture on these issues.

I think that is one set of concerns, have these institutions been effective in dealing with their own portfolios. But I think the other set of concerns deals with the question, should these institutions somehow be linked up with the WTO?

Right now, there is very little linkage between the WTO and the ILO, or UNEP, which is the environmental arm of the U.N., or the World Bank, or the IMF. But if we are talking about a globalized economy, if we are talking about countries whose needs can often be met by overlapping functions of these various multilateral institutions, there needs to be, at least at an institutional level, some degree of linkage, some interaction between the WTO and the fund, or the WTO and the bank, or the bank and the ILO, because they often provide overlapping systems of support, or the bank, and the ILO, and the WTO.

I do not think when Breton Woods agreements were formulated people thought of them as discrete entities, having no interaction one with the other. I think it had been envisioned originally that we were entering a period where coordination among the major multilateral institutions, dealing as they did with trade, finance, labor, that linkage needed to occur, but somehow, for whatever reason over the years—the GATT was never actually an institution.

I mean, there were a variety, I am sure, legal reasons as well as perhaps policy reasons. That intersection, what is now being popularly termed coherence, in overall economic policy making never occurred.

One of our proposals in the WTO for this round is that there be explicit coordination among the large, multilateral entities on the environment side, labor side, and the finance and development side. You have UNCTED as well free-floating out there. So, finance and the development side.

At least at a secretariat level, these institutions should know what each is doing. Particularly when individual countries request assistance, the left hand rarely knows what the right hand is doing. In that way, also provide much greater coherence in technical assistance programs, particularly for the least developed countries that persistently fall through the cracks.

So we would like to see, as a matter of institutional reform of the WTO—and this falls under our institutional reform rubric—an interconnection, an interrelationship between these organization so that the original coherence envisioned by Breton Woods can actually, over time—and it will take many, many years—can actually emerge as the way envisioned.

Secretary DALEY. If I could, Senator, make a comment on your comments. First of all, thank you for your comments about the department. I agree with you 100 percent, compliance and the perception of the administration aggressively making sure that parties to agreements do comply is the missing link in the general public's attitude towards trade. We are aggressive, as I mentioned, in making sure that we find steps to do that.

Let me just mention also, on the ILO situation, the last time I had the pleasure of appearing before the committee Senator Moynihan reminded me that Herbert Hoover, who was a former Secretary of Commerce, appeared at the ILO.

We have become very aggressive in the Department of Commerce in working with the Labor Department to build our business representation with labor as we go to issues before the ILO.

Secretary Herman and I are working very closely, and the President appeared at the ILO, the first President to ever speak to the ILO. So, we are attempting to try to build up the ILO, as Ambassador Barshefsky has stated, to make it more meaningful to address some of these issues.

Senator GRAHAM. And do you think that that process will help to ameliorate this recurring issue of labor standards as a barrier to trade?

Secretary DALEY. Eventually, we hope it will. I think one of the difficulties in convincing people that this process of trade and open trade and the agreements that have been reached in the past are helpful to working men and women. They do not feel that there is a forum for them. They do not feel that their issues truly get addressed at the WTO, this perception. As the Ambassador said, it is so important. We have stressed that the WTO process be opened up and be made more transparent, that people have felt that this is a club, this is where business goes to cut deals that affect them, but they have no place to go outside the WTO.

I think it is extremely important in the long run, as we try to build this consensus, not just in this country, but the fears and the concerns that we hear reflected in our country, frankly, are reflected in all the other countries, that people who care about these issues deeply have to feel that they are in this process, and I do not think they have in the past.

Ambassador BARSHEFSKY. If I might just take one moment to add to that. There are really two elements that we have been working on to address exactly what Secretary Daley is talking about. One, is increased transparency of the WTO itself as an element of institutional reform.

We need to see the early release of documents and the public release of documents, the opening of the dispute settlement process so people can observe, as they would in any courtroom in the United States and in most countries, very basic issues of transparency to engender additional confidence in the multilateral system, and in particular, in the workings of dispute settlement panels.

But there is another element as well, and Secretary Daley also addressed this. People do not feel they have any access whatsoever; their views are not heard, their views cannot be known, that somehow the WTO is a business man—person's—club.

Senator CONRAD. Business man.

Ambassador BARSHEFSKY. Actually, a business man's club.

In that regard, our agencies worked very, very hard in Geneva, and I am really pleased to say we were successful though it took a number of months, to create for the first time an entire day devoted to NGOs, labor, a variety of groups as an official part of the proceedings, as an officially sponsored function of the WTO, so that these groups have a forum, apart from the briefings they will receive and so on, but that they have a specific forum and can provide the WTO quite directly with their views on the issues that touch their constituencies.

The WTO cannot be, will not survive, as a business-only institution. I think that is not tenable in today's world with groups of detractors having the voice that they have, and with modern technology like the Internet, so on, and so forth.

It is very, very important that the WTO open up and that all constituencies feel that their views are heard, and heard directly, not through intermediaries, by the WTO.

I have said many, many times, I actually think the greatest threat to an open trading regime is not the absence of fast track, it is not any particular negotiation, it is not even, by and large, any particular enforcement mechanism.

The greatest threat is the lack of public support for trade policies that lead to more open markets. If we are not listening to the public in the WTO and elsewhere, we are missing the board for the long term.

The CHAIRMAN. Let me just ask you, should we have inter-parliamentary groups, advisory groups?

Ambassador BARSHEFSKY. That is a great idea. Yes, that is a great idea.

The CHAIRMAN. Would the administration support that?

Ambassador BARSHEFSKY. Yes. Yes. Can we work with you on that? That is a great idea.

The CHAIRMAN. Yes. Let us discuss it further.

Ambassador BARSHEFSKY. Sure.

The CHAIRMAN. Next, is Senator Robb.

Senator ROBB. Thank you, Mr. Chairman. That last suggestion was an interesting one. I would assume, however, that even if we have inter-parliamentary groups that were consulting with each other, that the negotiating would still be done by the executive branch. Is that correct?

Ambassador BARSHEFSKY. That would certainly be my recommendation. [Laughter.] I was not ready to leave my job yet.

Senator ROBB. With all due deference to the Chairman and other members of the committee, negotiating by committee has never been one of my most cherished possessions of successful strategies in almost anything at this point.

The CHAIRMAN. I, in my question, did say advisory.

Senator ROBB. Thank you, Mr. Chairman. I am somewhat reassured. I have been accused of having executive bias from time to time, but I just wanted to interject that.

Let me, first of all, say to Ambassador Barshefsky that she has reassured me, after I have read Burkston's article this morning. I was thinking that maybe some of our officials ought to be canceling their hotel reservations for Seattle, wrapping it up, and waiting until a more fortuitous time, but I appreciate that reassurance.

I want to talk about a different topic, but before I do, because of Secretary Glickman's presence, I want to, first of all, thank him for his strong advocacy in all of these areas we have been talking about, and just to let him know, too, that one of the areas that does not always come as high up as my friend from North Dakota and others have in terms of agriculture, as a result of Hurricane Floyd, the flooding that took place both in North Carolina and Virginia, in particular, and in other States that were affected, that had some devastating losses that have not normally been cranked into that equation.

That is not a part of this hearing, but I just wanted to let you know that the most recent report is that cotton looks like it is not going to survive what was going to apparently be a bumper crop, and the jury is still out on peanuts.

They may or may not, depending on the conditions over the next few days, and whether or not some of the challenges they have, because they are still underground, will be addressed. In any event, we have got a very serious problem there.

But, for the most part, the economy of my State is driven, in the large macro picture, by electronics, technology, and commerce in this area. I would like to focus on that for just a minute.

I know that, in the past, WTO members have committed to prohibiting Customs fees or duties on cross-border Internet or e-commerce transactions that have taken place.

I am wondering if we are going to pursue anything that is more formal and binding in this regard. As you know, we declared a 3-year holiday here in the United States, but that does not affect the international component. I wonder if you could address what the

strategy will be, and how permanent or formal, as opposed to informal, the objectives or goals are in this area.

Ambassador BARSHEFSKY. The most immediate objective is the roll-over of this political obligation, if you will, not to impose duties on electronic transmissions on the net. In the ideal world, of course, we would like to make that permanent and binding.

I think, for many countries in the world who do not quite understand the Internet, who do not have sort of the growth of an Internet culture as we do, the notion of a permanent commitment in advance of their own technical understanding of the field is quite threatening. I think that is entirely understandable at this point.

So, we seek a roll-over of the current moratorium. I think we will be successful in that. Then, as the comfort level increases, obviously, we will be pushing to make that roll-over permanent and binding.

In addition, we will be seeking a working group in the WTO to make sure, in particular, that as agreements are reviewed in the working groups, and as new agreements are negotiated, that we pay special attention to ensure that these agreements become essentially technology neutral.

That is to say, if, for a real store, non-discrimination is a rule, then if you shop on the net, non-discrimination should be the rule. If you, in a real store, have a right to access a broad customer base, then in your virtual store you need the same right to access the same broad customer base.

So we will be looking at all of the agreements—and this exercise is actually going on now—to make sure that we can confirm that the rules that apply to touchable goods and to services will apply however those goods are services are transmitted, whatever mode of transmission, in a store, in the net, at wholesale, at retail.

Whatever mode of transmission, the same set of rules will apply. In that way, we do not have e-commerce lagging. But of course, because it is a duty-free zone in that regard, we ought to see e-commerce move ahead quite nicely.

Senator ROBB. I would just suggest to you that one of the concerns here is not that they do not understand e-commerce, technology, and information technology, it is that they are envious, shall we say, of the advantage that we currently enjoy, and we will probably be attempting to negotiate ways that will level the playing field to give them a disproportionate advantage without having gone through the learning curve and developmental curve that we have run through.

Let me just move from that for one second, if I may, to a statement, I think it was about a week or so ago, by the Chinese Information Industries minister, initially suggesting a ban on foreign investment in Internet companies. Then it was modified somewhat more recently.

I wonder if you can tell us what our negotiating goals are with respect to this area since they permit, under equity ownership in telecom and other key sectors, where are we on this right now?

Ambassador BARSHEFSKY. Yes. I am aware of the statements that he made, but we were not able to confirm specifically the statements that he made. It is not clear.

Senator ROBB. In other words, it was withdrawn before it was confirmed?

Ambassador BARSHEFSKY. It certainly was modified before it was confirmed, and even the modification has not been confirmed. That is to say, it is not clear entirely under whose authority the statement was made and whether it may have been made in haste. I think there is some confusion on that.

Senator ROBB. But it would be your intention, with respect to negotiations and any discussions of this issue, to push for the same kinds of equity ownership by foreign investors that is permitted in other sectors?

Ambassador BARSHEFSKY. Yes.

Senator ROBB. All right.

Mr. Chairman, could I ask just one more question here?

The CHAIRMAN. Yes.

Senator ROBB. The question, while we are on China, has to do with the potential linkage or non-linkage between China and Taiwan in terms of the order and/or the possibility of what has been referred to as a coffee break between the negotiations.

Could you address what our position is on that?

Ambassador BARSHEFSKY. Our position is that all WTO negotiations proceed on their merits. Taiwan's accession is not yet complete. They still have some issues with individual countries, and their protocol of accession, which is sort of the document that spells out all the rules, is being negotiated in Geneva but is not complete.

I think there has always been certainly a hope in Geneva that both countries would accede at a point in time proximate one to the other. Of course, China's negotiations are pending, but so is Taiwan's. I think we will have to see how that all sorts out.

We, on a bilateral basis, have closed out with Taiwan. We did that, gosh, maybe 9, 10 months ago, maybe longer ago than that, because we felt that we are willing to address all of our market access concerns.

The agreement that we worked out with them, which would be come effective on accession, is an excellent agreement. For our farmers, our industrial goods and services suppliers, it is a very, very strong agreement.

So we closed out because the merits were there and we felt quite satisfied. But we have a lot of other countries that also have to do the same. Once that is done, we will take a look at the picture.

Senator ROBB. So, in other words, if critical mass is reached with the other countries at the same time, there would be a meritorious and not a phased approach.

Ambassador BARSHEFSKY. There are two steps to an accession. There is a working party, which are the countries who tend to be the principal trading partners of the country who wishes to accede, and then there is the general council, which is all the countries.

To emerge from a working party to get to the floor, if you will, you need unanimity. It is not consensus, it is unanimity. Thus far, that unanimity is not there in the Taiwan working party, and you would not expect it to be because their negotiation is not done. But it will be unanimity that is required.

Senator ROBB. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I understand Senator Conrad has a short question.

Senator CONRAD. I do, Mr. Chairman. I thank you for this opportunity. We have talked today about a loss of public support for trade agreements. Part of it, as Senator Graham indicated, was broken promises and failure to deal with contentious issues. Durham wheat would have to be in that category. We have an ongoing problem with Canada. I just put up this chart to show what has happened.

After the Canadian Free Trade Agreement, this line shows Durham imports from Canada. Before the Canadian Free Trade Agreement, there was nothing coming in from Canada, zero.

Under the Canadian Free Trade Agreement—I call it so-called Free Trade Agreement because it is not free trade at all, it was negotiated trade, and on agricultural products, at least the ones in my State, we lost the negotiation. This was a previous administration, not on your watch.

But the fact is, they went from zero percent of our market to 20 percent, not because they are more competitive, not because they are more efficient, but because of loopholes in that agreement.

In 1994 and 1995, Mickey Kantor put in place a tariff rate quota that dramatically reduced those imports, cut them by more than 50 percent, and at the time indicated when the tariff rate quota came off after a year that we would not let them cross the line without taking action.

Ambassador Barshefsky, you indicated a year later

“The administration reiterates its longstanding position it will not accept market disruption from imports of Canadian wheat.

“Following consultations, the administration will use appropriate U.S. trade laws if it appears likely that market disruption will occur, using as a point of reference the TRQ levels that were in place under the Memorandum of Understanding.”

Now, this TRQ levels are the green line here. Here is what they have done. They did not just cross the line, they have actually exceeded what they were doing before the TRQ was put in place that led to a dramatic reduction.

My question to you is, what are you doing to keep the promise that U.S. trade laws would be used in this circumstance?

Ambassador BARSHEFSKY. You and I have had this discussion a number of times, and Dan Glickman and I, and you, and various other people. Just a couple of comments.

When the TRQ was imposed we had available to us, and utilized, Section 22 of the Agricultural Adjustment Act. That trade law authority was terminated at the end of the Uruguay Round. That is to say, Section 22 of the Agricultural Adjustment Act no longer exists in U.S. law, so we do not have a mechanism such as Section 22 under which to impose tariff rate quotas.

We have worked closely with Canada and are disappointed with the current level of shipments on Durham. We are actually rather shocked at the current level of shipments, as we have informed the Canadians, because Canada, under an agreement we negotiated with them last December on a variety of agricultural trade issues, agreed that they would provide us projections on a quarterly basis

of their durham shipments so that we could monitor the situation and keep pressure on Canada on the durham question.

Their estimates to us were off by 50 percent, which is entirely unacceptable. I do not think there was bad faith in that, let me just hasten to add, but for whatever reason, their estimates were off by 50 percent.

I met last week with their new trade minister, Mr. Pettigrew, to indicate that, first off, we cannot have errors like that again, and second off, that we are very concerned about the volumes.

Two other things, however, are happening. One, is that USDA is now in the process of conducting research on why U.S. users of durham are buying from Canada instead of from your State and some of our other States that produce durham. It is not entirely clear to us why that is happening.

Senator CONRAD. Let me say, if they tell you it is because we had a short crop or there were quality problems, you just laugh at them because there is no merit in that.

Last year, we had a huge crop, extremely high quality. I will be anything that you will that what is really happening is they are dumping below their cost in this market, which unfortunately, because of loopholes in the negotiation of that previous trade agreement, are permitted.

Ambassador BARSHEFSKY. Can I then address that? That is the second thing that is happening. With your help, particularly with USDA's help and the help of the Customs Service, we now have all the pieces in place to start analyzing import data from Canada on durham on an individual shipment-by-shipment basis, including price shipment-by-shipment. I think that the system is now up and running.

We have an interagency team on this issue because it is a serious problem. We have a big problem with the Canadian Wheat Board, which affects not just durham, it affects our agricultural trade with Canada. We have an interagency team.

We are hopeful that we will begin getting reporting from Customs by mid-October on this. As we begin to see that pricing data for the first time ever, I think we will be able to make some determinations about whether there is an unfair trade problem that is going on in this area.

Secretary GLICKMAN. Charlene, if I could just mention, as we talked just before we came in, while it is a rather arcane issue, our decision to modify the LDP PCP rate on durham should make durham more competitive by encouraging farmers to market their commodity rather than just holding it and waiting for a higher price, then watching that Canadian wheat come in. That is something we did, frankly, at your request, and the other members of the North Dakota delegation last week.

The other thing is, Administrator Galvin advises me, and I recall this before, he has written to all of the importers, talking about this very issue. He says, it is not a quality issue, why are you doing this, trying to get some justification from the importers themselves.

Senator CONRAD. May I just conclude by, first of all, thank you, Mr. Secretary, for your action on loan deficiency payment adjustment for durham. That was critically important. We appreciate very much what you did.

I would just say, Madam Ambassador, I hope, in the strongest possible terms, you will say to the Canadians, this does not fly. They have this kind of result, where the green line is the Memorandum of Understanding of what would be coming in here. For them to exceed it by 100 percent just is totally unacceptable.

I cannot overstate the strength of feeling in my State on this issue. Here we are with the lowest prices in real terms in 50 years, and a flood of Canadian grain coming across the border, not because they are more efficient, not because they are more competitive, but because of massive loopholes in that agreement.

This is the kind of thing that truly costs public support for any kind of trade agreement. If we do not respond, and respond aggressively and effectively, then we will just have further deterioration of public support.

I thank the Chairman.

The CHAIRMAN. Well, I want to thank the three witnesses for being here today. I know that you, Madam Ambassador, needed to get away early, but I think it was important that you remained here.

I look upon the meeting in Seattle as an historic opportunity, but I also have to say, the forces of protectionism are looking forward to utilizing that for their purpose.

So, I think it is critically important that the administration pursue a very constructive, positive agenda that will help the education that we have been talking about before.

I just want to say that this committee is eager and willing to work with you. We think that there is an important message to be gotten out, but so far it has not yet been delivered.

Thank you very much. We look forward to continuing this dialogue.

[Whereupon, at 11:37 a.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF HON. CHARLENE BARSHEFSKY

Mr. Chairman, Senator Moynihan, Members of the Committee, thank you very much for inviting me to testify on the U.S. agenda at the World Trade Organization.

The months ahead are a critical period for both the WTO and the U.S. trade agenda. This November 30th to December 3rd we will host, and I will chair, the World Trade Organization's Ministerial Conference in Seattle. The Ministerial will be the largest trade event ever held in the United States, bringing heads of government, trade ministers, and leaders of business, labor and other non-governmental associations from around the world to Seattle, and focusing public attention as never before on the role trade plays in American prosperity.

At this Ministerial, we also expect to launch a new Round of international trade negotiations, for which President Clinton called in his State of the Union Address. This initiative has the potential to create significant new opportunities for American workers, businesses, farmers and ranchers; to ensure that trade policy does as much as possible to support and complement our efforts to protect the environment, improve the lives of workers; and to improve the WTO itself, to make the organization more transparent, responsive, and accessible to citizens.

We are now working at home and abroad to build the necessary consensus for an agenda with broad support in the U.S. and worldwide. With the Ministerial just two months away, the Finance Committee has chosen an ideal time to review the work; and I look forward to continuing to work closely with the Committee and other Members of Congress to ensure that the Ministerial and Round accomplish as much as they should for our country and for the world.

Today I would like to review for you our stake in the world trading system; the Ministerial; the results we hope to achieve at Seattle and in the Round; and the process by which we are building support for the agenda.

U.S. STAKE IN THE TRADING SYSTEM

The United States is now the world's largest exporter and importer, carrying on over \$2 trillion worth of goods and services trade each year. Thus, the jobs of millions of American workers, the incomes of farm families, and the prospects for many of America's businesses depend on open and stable markets worldwide. Furthermore, a strong trading system helps to give all participating nations a stake in international stability and prosperity, thus complementing our work in security policy to keep the peace.

This is the foundation of the leading role we have taken in the development of the trading system for over fifty years. Since the creation of the General Agreement on Tariffs and Trade in 1948, Democratic and Republican Administrations, working in partnership with Congress, have concluded eight negotiating Rounds. Each successive Round has opened markets for Americans, and helped to advance basic principles of rule of law, transparency and fair play in the world economy. Most recently, since the conclusion of the Uruguay Round in 1994:

- Markets have opened, as a more open world economy has helped American exports to rise by well over \$200 billion. This has contributed significantly to the rapid economic growth we have enjoyed over the past five years, and the continuation of the longest peacetime expansion in America's history. At the same time, it has helped us to gain high-skill, high-wage jobs, reverse a 20-year period of decline in wages, and in fact increase wages by 6% in real terms.
- The rule of law has advanced, as the strong dispute settlement system created by the Uruguay Round has allowed us to improve enforcement of the trading

rules significantly. Since the creation of the WTO, we have filed more cases than any other member, and have a very strong record of victories or favorable settlements in the cases we have filed.

- And we have gained a source of stability in the world economy. During the financial crisis of the past two years, with 40% of the world in recession, and six major economies contracting by 6% or more, we so far have seen no broad reversion to protectionism. This fact—in large part a tribute to the respect WTO members have in general shown for their commitments—has helped guarantee affected countries the markets they need to recover, while shielding our own farmers and manufacturing exporters from still greater potential damage.

THE WORK AHEAD

Despite these achievements, however, much work remains ahead. The trading system can be made more effective in removing trade barriers, more transparent and accessible as an institution, and broadened to include nations now outside. With the Ministerial and Round, we will address issues such as the following:

- World trade barriers remain high in many areas, including in sectors where the United States is the world's leader. Agriculture and services are crucially important examples; in industrial goods, we continue to face significant tariff and non-tariff trade barriers which a new Round can address.
- Our leadership in the scientific and technological revolution creates new challenges and opportunities for the trading system. Electronic commerce and the growth of the Internet as a medium for trade is an especially important example.
- Membership in the WTO can make a major contribution to reform in the transition economies—that is, the nations in Europe and Asia moving away from communist systems. As successful reformers and WTO members such as Poland, the Czech Republic and Hungary have observed, WTO membership on commercially meaningful grounds helps to integrate transition economies into world trade and make the reforms necessary to create market-based economies, thus promoting long-term growth and liberalization.
- The results of future WTO agreements can contribute to the world's efforts to reduce hunger, protect the environment, improve the lives of workers, promote health and nutrition, support financial stability, fight bribery and corruption, and promote transparency and good governance worldwide.

The balance of my testimony today will review our WTO agenda in four areas: ensuring implementation of the members' present commitments; developing the agenda for a successful Ministerial and a new Round; encouraging the accession, on commercially meaningful grounds, of new members; and the specific steps that can advance the broader vision and yield immediate results for the U.S. and world economies.

I. COMPLIANCE WITH AGREEMENTS

First of all, we are working to ensure full compliance with existing agreements. The credibility of the trading system, and the value of any new negotiations, depend on confidence that WTO members will implement their commitments. We have done so on time and in full, and we expect our trading partners to do the same.

We have made this point clear to our partners in Geneva, and 1999 is an especially important year. By January 1, 2000, WTO Members must meet certain Uruguay Round commitments under the Agreements on Agriculture, Intellectual Property, TRIMs, Subsidies, and Customs Valuation. In succeeding years, final commitments under the Agreement on Clothing and Textiles as well as certain aspects of the TRIPS and Subsidies Agreements will phase in. Likewise, Uruguay Round tariff commitments will soon be realized in full.

These commitments represent the balance of concessions which allowed completion of the Uruguay Round and have helped realize its benefits since then. The credibility of any future negotiations depends on their implementation. To ensure implementation, we use all methods available. This includes use of dispute settlement and U.S. trade laws when necessary, but also a commitment to the technical assistance programs that allow some of the developing countries to gain the capacity to meet complex demands in areas such as services, agriculture and intellectual property.

Most recently, we made a proposal in Geneva stressing the critical importance of implementing existing WTO agreements, such as those on sanitary and phytosanitary standards, textiles, technical barriers to trade, anti-dumping and intellectual property rights. The WTO's built-in agenda provides for extensive and

critical review of agreements, and it is imperative that this work continue as the Round proceeds.

Finally, we are pressing those WTO Members who have agreed to, but not yet ratified, the Basic Telecommunications and Financial Services Agreements to do so as soon as possible. This will not only open markets to U.S. providers, but ensure that all Members can benefit from their commitments and that they can win the benefits of competition, transparency and technological progress these Agreements offer.

II. AGENDA FOR THE NEW ROUND

At the same time, we are working toward international consensus on the specific agenda for the new Round.

1. *Developing the Agenda*

In general terms, we believe the new Round must be focused on the top U.S. priorities; have an agenda broad enough to offer benefits to, and thus win support from, the WTO membership as a whole, thus creating maximum leverage for achieving our objectives; and yield concrete results rapidly without raising major new compliance problems.

Our development of specific objectives to realize these goals has its foundation in our domestic consultations with Congress, agricultural and business groups, labor organizations, academics, environmental groups, state and local government, and others interested in trade policy. This has included Trade Policy Staff Committee hearings in Atlanta, Dallas, Los Angeles and Chicago, as well as Washington DC, to gather ideas on priorities and objectives; a series of Listening Sessions jointly with the Department of Agriculture on the agricultural agenda, traveling to Indiana, Florida, Minnesota, Tennessee, Texas, California, Washington, Nebraska, Delaware, Vermont, Iowa and Montana to hear directly from farmers, ranchers and others interested in agricultural policy; and continuous consultation with Members of Congress, non-governmental groups, business associations and others in Washington. At the same time, we have been meeting with our trading partners to form international consensus on the negotiating agenda by the Ministerial, at meetings such as the US-Africa Ministerial, FTAA conferences, the US-EU Summit, the Quad meeting in Tokyo, and the recent APEC Leaders Meeting in New Zealand, as well as discussions at the WTO in Geneva.

Based upon these discussions, we believe that in general terms the Round should set the following goals.

- The core of the Round should address market access concerns including agriculture, services and industrial goods (tariff and non-tariff barriers), with benchmarks to ensure that the negotiations remain on schedule for completion within three years.
- The Round should also pay special attention to areas in which trade policy can encourage technological progress, notably in electronic commerce.
- This Round should support and complement efforts to improve worldwide environmental protection, and ensure that trade policy yields the maximum benefit for the broadest range of workers.
- And the Round's negotiating agenda should be complemented and balanced by a forward work-program to address areas in which consensus does not yet exist for negotiations; and by a series of institutional reforms to the WTO, with a special focus on transparency and openness.

The timetable for achieving these goals would be as follows. At Seattle, the Ministers will take decisions launching the Round, agreeing on the subject matter, and setting out in specific terms the objectives of the three-year negotiations. To meet the three-year timetable, the Ministers must give directions on the manner in which the negotiations would proceed. In practical terms, the Ministerial must allow negotiations to begin in earnest at the beginning of 2000, with, as some WTO members suggest, tabling of initial negotiating proposals by the middle of the year. Further benchmarks to ensure progress would follow (such as a possible "mid-term" Ministerial review at the 18-month point) with negotiations to conclude by the end of 2002; ratification in 2003; and implementation to begin immediately afterward.

In the past months, we have laid out the details of our negotiating agenda at the WTO in Geneva, by filing formal proposals on agricultural market access, non-agricultural market access, services, implementation of commitments, trade and the environment, fishery subsidies, capacity-building, and trade facilitation. These proposals lay out a clear, specific and manageable agenda for the Round, as follows:

1. Market Access

Market access negotiations, as the core of the negotiations, should cover the built-in agenda of agriculture and services, but also address industrial goods.

In agriculture, aggressive reform of agricultural trade is at the heart of our agenda. In liberalizing trade we have the potential to create broader opportunities for American farm and ranch families, fight hunger and promote nutrition worldwide through ensuring the broadest possible supplies of food at market prices, ensure that farmers and ranchers can use the most modern and scientifically proven techniques without fear of discrimination, and help protect natural resources by reducing trade-distorting measures which increase pressure on land, water and habitat. To secure this opportunity, we would set the following objectives:

- Completely eliminate, and prohibit for the future, all remaining export subsidies as defined in the Agreement on Agriculture. This is a priority goal we now share with the Western Hemisphere trade ministers, all APEC members and the Cairns Group.
- Substantially reduce trade-distorting supports and strengthen rules that ensure all production-related support is subject to discipline, while preserving criteria-based "green box" policies that support agriculture while minimizing distortion to trade;
- Lower tariff rates and bind them, including but not limited to zero/zero initiatives;
- Improve administration of tariff-rate quotas;
- Strengthen disciplines on the operation of state trading enterprises;
- Improve market access through a variety of means to the benefit of least-developed Members by all other WTO Members; and
- Address disciplines to ensure trade in agricultural biotechnology products is based on transparent, predictable and timely processes.

In services, American industries are the most competitive in the world, as demonstrated by our \$246 billion in services exports last year. The Uruguay Round created an important set of rules, but in many cases, actual sector-by-sector market-opening commitments simply preserved the status quo. Effective market access and removal of restrictions will allow U.S. providers to export more efficiently, and help address many broader issues worldwide. Examples include improving the efficiency of infrastructure sectors including communications, power and distribution; improving environmental services; easing commerce in goods through more open distribution systems, thus creating new opportunities for manufacturers and agricultural producers; and helping to foster financial stability through competition and transparency in financial sectors. To realize these opportunities, U.S. objectives would include:

- Liberalize restrictions in a broad range of services sectors, including the professions, audiovisual, finance, telecommunications, construction, distribution, environmental, travel and tourism, and others;
- Ensure that GATS rules anticipate the development of new technologies, such as the telecommunications technologies now enabling colleges to teach, hold examinations and grant degrees via the Internet; home entertainment to be delivered by satellite; and advanced health care delivered directly to the home or to rural clinics through telemedicine;
- Prevent discrimination against particular modes of delivering services, such as electronic commerce or rights of establishment; and
- Examine "horizontal" methods of improving regulatory policies across the different industries through general commitments, for example, to transparency and good-government practices.

In industrial goods, further market-opening will help Americans promote high-wage, high-skill jobs and create economies of scale that allow U.S. firms to invest more in research and development and become more competitive. Here, broad market access negotiations in the next Round would build upon the Accelerated Tariff Liberalization initiative calling for the liberalization of eight specific sectors, and would proceed under the following principles:

- Reduce existing tariff disparities;
- Result in fully bound tariff schedules for all WTO members;
- Develop new sectoral agreements and increase participation in existing sectoral arrangements, including zero-for-zero and harmonization agreements;
- Provide recognition to Members for bound tariff reductions made as part of recent autonomous liberalization measures including WTO measures such as the Information Technology Agreement and Accelerated Tariff Liberalization, and for the general openness of markets.

- Seek interim implementation of results to be considered as an integral part of the overall balance of market access concessions to be determined at the conclusion of the new negotiations;
- Use of applied rates as the basis for negotiation, and incorporation of procedures to address non-tariff and other measures affecting market access; and
- Improve market access for least developed WTO Members by all other Members, through a variety of means.

2. Additional Overarching Issues

Most delegations, including the U.S., agree that negotiations should be completed within three years. Given this reality, and in order to find an appropriate balance of interests and a convergence of views, certain issues might be appropriate for a forward work program (e.g. on bribery and corruption) that would help Members, including ourselves, more fully understand the implications of newer topics and build consensus for the future.

In addition, several overarching issues will inform our work on the core market access negotiations. These would include:

a. Electronic Commerce

One of the most exciting commercial developments of recent years has been the adaptation of new information and communications technologies, notably the Internet, to trade. This has profound implications for reducing the cost of goods to consumers and improving the efficiency of companies. It can also speed growth in disadvantaged regions in the U.S. and developing countries, as Internet access greatly reduces the obstacles entrepreneurs, artisans and small businesses face in finding customers and managing paperwork.

It is critical that the WTO act now to ensure that artificial barriers do not delay or block the benefits of this new method of conducting trade. We have therefore promoted a broad electronic commerce agenda at the WTO and elsewhere, including a work-program to ensure technological neutrality in the development of WTO rules, and capacity-building efforts to ensure that developing countries have access to the Internet. We are encouraged that most WTO members agree that all e-commerce activities are covered by the traditional WTO disciplines of transparency, non-discrimination and prevention of unnecessary obstacles to trade. As I will note later, our top immediate priority is to ensure that cyberspace remains duty-free—that is, that countries do not apply tariffs to electronic transmissions.

b. Sustainable Development and Committee on Trade and Environment

In all these areas, we intend to take special care to ensure that trade liberalization promotes and supports sustainable development. In particular, we will pursue trade liberalization in a manner that is fully consistent with and supportive of this Administration's strong commitment to protect the environment. The principles we will advance here will include:

- Considering the environmental implications of the negotiations from start to finish. President Clinton has committed to conduct an environmental review of the likely consequences of the Round, and we have called on other countries to do likewise. In the same vein, we have proposed using the WTO's Trade and Environment Committee to help identify the environmental implications of negotiations as they proceed.
- Promoting institutional reforms to ensure that the public can see the WTO and its processes, notably dispute settlement, in action; and contribute to its work, including assessment of the environmental implications of the new Round.
- Pursuing trade liberalization in a way that is supportive of high environmental standards. This means, among other things, that the WTO must continue to recognize the right of Members to take measures to achieve those levels of health, safety and environmental protection that they deem appropriate—even when such levels of protection are higher than those provided by international standards—in a manner consistent with our commitment to science-based regulation.
- Identifying and pursuing “win-win” opportunities where opening markets and reducing or eliminating subsidies hold promise for yielding direct environmental benefits. Examples we have identified thus far include elimination of tariffs on environmental goods through the Accelerated Tariff Liberalization initiative; liberalization of trade in environmental services; elimination of fishery subsidies that contribute to overfishing; and continued liberalization in the agriculture sector.
- Strengthening cooperation between the WTO and international organizations dealing with environmental matters. In this connection, we are pleased that dis-

cussions are going on right now between the WTO and the United Nations Environment Program on increasing cooperation.

We have tabled a number of proposals in Geneva to advance these objectives, and are carefully examining the proposals put forward by other countries on trade and environment. In addition, as we look at other proposals from other countries that are not trade and environment proposals per se, we will consider how they relate to the environment and our commitment to high levels of environmental protection. In all of this work, we welcome the input of this Committee and all stakeholders.

c. Trade and Labor

Likewise, the relationship between trade and labor is an especially important priority. As President Clinton said to the ILO Conference in June:

"We must put a human face on the global economy, giving working people everywhere a stake in its success, equipping them all to reap its rewards, providing for their families the basic conditions of a just society."

Trade policy has a role to play in the realization of this vision. Development of the trading system must come together with efforts to ensure respect for internationally recognized core labor standards. And the WTO system must bring the broadest benefits for the largest possible number of working people in all nations. Consistent with our statutory requirement under the Uruguay Round Agreements Act, we are working to build an international consensus that will enable the WTO to address the relationship between trade and labor issues.

In the Declaration issued at the WTO's First Ministerial Conference in Singapore, WTO members renewed their commitment to the observance of core labor standards. This was the first time Trade Ministers had formally addressed labor standards. While this was an important first step, we believe that more attention to the intersection of trade and core labor standards is warranted as governments and industries wrestle with the complex issues of globalization and adjustment. We also believe the WTO has an important role to play in the process. We are continuing to consult with Congress and the labor community in the U.S., as well as with WTO members who share our interest, on contributions the WTO can make to the goal.

In January, we submitted a proposal for the establishment of a work-program in the WTO to address trade issues relating to labor standards, and areas in which members of the WTO would benefit from further information and analysis on this relationship and developments in the International Labor Organization (ILO.) In addition, we will seek to enhance institutional links between the ILO and the WTO through mutual observer status, to help facilitate collaboration on issues of concern to both organizations. We will consult with the Committee on these matters in the months ahead.

Work at the WTO on these issues is, of course, part of a broader effort centered on the ILO, which with the President's leadership recently concluded a landmark Convention on the Elimination of the Worst Forms of Child Labor. This builds on a June 1998 Declaration on Fundamental Principles and Rights covering core labor standards as well as a follow-up mechanism. In support of this work, the President announced in his 1999 State of the Union address a Core Labor Standards and Social Safety Net Initiative, including a budget request for \$25 million for multilateral assistance to be provided through the ILO, to help countries provide basic labor protections and improve working conditions. We also, of course, make use of the labor policy tools in our trade statutes, notably the traditional conditionality under the Generalized System of Preferences, to promote respect for core labor standards, among others.

3. INSTITUTIONAL REFORM

The past five years of experience with the WTO have also revealed areas in which the institution can be further strengthened. It can more fully reflect the basic values of transparency, accessibility and responsiveness to citizens. And it can do more to ensure that its work and that of international organizations in related fields are mutually supportive, to promote as effectively as possible the larger vision of a more prosperous, sustainable and just world economy.

In response, we have proposed a set of reforms to make the WTO more effective in its policy responsibilities and at the same time strengthen the WTO's base of public support. These include:

Institutional Reforms that can strengthen transparency, and build public support for the WTO by:

- Improving means for stakeholder contacts with delegations and the WTO; and
- Enhancing transparency in procedures, notably dispute settlement, and the dissemination of information about WTO issues and activities to the maximum extent possible.

Capacity-building, to ensure that the WTO's less advanced members can implement commitments, and take maximum advantage of market access opportunities. This plan is based on our close consultation with our partners in Geneva to ensure that technical assistance and capacity-building programs meet the actual needs and practical experience of less developed countries. This is to benefit as well, advantage, as it will help these countries grow and become better markets for U.S. goods and services. Specific areas here would include:

- Improve cooperation, coordination and effectiveness among international organizations in identifying and delivering technical assistance;
- Build upon and expand the "Integrated Framework" concept adopted to help least developed countries implement commitments;
- Ensure the most effective use of resources on technical assistance programs;
- Strengthen capacity-building in regulatory and other infrastructure needs; and
- Explore a development partner program for the least-developed nations.

Trade Facilitation, which will ensure that U.S. small and medium-sized businesses as well as less developed economies can take full advantage of the market-opening commitments created by the Round. Here, objectives would include:

- Clarifying and strengthening the transparency requirements of WTO Agreements; and
- Helping to improve customs procedures on a global basis, so as to increase transparency and facilitate more rapid release of goods, ensuring that our exports reach foreign markets more rapidly and with fewer encumbrances.

III. TOWARD THE MINISTERIAL

In the months ahead, we will be working with our trading partners to develop consensus on this agenda (including issues of timing, and benchmarks to ensure that the negotiations begin and end promptly), preparing logistically for a successful meeting in Seattle, and consulting with the Committee and the Congress on all these issues. We also hope to reach consensus on several initiatives which would help build the foundation of a successful Round, and take advantage of existing opportunities to open markets and reform the WTO. They would include the following:

1. Accessions

The accession of new WTO Members, on commercially meaningful grounds, is a major endeavor and critical for the creation of a fair, open and prosperous world economy.

Since 1995, seven new Members have joined: Bulgaria, Ecuador, Kyrgyzstan, Latvia, Mongolia, Panama and Slovenia. Estonia and Georgia have completed their negotiations as well. All of these represent strong, commercially meaningful agreements. With 31 more accession applicants, we look forward to further accessions on a similar basis in the months ahead. Already this year, we have completed bilateral negotiations with Taiwan and made significant progress on the accessions of Albania, Armenia, Croatia, Jordan, Lithuania, Moldova and Oman. We have also held important and fruitful meetings with Russia, Saudi Arabia and Ukraine. Our hope is that negotiations on a number of these accessions will have been completed by November.

The largest applicant for accession to the WTO is, of course, the People's Republic of China. After making significant progress in April, our negotiations with China were interrupted for over four months by the mistaken bombing of the Chinese Embassy in Belgrade. We resumed informal discussions with the Chinese early this month, and received direction from Presidents Clinton and Jiang at the APEC Leaders Meeting in to begin formal talks at the APEC Leaders meeting in New Zealand.

2. Dispute Settlement Review

Second, to promote American rights and interests, and to ensure the credibility of the WTO as an institution, a dispute settlement system that helps to secure compliance with WTO agreements, provides clarity in areas of dispute, and is open to public observers is of great importance.

Our experience thus far with dispute settlement has been generally positive: we have used the system more than any other WTO member, with many successful results. The European Union's failure to implement panel results in two cases, however, has been very troubling. While we have retaliated against the EU in both instances, in a WTO-consistent fashion, we hope to take steps so that in the future, losing parties must comply or face penalties in a more timely fashion. Likewise, we believe the system can be more responsive to citizen concerns in a number of ways, notably through greater public access.

Thus, in the ongoing Dispute Settlement Review at the WTO, we are seeking to ensure greater transparency and timely implementation of panel findings. We are

particularly interested in providing for earlier circulation of information on panel reports, making parties' submissions to panels public, allowing for submission of amicus briefs and opening the hearings to observers from the public. Our hope is to conclude much of this work by the Ministerial.

3. Electronic Commerce

As I noted earlier, we have begun a long-term work program in the WTO to ensure the unimpeded development of electronic commerce. In the immediate future, our priority is to avoid the imposition of tariffs on electronic commerce. No WTO member now considers electronic transmissions as imports subject to customs duties—a policy affirmed when we led in securing the May 1998 “standstill” on e-commerce tariffs. We are working to secure consensus on extending this policy by the Ministerial, which would help us prevent the future imposition of an enormous new burden on this growing avenue for trade.

4. Market Access

Fourth, we hope to achieve agreements which expand market access opportunities in areas of interest to U.S. producers and to our trading partners in the months ahead. Two examples could include completion of the Accelerated Tariff Liberalization begun in APEC (eliminating or harmonizing tariffs in chemicals; energy equipment; environmental goods; fish and fishery products; gems and jewelry; medical equipment and scientific instruments; toys; and forest products) and an Information Technology Agreement II, adding new products to the areas already covered by the existing ITA.

5. Collaboration with Other International Organizations

Fifth, we are working toward making the WTO more able to collaborate with other international institutions, and vice versa, to support economic stability through mutual observer status, joint research programs when appropriate, better organization of technical resources, mutually reinforcing programmatic advice and assistance, and other specific initiatives. Such organizations would include the World Bank, the International Monetary Fund, the International Labor Organization, the UN Environmental Program, the UN Development Program, the OECD, UNCTAD, and others.

6. Transparency

Sixth, specific measures to improve transparency, both as an institutional matter within the WTO, and in governance worldwide. Two priorities include:

- *WTO*—The WTO should ensure maximum understanding and access to meetings and procedures, consistent with the government-to-government character of the institution. As I noted earlier, dispute settlement is a special focus for this work. Essential goals include such additional measures as more rapid publication of panel reports, and more rapid de-restriction of documents.
- *Transparency in Government Procurement*—The WTO can also help to promote transparency and good governance worldwide. In this regard, an agreement on transparency in procurement would create more predictable and competitive bidding, which would reduce opportunities for bribery and corruption, and help ensure more effective allocation of resources. The APEC Trade Ministerial and Leaders Meeting both offered strong support for this goal.

7. Recognizing Stakeholder Interests

Seventh and finally, it is clear as trade grows and the trading system develops, interest in the WTO will also grow. This is clear from the interest many American civil society organizations (including businesses, labor organizations, agricultural producers, women's organizations, environmental groups, academic associations and others) have shown in the Ministerial and our plans for the Round. We believe this is a healthy development, and further believe delegations and WTO staff will benefit from hearing a broad range of opinions and views on the development of trade policy. We are thus working toward consensus on methods for such stakeholder organizations to observe meetings as appropriate, and share views as delegations develop policy.

I am pleased to report that the WTO will convene a symposium which will allow dialogue between WTO members and civil society as the Ministerial begins. This event will be all the more important as it will allow for dialogue between WTO staff, WTO, senior officials from member countries, and interested citizens as the activities leading up to the Ministerial conclude and the event begins.

CONCLUSION

In summary, Mr. Chairman, the United States in the months ahead has a remarkable opportunity.

Our predecessors in ten Administrations and twenty-five Congresses have left us a legacy of bipartisan commitment and achievement in creating a fair and open world trading system. As a result of their work, American workers are more productive, American companies more competitive and American families more prosperous than ever before.

In the years ahead, we can do the same for the next generation, if we work together to ensure that the WTO is adapted to address new areas of commerce, persistent trade barriers, and the concerns of our citizens. As host and Chair of the Seattle Ministerial Conference, we have a keen responsibility to help create and bring to completion the agenda that will realize this vision. We look forward to working in partnership with the Members of this Committee to do so.

Thank you very much.

 PREPARED STATEMENT OF HON. WILLIAM M. DALEY

Mr. Chairman, Senator Moynihan, thank you for the opportunity to appear before the Committee today to discuss the upcoming Seattle Ministerial meeting of the World Trade Organization (WTO) and the new round of trade negotiations to be kicked off at Seattle. We are at an historic crossroads in our economy where it is critical that U.S. companies and American workers position themselves to take advantage of and meet the challenges presented by the growing world economy. The new round is important to how the United States trades and competes in the world economy and how we can best secure gains for American workers in the global environment.

As Ambassador Barshefsky and Secretary Glickman explain in their statements, agriculture is central to these negotiations. We must remove the trade barriers that are preventing America's farmers from being able to compete fully in world markets. However, agricultural trade is not our only objective, for despite decades of trade liberalization, America's manufacturers still do not face an open and level playing field in world markets. And in the huge services sectors, trade rules have only barely begun to address the barriers that severely limit market openness.

Ambassador Barshefsky's statement provides the overview of the Administration's objectives. All of these are important from the Commerce Department's perspective, but rather than repeating them in my statement, I would like to explain the problems that our industrial and services exports face in world markets and focus on the highest priority areas where the Commerce Department will be concentrating its efforts. We are working very closely with USTR on these issues and our staffs are pooling their resources so we have the best analysis and strongest positions possible.

We are also working closely with the business community on Seattle and the WTO agenda through our official advisory committee process, with the Coalition for Trade Expansion and with the President's Export Council (PEC). We have heard from many parts of the business community and labor. We have also heard a lot through the National Trade Education Tour I have been conducting around the country.

I am particularly pleased by the PEC's letter to the President that was delivered just this week. The PEC's labor, business and Congressional members presented solid advice in all areas of the WTO agenda, from agriculture to services, to labor, to government procurement, investment and implementation of existing agreements. It is full of helpful goals and priorities and I strongly urge this Committee to study it. It is clear evidence that business and labor can make common cause on trade issues.

I would like to focus my remarks today on six priorities:

- Compliance with existing agreements;
- Non-agricultural tariffs and market access, including e-Commerce;
- Services;
- Government procurement;
- Labor and environmental priorities; and
- Trade facilitation.

There is one area that I want to stress is where we do not want to negotiate—antidumping and countervailing duties.

IMPORTANCE OF THE ROUND TO INDUSTRY AND LABOR

Let me begin, though by reviewing just how important trade has become to our economy and why new trade negotiations are important to America's firms and workers. Since WWII the increasingly open global trade regime has provided remarkable benefits to the United States and the rest of the world. Since the beginning of the GATT in 1948, in fact, world trade has grown 15-fold and tariffs have been reduced by 90 percent. Where the trade club once comprised a handful of developed countries, the WTO now comprises 134 members—most of them LDCs.

Exports have been one of the keys to the U.S. economic boom of the 1990's, providing nearly one-quarter of our economic growth since 1991. We are the world's largest exporter, with \$934 billion in exports of goods and services last year. The recent fall of exports to some key markets experiencing economic distress—especially in Asia—demonstrates just how integrated our economy has become with the rest of the world. About 12 million American jobs are supported by exports—jobs tending to pay significantly more than the average. In the manufacturing sector, roughly one in every four jobs is now related to exports. On the import side, Americans have been able to buy the broadest and most economical range of products in the world, further enhancing the competitiveness of our industries that use imported inputs and our standard of living. America is in its 102nd month of economic expansion—the longest peacetime expansion in history. Employment is at record levels. Inflation and unemployment are at their lowest in a generation, and we have created more than 19 million new jobs. The American economy is the world's most productive and most competitive.

But today we are also faced with the largest trade deficit in our history. In large part the deficit is a reflection of the rapid growth of the U.S. economy and the economic difficulties abroad. Our imports continue to grow, pulled by the purchasing power of the American consumer and U.S. industry, but our exports are stagnating because of economic conditions abroad. Working with our trading partners to obtain faster economic growth abroad is an important prerequisite for having our trade deficit contract. However, there is also a structural element to our trade deficit. Part of this is due to the difference over the years between the more open U.S. market and the higher market barriers in some other parts of the world.

Tariff bindings in Asian countries, for example, are typically in the 10-25 percent or higher range, while our tariffs on Asian products average 3.2 percent—and more than 40 percent of Asia's exports to the United States enter duty free.

Non-tariff barriers in many parts of the world are even more important impediments to our exports. Services trade, for example, lags far behind trade in goods as far as trade liberalization. Government procurement, which accounts for \$3 trillion in global business, is another area where American companies find themselves at a disadvantage. These and other barriers can best be beaten back and eliminated by having a new round of trade negotiations. The United States, with many of the most innovative and competitive industries in the world, has much to gain from the new round. The more level the playing field, the better off we are. That is why there is such a critical need for a new round, one that will address the imbalance in opportunity.

COMPLIANCE WITH EXISTING AGREEMENTS

Before I discuss new priorities for manufacturing and services, though, I want to state unambiguously that compliance with and enforcement of existing agreements is our first priority. We negotiated hard and long in the Uruguay Round, and we cannot tolerate any attempt to either weaken existing agreements or to step back from commitments.

Antidumping

A number of countries are suggesting that the antidumping agreement should be reopened, including in particular a country with a huge and continuing global trade surplus and that has ranked among the major dumping countries of the world. Mr. Chairman, we should not, however, reopen the antidumping or subsidies agreements, and we have already told this to our trading partners. Over the years, our administration of the unfair trade laws has proven to be effective in addressing unfair trade practices against a wide array of goods including steel products, semiconductors, capital goods and agricultural products. We have worked hard to ensure that American workers and companies have strong remedies available to combat unfair foreign competition.

Last year, the steel industry was beset by a flood of steel imports. Steel imports reached record levels; overall steel imports in 1998 were up 33 percent over 1997 levels. The Administration has responded effectively to the surges, and we have

made strong enforcement of the unfair trade laws in a WTO-consistent manner a centerpiece of our program. Since last fall, we have conducted, or are conducting, more than 60 antidumping and countervailing duty investigations on steel products, which have had a significant impact on the import surge. According to the preliminary import figures for August released last week, steel imports are down 29 percent compared to August 1998. In particular, imports of hot-rolled steel are down 64 percent from their high point last fall, with imports from the three countries subject to antidumping and countervailing duty investigations—Japan, Russia and Brazil—down 99 percent.

While the U.S. trade laws are effective in addressing unfair trade, I want to emphasize that they are not an impediment to legitimate trade. Over the past few years, I have heard from some of our trading partners that our strong and vigorous enforcement of these laws is a serious barrier to trading with the United States. Let me put that myth to rest.

The U.S. market continues to be the most open market in the world. In 1998, total U.S. imports were approximately \$900 billion. Only about \$4 billion of those imports were covered by antidumping duty orders. That means that 0.44 percent—less than one-half of one percent—of our worldwide imports were covered. Even if imports covered by countervailing duty orders were added in, the figure only increases to 0.50 percent.

Of course, exaggerating the impact of antidumping actions, as some have done, makes it easier for them to argue for negotiations on the WTO Antidumping Agreement in the New Round. We reject that idea.

WTO Members have not yet had much experience with the Antidumping and Subsidies Agreements, particularly in the areas where the Uruguay Round made significant changes. Even in the United States, while we are conducting our sunset reviews in a fully WTO-consistent fashion, we are still in the early stages of completing such reviews, which are required to be conducted every five years to determine if antidumping or countervailing duty orders should remain in force and are a major new feature of the Antidumping and Subsidies Agreements.

Moreover, while members like the United States are administering new laws under the WTO Antidumping Agreement, a significant number of members are just now enacting legislation or regulations implementing the requirements of the WTO Antidumping Agreement. Others are still putting into place the structures, including personnel, necessary to conduct investigations and some are only now conducting their first cases under the new Agreement.

So far, the Agreement has been working well, which is reflected in the relatively few dispute settlement proceedings in this area. The three panels that have been convened so far have largely focused on discrete, technical issues which can best be addressed through dispute settlement proceedings to determine if the Agreement was properly applied to the facts. In light of the WTO's limited resources and already full agenda, the WTO should place its attention on improving, clarifying and facilitating the implementation of existing antidumping and subsidies rules, rather than negotiating a new body of more complex and elaborate rules.

We intend to use all means available to ensure proper implementation of the WTO rules by our trading partners. We have been and will continue to use dispute settlement where appropriate to address concerns about foreign cases against our exporters that do not follow the rules. In addition, we intend to intensify ongoing efforts in the WTO Antidumping Committee's Ad Hoc Group on Implementation, where work on this subject has been yielding constructive results. In the Ad Hoc Group, members can focus their efforts on sharing their experiences, clarifying interpretations and improving technical assistance to permit all members to use antidumping measures effectively and in full conformity with WTO obligations.

We support a commitment to technical assistance that will enable new users—developing countries in particular—to implement properly the very complex requirements in the Antidumping Agreement. We believe that implementation, not renegotiation, is important not only because the United States is a user of trade remedy laws, but also because proper implementation by our trading partners will safeguard the interests of U.S. exporters. In the end, helping other nations to implement these agreements fully, as we have, will go a long way toward promoting full integration of the global economy.

Similarly, although genuine issues of competition are certainly relevant to realizing the benefits of market access negotiated in the WTO, we also do not want negotiations on trade and competition included in the new Round. Some of our trading partners view this as a vehicle for amending the antidumping laws. Eight years of tough negotiations on the Antidumping and Subsidies Agreements during the Uruguay Round resulted in strong measures against dumping and unfair subsidies, and we do not want to see those efforts reversed in a new Round.

Intellectual Property and Other Agreements

I also want to stress that compliance with other WTO agreements, both in terms of ensuring enforcement of our trade rights under existing obligations, and compliance with upcoming deadlines for implementing Uruguay Round commitments are of extremely high priority.

Developing countries, comprising the majority of the WTO members, were given until the end of this year to come into compliance with key Uruguay Round commitments, particularly the Trade-Related Aspects of Intellectual Property (TRIPs), Trade-Related Investment Measures (TRIMs), Subsidies, and Customs Valuation agreements. These are vital parts of the overall balance of concessions made by nations at the end of the Uruguay Round. We have kept our commitments, and we insist that others do the same. When we look at intellectual property (the TRIPs agreement), for example, company after company have made it clear to the Commerce Department their number one priority is that the less developed countries keep their promises and implement these agreements fully and on time. We intend to work hard for that, and to work with USTR for full recourse to dispute settlement or use of U.S. trade laws if necessary.

We agree fully with the need to help the most impoverished nations experience greater economic growth. It is important to understand, though, that in order to obtain economic growth, the least developed nations must open their markets to trade and investment and must practice principles of good governance. It is openness that brings growth. So while we agree with the need for a special sensitivity for the requirements of the least developed countries, we see no inconsistency with requiring these countries to provide genuine market access to our goods and services and to live up to their commitments in the WTO.

I want to point out, moreover, that the United States has been by far the largest export market for developing countries. U.S. imports from LDCs account for over 20 percent of their global exports—three times as much as Japan, the second-leading market for their goods. In fact, the United States imports more from LDCs than do their next three largest markets combined! While we need to focus on the needs of the least developed nations, it is certainly time for other industrial and advanced developing nations to step up and do more than they have.

We also need to vigorously pursue trade agreements compliance on the part of developed countries and ensure that we enforce our trade laws. There is little benefit in negotiating agreements without ensuring that the agreements are honored and that American firms and workers get the full benefits and opportunities intended. Getting what we bargained for is good for American business and American workers and is one of the best ways to build confidence that trade agreements actually work. I have made trade compliance a priority within the Commerce Department, and we are working aggressively through our trade compliance initiatives as well as working very closely with Ambassador Barshefsky's Trade Agreement Enforcement unit.

NON-AGRICULTURAL TARIFFS AND MARKET ACCESS

Let me now turn to the need for further reductions of non-agricultural tariffs abroad. As I have indicated, there is a serious disparity between our tariffs and those in many other countries, particularly in Asia and Latin America. Many of our most competitive exports still face tariff barriers overseas that can be several times as high as those levied by the United States.

Accelerated Tariff Liberalization

Our first goal is completion of the Accelerated Tariff Liberalization initiative (ATL) by the time of the Seattle Ministerial meeting. The ATL, which is an initiative of the Asia Pacific Economic Cooperation (APEC) process, would eliminate or substantially reduce duties in eight sectors—chemicals, energy, environmental goods and services, fish, forest products, gems and jewelry, medical and scientific equipment, and toys. At the recent APEC Ministerial meeting in Auckland, I was pleased that APEC Ministers issued a strong statement in support of efforts to conclude agreement on the ATL in the WTO in 1999.

The ATL sectors are enormously important to the United States. They account for \$198 billion of U.S. exports—29 percent of all U.S. merchandise exports. U.S. exports in the ATL sectors last year supported 2.2 million American jobs—more than one in every four jobs related to merchandise exports. The ATL's elimination or substantial reduction of duties would go a long way toward eliminating some of the sharp tariff disparities that now exist.

The agreement would be of global benefit. For example, the European Union, which currently is resisting reaching agreement at Seattle, would benefit at least as much as the United States. The European Union has been giving one reason

after another for refusing to work with us on this initiative, including saying that these sectors were not chosen by them and are not commercially interesting to them.

A recent Commerce Department study of detailed European trade data, though, shows that 31 percent of the EU's global exports (even excluding intra-EU trade) are in the ATL sectors—an even higher percentage than for the United States. I am hopeful that with the new European Commission, the EU will take a new and more open-minded view of the ATL, and that the additional information developed by Commerce's International Trade Administration can help bring Europe on board and get this valuable initiative moving to a successful conclusion by Seattle.

Recently, there were concerns raised in Washington about whether the goal of achieving agreement on the ATL by the time of the Seattle Ministerial—an “early harvest”—would impede the attainment of our vital agricultural goals for the new round. The Administration's position has consistently been that aggressive reform of agricultural trade is at the heart of U.S. negotiating objectives in the new round. Achieving an agreement on ATL at Seattle is completely consistent with our agricultural goals, and in no way will detract from their attainment. In fact, our approach to ATL provides stronger incentives for a successful conclusion of agricultural negotiations.

Following lengthy consultations with the agriculture community, business, and members of Congress, the U.S. position is that any agreements reached at Seattle or early in the new round should only be implemented on an “interim” basis pending the final acceptable conclusion of all new round issues, including agriculture. We are committed to ensuring that interim results will be considered fully as an integral part of the overall balance to be determined at the conclusion of the new negotiations. This approach has been accepted by the APEC Ministers, whose declaration states, “. . . implementation should be undertaken on a provisional basis with full and final binding as part of the conclusion of the single package.” Failure to reach full agreement, including on agriculture, would mean that the ATL tariffs could return to their original levels. This is a powerful incentive for success on a wider package.

ITA-2

We are also working for agreement at Seattle on lower tariffs in information technology products, the so-called “Information Technology Agreement-2” (ITA-2) to broaden the product coverage of the highly successful Information Technology Agreement (ITA) concluded in 1997. The ITA agreement eliminates tariffs on information technology products on the part of countries accounting for the vast majority of trade in these goods. One-third of our growth has come from information technologies. A successful ITA-2 will eliminate tariffs within four years on many products which were not covered in the original ITA.

E-Commerce

Tariffs related to electronic commerce are also on our agenda for Seattle. E-commerce is now growing faster than even the most optimistic forecasts. Current estimates are that within a few years, more than a trillion dollars in business transactions will be done over the internet. The role of government is to enable e-commerce to grow and develop at its own pace. In other words, do not over-regulate or over-tax. Stifling e-commerce would be bad for the long-term economy of America and for the rest of the world. By the Seattle Ministerial, our goal is to have agreement within the WTO to extend the current moratorium on tariffs on electronic transmissions. Ultimately, we want to reach agreement on permanent duty-free cyberspace.

Other Tariffs and Market Access Barriers

In addition to these agreements, we have other tariff objectives to pursue as part of the new round itself. We seek reduction in tariffs on a broad range of industrial products. Given the disparity between U.S. tariffs and many foreign tariffs, it is particularly important to us that we use applied rates rather than bound rates as the basis for any broader tariff negotiation. We must negotiate from applied rates and then get those new, lower, applied rates bound. This is necessary in order to obtain genuine improvements in market access. The reason this is important is that many countries apply tariffs that are lower than the rates they have bound in the WTO. A country may, for example, have bound a tariff at 40 percent, but may actually be charging a tariff of 15 percent. If that country negotiated a reduction in its bound rate, it could cut it in half and still end up with a bound rate higher than the rate it is actually charging. We would make a real cut and get nothing in return.

Additionally, standards, testing and certification procedures, regulations that are not based on legitimate health or safety needs and a scientific basis, and many

other forms of barriers are still formidable obstacles. These need also to be considered in market access discussions.

SERVICES

Services are an extremely important part of our economy, but have lagged far behind goods in terms of global trade liberalization. In 1998, service industries provided over 86 million U.S. jobs and accounted for 78 % of private sector output. Last year, our commercial services exports were \$246 billion (excluding military and government services), and returned us a trade surplus of \$83 billion. Services are helping to drive the global economy as well. Global services trade—approximately \$1.3 trillion annually—accounts for more than 22% of world trade and more than one in every seven dollars of global production.

In this round, we are seeking to expand the first multilateral agreement on services—GATS—which was concluded as part of the Uruguay Round in 1994. The GATS established a framework for rules applicable to trade in services and established MFN treatment as its standard. However, many countries only made a limited number of specific commitments—and frequently only standstill commitments. We need to see trade in services liberalized by expanding market access and broadening and deepening services commitments made by WTO members. We need to increase the number of industry sectors listed in each country's schedule and deepening commitments. Another important objective is to promote regulatory reform, so that domestic regulations do not unnecessarily restrict trade.

This new round offers the opportunity to liberalize a broad range of services sectors. Commerce is consulting with industry to ensure full awareness of their interests, objectives and concerns by coordinating closely with U.S. industry advisors and through industry policy round tables, organized by our Office of Service Industries. Recent round tables have included healthcare, education and training, express shipping, subscription television, distribution services, energy services, and hotel management and operations. It is clear that deeper commitments should be sought in finance and telecommunications, together with fundamental improvements in the commitments on distribution, audiovisual, construction, travel and tourism, the professions, education and healthcare services, and new commitments in energy and environmental services and transportation, especially express shipping.

TRANSPARENCY IN GOVERNMENT PROCUREMENT

Another important objective for us is agreement by the time of the Seattle Ministerial on transparency in government procurement. Only a small number of WTO members have signed on to the existing plurilateral Government Procurement Agreement. Most WTO members currently have no binding obligations in this area, and a new global agreement on transparency in government procurement would address what U.S. companies have told us is one of the most significant barriers to participation in global government procurement markets—a pervasive lack of transparency and due process in procurement procedures.

A transparency agreement in government procurement would ensure that American companies would be able to obtain information about what procurement opportunities exist, the conditions for participation in contracts, and award criteria. This would significantly help level the playing field in the huge global government procurement market, which has been estimated at over \$3 trillion annually, or as much as 10 to 15 percent of global GDP.

This is a win-win issue because developing countries are themselves greatly damaged by lack of transparency, and their economic development is impaired by the corruption and bribery which results from lack of transparency. The Asian Development Bank reports that up to 50 percent of the revenue of some countries is wasted through corruption, and that bribery can double the cost of government purchases.

This agreement goes hand-in-hand with the OECD Antibribery Convention which went into effect this year. This is an objective that the Congress and I sought for a long time. The stakes are huge. Over the last five years, we received allegations that bribery of foreign public officials influenced decisions on nearly 300 major commercial contracts valued at about \$145 billion.

Commerce staff are working closely with USTR and State to bring this agreement to the point at which it can be adopted in Seattle. We are making good progress, and a growing number of countries are signing on to the idea.

LABOR AND ENVIRONMENTAL PRIORITIES

While globalization and trade liberalization contribute to prosperity, there are consequences to such growth that must be addressed. Market expansion, economic interdependence and globalization also cause severe dislocations. The answer is not

to revert to protectionism, or to halt globalization—but to address the concerns of those not riding the tide of prosperity.

The National Trade Education Tour that I have been conducting around the United States has shown clearly the extent of concern. Americans are concerned that trade rules disadvantage them and do not address certain disruptions and concerns. People see layoffs, not payoffs, when it comes to trade. They also believe that trade rules are set in disregard of the concerns of consumers and workers and are generated in invisible ways giving people no voice in the process that so vitally affects their economic future. The WTO process must be made more human and transparent. People must be able to see and understand that the global trade system works for them and the environment in which they live.

We know that one measure of the success of the world trading system must be whether workers benefit from the economic growth and development that trade can bring. In the WTO's First Ministerial Conference in Singapore, WTO members renewed their commitment to the observance of core labor standards. While this was an important first step, it is time to build on that agreement and move forward. More work is needed in the WTO to assist governments and business as they grapple with the troublesome issues of globalization and adjustment. We want a work program in the WTO which addresses trade issues and their nexus with labor issues, including further work on how the implementation of core labor standards affects trade flows. We want to see elimination abroad of exploitative child labor and increased respect for internationally recognized core labor standards. We also support closer cooperation between the WTO and the International Labor Organization to facilitate work on both trade and labor. The Administration will be introducing a proposal in the near future with specifics on how to move forward on this issue.

The President's Export Council has made its views known on this important issue in its letter this week. Let me quote from it.

"The PEC believes that the development of the global trading system must proceed in parallel with efforts to ensure respect for core labor standards and its results must include benefits for working people in all nations. The Singapore Declaration of core labor standards was an important first step . . . More work is warranted as governments and business grapple with the complex issues of globalization and adjustment. There is a mutually reinforcing relationship between core labor standards and trade liberalization so that adherence to such standards does not negatively affect the economic performance of developing countries." Along with its other recommendations on this issue, I think the PEC has made a tremendous contribution to progress, Mr. Chairman. It is a significant step.

The key motivating factor for our efforts of course is to simply do what is right for workers here and elsewhere. But a second benefit of our efforts will be to increase public support for further trade liberalization efforts. It is clear that a more comprehensive global trading system can indeed be achieved if there is confidence worldwide among workers that their rights and standards of living will not be jeopardized. The WTO must also become more transparent in its workings, and interest groups must be able to voice their views and see how the process works.

We must also be able to show that the trading system supports high environmental standards. Trade and protection of the environment must be mutually reinforcing, and we must ensure that trade liberalization contributes to sustainable development. We have proposed using the WTO's Committee on Trade and the Environment (CTE) to identify and discuss the environmental implications of the round.

The CTE, without serving as a negotiating forum, can provide important input into both national deliberations and the actual negotiations as it reviews environmental issues in all areas of the round on a continual basis. Further, the United States has also committed to perform a written environmental review of the likely consequences to the environment of the new round. The review will allow for public input and will be sufficiently early in the process to take the potential positive and negative environmental effects into account as we formulate our positions.

Additionally, we are seeking concrete accomplishments that will benefit the environment. I would like to single out one particular goal that the Commerce Department, particularly given its role in fisheries, is seeking in the new round—the worldwide elimination of trade-distorting and environmentally-harmful fisheries subsidies. Recent studies by the FAO have highlighted the dire condition of global marine resources: over 60% of the world's fisheries are either fully exploited, over-exploited, depleted or slowly recovering from the effects of over-fishing. World Bank reports highlighted the large scale of government subsidies in this sector—about \$14-20 billion annually. These subsidies lead to overcapacity in this sector and are one of the causes of the depletion of fisheries resources. These subsidies are also trade-distorting: they lead to overproduction and encourage inefficient producers to remain in the market. Elimination of agricultural export subsidies will also benefit

the environment. As another concrete accomplishment, the elimination of tariffs on environmental goods and substantial liberalization of environmental services will also directly contribute both to economic growth and development, as well as environmental protection.

ASSISTING SMALL EXPORTERS

One thing that has not been stressed enough in previous trade rounds is the role of small business in global exports. The day is long gone when exporting was important only to the Fortune 500. While most of the dollar value of exports still comes from large firms, the vast bulk of exporters are small and medium-sized firms. In fact, a study that the Commerce Department conducted jointly with the Small Business Administration shows that of the 113,000 U.S. enterprises engaged in exporting, 97 percent are small and medium-sized firms. Helping small businesses export is one of the central missions of the Commerce Department. If we are to succeed in expanding the contribution of exports to our economic growth, we need to enlist the drive and creativity of America's small business sector.

These firms will certainly benefit from the trade liberalization goals we have outlined as priorities for the new round, but in the Commerce Department's discussions with smaller firms it is clear that the present complexity of customs and other trade procedures are in themselves a huge trade barrier. Small companies tell us that one of their most important needs is the simplification of customs clearance procedures, with lower costs and faster clearance of goods through customs. Improving customs and other procedural aspects of trade goes by the term "trade facilitation." In July the United States tabled a proposal in Geneva with specific ideas on how to make progress in this important area.

The costs of transacting small amounts of trade will become an even more important factor as e-commerce grows and smaller firms become even more significant in international trade. Work in this area will also benefit firms from less advanced economies and allow them to participate more effectively in the global economy.

CONCLUSION

Mr. Chairman, we are on the verge of launching a new trade round that will build, to a great extent, on the sound framework created by previous rounds. I am working closely with our private sector, directly and through our advisory committees, to ensure that the new negotiations will strengthen the multilateral trade framework necessary for America to increase its exports and to thrive into the 21st century. At the same time, I recognize the need to address the voices of our other stakeholders—our workers, consumers, and environmentalists—to ensure trade does not undermine our other vital goals.

Through my National Trade Education Tour, I have been working intensively with all of these stakeholders to form a domestic consensus for trade which is so essential to continued trade liberalization. It would be more than unfortunate—it would be economically disastrous—to allow misinformation and misplaced apprehension to divert us from action which has repeatedly been shown to be most productive for the country. That is why I continue to reach out in an effort to begin to bridge the differences among the groups and forge a national consensus on the importance of trade for America's continued prosperity.

THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230

September 22, 1999

The Honorable William J. Clinton
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

The upcoming World Trade Organization (WTO) Ministerial Meeting in Seattle represents a unique opportunity for your Administration, and for the United States, to advance the principles of trade liberalization and support for the rule of law that have been the hallmark of U.S. trade policy for the past fifty years. Seattle also provides an ideal opportunity to launch a much needed public education campaign to restore an appreciation for global trade to sustain and enhance America's future prosperity. The PEC's recent experience with the national trade education tour has demonstrated the critical need for this effort. We urge you to take advantage of the Seattle Ministerial to further the mission of defining a national consensus on free and fair trade.

As members of your Export Council, we have been working to help define guiding principles for the Seattle Ministerial, as well as recommendations relating to key objectives which we believe should be part of the Ministerial declaration launching a new round of multilateral trade negotiations under the auspices of the WTO. The results of our deliberations follow.

The PEC strongly believes that a critical component of America's economic prosperity is nurtured by trade growth and stimulated by trade liberalization, although there are social consequences that accompany such growth that must be addressed. The WTO, and its precursor, the General Agreement on Tariffs and Trade (GATT), have helped stimulate economic expansion by ushering in fifty years of declining tariffs, setting ground rules for and reducing barriers to trade in both agricultural and industrial goods, while at the same time recognizing the need to maintain safeguard and other measures to respond to unfair trade practices. The Uruguay Round covered for the first time trade related intellectual property rights and services, brought agriculture under GATT rules, and established a meaningful WTO dispute settlement system.

The WTO is the leading engine for trade liberalization worldwide. It is imperative that we use the opportunity presented at Seattle to improve, extend, enforce and clarify WTO principles. Advancing the cause of further liberalization is an obligation, not a choice. Ninety-six percent of the world's population lives beyond America's borders, and technological advances in communications render these borders increasingly irrelevant in defining the marketplace where Americans must compete. As the world's economic pacesetter, our commitment to renewing America's national consensus for trade liberalization signals to the rest of the world that the U.S. intends to maintain its leadership in the marketplace and at the negotiating table.

Our discussions within the PEC, among our labor, business and Congressional members, yielded recommendations in six key areas concerning the Seattle Ministerial and beyond:

1. Using Seattle as a Vehicle to Advance National Trade Consensus

- **To strengthen public support for further global trade liberalization, the launch of new multilateral trade negotiations necessitates an ambitious public education campaign.** The campaign should explain the nexus between trade – exports *and* imports – and a healthy, balanced US economy.

2. Launching the Seattle Round

A critical objective of the WTO Ministerial Conference is the launching of the new round of negotiations on the built-in agenda under the Agreement on Agriculture and the General Agreement on Trade in Services. The Members of the PEC encourage the negotiators to keep three key objectives in mind for these negotiations:

- **The length of the negotiating period should be no more than three years and schedules for the implementation of commitments should be similarly compressed.** The timing must reflect the shortening of business cycles as a result of developments in technology. The Uruguay Round started in 1986 -- but the negotiations were not concluded until 1993, and the WTO Agreements did not enter into force until 1995 -- almost a decade later. Moreover, the phase-in of many important tariff benefits will not be completed until 2005.
- **The scope of the negotiations must be broad enough to encompass not only the built-in agenda for agriculture and services, but also other important trade issues facing U.S. businesses today.** Among other issues, this would include improved market access for industrial goods, the streamlining of customs procedures (i.e., trade facilitation), and a broadening of the government procurement agreement. Given that any improvements to the existing WTO Agreements and commitments must be undertaken on the basis of a single undertaking, the scope of the negotiations also must be sufficiently broad to provide the basis for a successful conclusion. In addition, negotiators should strive to complete negotiations on specific issues and begin implementing results throughout the course of the negotiations, as long as this does not jeopardize their ability to reach agreement in more difficult areas and there is a mechanism in place for suspending implementation, if needed. This does not mean, however, that concrete progress towards further trade liberalization cannot be achieved at the Seattle Ministerial or early in the new round. Decisions should be taken at Seattle to conclude work on the pending accelerated tariff liberalization initiative (ATL), the Information Technology Agreement-II (ITA II), dispute settlement, e-commerce, transparency -- including transparency in government procurement, trade facilitation, and trade in food.
- **The Ministerial Declaration should establish basic ground rules for the negotiations.** The Ministerial Declaration must establish that new commitments should exceed -- but in

no case be less than -- members' existing levels of trade liberalization. The Ministerial Declaration should also include a standstill agreement to ensure that members do not move backwards during the negotiating period.

3. Ensuring Enforcement and Implementation of Agreements

- **Strong enforcement and timely implementation of existing WTO obligations is critical to gaining US public support for new agreements.** Many Americans believe that trade agreements are implemented and enforced only by the United States and therefore provide benefits only to our trading partners. This growing perception has played a role in undermining support for further trade liberalization. The PEC urges the Administration to use the Seattle Ministerial to highlight the importance of fully implementing WTO commitments. In particular, the Administration should ensure that developing country members are prepared to fully implement by January 1, 2000 phase-in obligations under the Agreements on the Trade Related Aspects of Intellectual Property Rights (TRIPs), Trade Related Investment Measures (TRIMS), Subsidies and Countervailing Measures, and Customs Valuation. The launching of the new round *must not* be conditioned on an extension of time to implement existing WTO obligations. If countries do not take steps to implement their obligations, the U.S. government must be ready to use the dispute settlement mechanism to enforce timely compliance.
- **Improvements in the implementation of the results in WTO disputes are needed.** The WTO dispute settlement system is the primary mechanism for enforcing the WTO obligations. Some countries, however, have not implemented dispute results in a full and timely manner -- thus perpetuating the impression that only the United States complies with our WTO obligations. The Administration should ensure that the WTO's ongoing review of the WTO dispute settlement system clarifies the timeframes for completing disputes and implementing the results, as well as the consequences for failing to implement the results in a timely manner.
- **Full implementation of TRIPS obligations must be one of the Administration's top priorities.** The TRIPS agreement has ushered in a new era of protection for intellectual property around the globe, but its benefits will not be fully realized unless there is full and timely implementation of all TRIPS obligations. The Administration should use the built-in review process of the TRIPS Agreement as well as its own monitoring efforts to identify and act on implementation problems. This review may make it premature to begin comprehensive negotiations on TRIPS at the start of the new Round. Following the review process, the Ministers may decide that further negotiations to strengthen the TRIPS Agreement are appropriate.
- **The PEC urges the Administration to exercise leadership in providing and/or facilitating assistance and training to help emerging economies to comply with WTO requirements.** We strongly support the development of programs such as USAID's "Partnerships for Industry Development" (PFID). This cooperative program between

universities, the private sector, NGO's and USAID will help governments and industry in emerging economies to come into compliance with the WTO Sanitary and Phytosanitary (SPS) Agreement and other international food safety and quality standards. We also would urge a review of how of multilateral institutions and regional banks could provide technical assistance to countries struggling to implement WTO and other liberalization agreements.

4. Improving Transparency

- **Improvements in the transparency of the WTO, especially in the dispute settlement system, are critical to further developing confidence in the WTO's open rules-based trading system.** These improvements, however, should not alter the requirement that only WTO member-governments may be parties to a dispute. The WTO dispute settlement system must become more open at each stage:
 - Briefs must be made public upon submission;
 - Meetings with the panel and appellate body must be open to the public;
 - Business and other NGO's must be permitted to submit *amicus curiae* briefs;
 - Dispute results must be made public at the time the results are released to parties.
- **The Administration must exert all efforts to add or improve transparency requirements in the WTO agreements to ensure that members comply with these agreements.** WTO members need to commit themselves to further transparency in their own legislative/regulatory processes to further their commitments to an open rules-based trading system. WTO members, as well as the individuals and businesses that are affected by government actions, need to have a legitimate opportunity to comment and have access to measures affecting trade. Members have the opportunity to genuinely demonstrate their commitment to transparency by concluding the Agreement on Transparency for Government Procurement in time for the Seattle Ministerial.

5. The Built-In Agenda on Agriculture and Services

Liberalizing Trade in Agriculture

- **The new round should bring liberalization in trade in agricultural products in line with other goods and services.** Bound agricultural tariffs currently average over 40 percent, which is roughly the equivalent to the average industrial tariffs at the end of World War II. The Uruguay Round Agreement, which included agriculture for the first time, laid the foundation for the new round of negotiations to expand, liberalize and stabilize trade in food and agricultural products. By eliminating barriers to trade in food, the best areas for growing food (such as the United States) can be linked with areas of the world where food is needed, providing a growing world population with more, cheaper and better food and the foundation for sustainable, environmentally sound agriculture. As a consequence, consumers will spend less on food and have more resources available to spend on other goods, including imported manufactured products, for a better life.

Several specific negotiating positions will further this effort:

- The average tariff rates for food are significantly higher than for non-food products, averaging 50 percent by value, and need to be reduced to levels enjoyed by industrial goods. U.S. negotiators should insist on a trade negotiating formula that will lead to significant reductions in tariff peaks rather than a simple percentage reduction across the board. Where possible, the negotiators should seek "zero-for-zero" concessions in specific agricultural sectors.
- The administration should seek expanded two-way food trade flows based on agricultural specialization along lines of resource endowments. This will require special assurances of access to food supplies on a non-discriminatory basis.
- Agriculture continues to suffer from trade-distorting domestic measures. The negotiations should work for rules that allow countries to support their farmers only in non-distorting ways. Export subsidies for agricultural commodities need to be eliminated and state trading and other non-market activities need to be disciplined through effective competition and choice.
- The WTO negotiators should seek enforcement of food safety standards based on scientific knowledge and assessment (i.e., not arrived at through an arbitrary political process), including market access for products of biotechnology. Issues of consumer choice should be addressed in ways that minimize trade distortions.

Liberalizing Trade in Services

- **The next round of trade negotiations should focus on expanding coverage of the General Agreement on Trade in Services.** This expansion can be achieved by:
 - Increasing the number of members that make sector-specific services commitments;
 - Expanding the depth of each member's commitments to ensure full market access and national treatment; and
 - Bringing new services under the scope of the agreement.
- In addition, the negotiations should improve existing obligations requiring transparency and fairness in government regulations to ensure that service suppliers have adequate opportunities to review and comment on proposed measures and to access final measures affecting trade in services. The United States also should ensure that negotiations guard against action that could impede the development of e-commerce.

6. Exploring the Links Between Trade and Labor

- **The PEC believes that the development of the global trading system must proceed in parallel with efforts to ensure respect for core labor standards, and its results must include benefits for working people in all nations.** The Singapore Declaration of core labor standards was an important first step in heightening attention to the intersection between trade and core labor standards. More work is warranted as governments and business grapple with the complex issues of globalization and adjustment. There is a mutually reinforcing relationship between core labor standards and trade liberalization so that adherence to such standards does not negatively effect the economic performance of developing countries.
- **We commit our resources to address trade issues relating to labor standards and in areas where members of the WTO would benefit from further information and analysis on this relationship and developments in the ILO.** Building a consensus about the importance, to all nations, of a more comprehensive global trading system can be achieved if there is confidence worldwide among workers that their rights and standards of living will not be jeopardized. We further urge consideration of specific institutional links between the ILO and the WTO to help facilitate a common agenda on issues of concern of both organizations.
- **We recommend that the Administration initiate a program through the Department of Labor, similar to the Department's child labor investigation, to analyze the linkages between core labor standards and international trade as related to a broader social integration of nations.** This will help enhance public awareness of the subject and in developing a national consensus. It will also facilitate discussions in other organizations such as the PEC.
- **Further movement on trade liberalization must also proceed in parallel with a serious review of the efficacy of existing trade adjustment assistance programs.** The Administration and Congress must develop adjustment assistance programs which recognize the realities of trade-displaced workers. Such realistic assistance programs must include private sector participation to ensure job-training programs provide displaced workers the skills the marketplace requires. We recommend the Administration, Congress and the private sector develop and implement an adjustment assistance program which anticipates the needs of displaced workers, providing stable resources, training and education which rapidly prepares displaced workers for employment.

In closing, Mr. President, we commit ourselves, both individually and collectively, to assist you in this undertaking. Exercise of Presidential leadership to extend the free trade agenda is clearly in the national interest. Your commitment to launch WTO negotiations is imperative. While this is necessary, it is not sufficient to sustain economic prosperity in this country. Success requires skillful negotiators and a wise and comprehensive trade policy that marries negotiations at the WTO together with negotiations in other venues, a social contract that nurtures a skilled workforce in a dynamic economy, and an effective education campaign to explain the economic and social value of trade.

Sincerely,



C. Michael Armstrong
Chairman

PREPARED STATEMENT OF HON. DAN GLICKMAN

Mr. Chairman, members of the Committee, I am pleased to appear before the Committee with Ambassador Barshefsky and Secretary Daley to discuss the new round of multilateral trade negotiations on agriculture under the World Trade Organization (WTO).

IMPORTANCE OF TRADE TO U.S. AGRICULTURE

These are very difficult times for our farmers and ranchers. Nearly four straight years of record production worldwide; financial problems in Asia, Russia and elsewhere contributed to depressed commodity prices. In some cases, prices have fallen to 30-year lows. The anguish and doubt among farmers in the United States is as great as I have seen during my time as Secretary. I know each of you faces similar problems with your own farmers and ranchers.

The key lesson from the last four years is the critical significance of trade to our farm economy. Although boosting exports will not happen overnight and we cannot export our way out of today's crisis, we must look to overseas markets for the long term. Agriculture is already more reliant on exports than other sectors of the economy as a whole. This reliance is projected to grow.

Accordingly, we need an open and fair trading system and reliable markets. Do not take my word for it, look at the facts. The true test came in late 1997 and 1998 when 40 percent of the economies in the rest of the world stumbled badly. We are not out of the woods yet, but we are seeing positive signs in Japan, South Korea, and Southeast Asia. As a result, the Department of Agriculture (USDA) is forecasting a slight increase in U.S. agricultural exports in fiscal year 2000—to \$50 billion.

U.S. GOALS FOR AGRICULTURE

In his last State of the Union address, President Clinton called on all the nations of the world to tear down barriers, open markets, and expand trade; he said "we must ensure that ordinary citizens in all countries actually benefit from trade."

Nowhere is this more important than in agriculture. That is why the United States has developed a bold agricultural agenda for the next round of WTO negotiations that includes:

- The elimination of export subsidies, which make for unfair trading practices and depress world commodity prices;
- Further reduction of worldwide tariffs, which average about 50 percent on agricultural goods in other parts of the world as compared to about 8 percent in the United States;
- The expansion of market access under tariff-rate quotas (TRQs).
- Developing disciplines on State Trading Enterprises (STEs) so that their operations do not distort trade;
- The facilitation of trade in products of biotechnology; and
- Opposing the opening of the Sanitary and Phytosanitary (SPS) Agreement to ensure the continued effectiveness of the rules governing SPS measures, so that regulations are based on scientific data and analysis and nations cannot mask protectionism behind unvalidated, secretive studies.

Since we first outlined these goals, we at USDA have sought advice and ideas from all segments of our agricultural industry through 12 listening sessions as we develop our U.S. agricultural trade policy goals for the next round.

USTR and USDA continue to work through the Agricultural Policy Advisory Committee and the five Agricultural Technical Advisory Committees for Trade to gather advice on the U.S. negotiating strategy. We will continue to meet in Washington, DC with all six committees leading into the Seattle ministerial in November. I am pleased to report that we are engaged in a full interagency effort—Commerce, State, Labor, Treasury, and other cabinet agencies are well steeped in the efforts to pursue America's agricultural agenda.

As we plan our negotiating strategy, we also are consulting with other countries. In August, I traveled to Argentina to attend the Cairns Group meetings in Buenos Aires. Tomorrow, I will be meeting with the agricultural ministers of Canada, the European Union (EU), Australia, and Japan as part of the Quint Group in Montreal, Canada, to exchange ideas and their perspectives on the next round. While we have many allies in our quest for freer and fairer world agricultural trade, there is, of course, considerable opposition. There are powerful voices who see agricultural trade not as a win-win situation, but as a zero-sum game where the exporter wins and the importer loses.

Both the U.S. and Chinese economies will benefit if the most populous country in the world participates in the new round. China's accession to the WTO would hasten its integration into the world economy and complement our efforts to maintain stability in the Pacific by linking China's economy more closely with the rest of the world's.

A sound agreement with China will open Chinese agricultural markets to U.S. exporters, strengthen the world trading system, and give U.S. farmers and other agricultural interests stronger protection against unfair trade practices and import surges. The principles of the WTO—transparency, fair trade practices, peaceful settlement of disputes, the rule of law—are those we hope to advance in China and worldwide.

Our trade relationship with the EU illustrates the need for the agricultural reforms that I mentioned before. Earlier this year, in its Agenda 2000 proposal, the EU retreated from fundamental reform of its domestic agricultural policies. These policies have invariably led to the continued use of export subsidies and domestic support programs that distort world prices and agricultural trade. Other countries have also called on the EU to restructure its farm policies—in particular to eliminate EU export subsidies. The Cairns Group has joined us in calling for the elimination of export subsidies.

The EU has yet to comply with WTO rulings on lifting the ban on imports of U.S. beef from hormone-treated cattle and on its banana import regime. It is important for the integrity of the system that all WTO members, including the EU, honor their international obligations.

In biotechnology, the EU's slow pace, indecision, and failure to develop a consistent, science-based approval process have disrupted trade and threaten to constrain innovation in one of the most promising new technologies for ensuring future global food security. Under the rule-based system of the relevant WTO agreements, countries must base their policies on science. To do otherwise will lead to trade chaos and thwart progress for agricultural issues in the next round.

CONCLUSION

Mr. Chairman, everyone in this room knows the importance of trade to U.S. agriculture. In the recent past, we've been sobered by a global financial crisis that has devastated many of the emerging Asian economies, as well as impacted Japan, and softened demand in Russia. While we are seeing some strengthening in the Asian economies, we continue to face global oversupply of many commodities that has sent prices plunging to their lowest levels in years. We have learned that our farmers cannot rely entirely on trade as their only safety net, but we must continue our efforts to reform world agricultural trade so they have new, more open markets and a level playing field.

As President Clinton said earlier this year in Chicago:

We ought to continue to expand trade. We ought to enforce our agreements more vigorously. But I do not believe that a country with 4.5 percent of the world's people can maintain its standard of living if we don't have more customers.

To realize the potential of the global marketplace, we have a lot of work ahead of us. We must construct a world trading system where every producer gets a fair shake and where all products, goods and services are traded freely across oceans and continents.

In the next round of WTO negotiations agricultural trade will be the focal point, and we will be working hard to help American agriculture maintain and expand our export markets overseas.

Mr. Chairman, that concludes my statement. I would be happy to answer any questions the committee may have.

[QUESTION FOR THE RECORD, SUBMITTED BY SENATOR ORRIN G. HATCH]

As a supporter of free trade, I fully understand that free trade must also mean fair trade. The antidumping and countervailing duty laws which we fought so hard for during the Uruguay Round are the cornerstone of fair trade and an open-market policy. These rules don't target fairly-traded imports. Rather, they target those unfairly-traded imports—that is, dumped and subsidized imports—that disrupt the U.S. market and other markets worldwide.

I have seen firsthand in my state the devastating effects of illegally-traded goods. Two of the most significant industries in my home state—the semiconductor and steel industries—have been injured by unfairly traded imports. For these industries, like so many others across America, the antidumping and countervailing duty laws have served as the last line of defense. Without them, thousands upon thousands of American jobs would be lost permanently.

Realizing the vital importance of these laws to American industry, can you ensure us that the U.S. will not permit the antidumping and countervailing duty rules to be put on the Seattle Ministerial agenda or be the subject of negotiations between the U.S. and other WTO negotiators?



COMMUNICATIONS

STATEMENT OF THE ALUMINUM ASSOCIATION, INC.

Mr. Chairman and Members of the U.S. Senate Finance Committee:

The Aluminum Association appreciates the opportunity to present its views on the U.S. negotiating objectives for the multilateral negotiations that will follow the WTO Seattle Ministerial Meeting.

The members of The Aluminum Association are domestic producers of primary and secondary ingot, aluminum mill products and castings. Mill products include sheet and plate, foil, extrusions, forgings and impacts, electrical conductor, and wire, rod and bar. The membership also includes producers of master alloys and additives and aluminum pigments and powders.

The association is a primary source for statistics, technical standards and information on aluminum and the aluminum industry in the United States. Member companies operate approximately 300 plants in 40 states.

OVERVIEW

The members of the Aluminum Association are fully committed to a fair and open world market for aluminum. We believe strongly that tariff elimination or reduction should occur only as the result of the mutual agreement of all the parties to a tariff negotiation, such as the up-coming WTO Seattle Round, and only over a multi-year phase-in period.

BACKGROUND

The aluminum industry is global. The largest aluminum producers are multinational companies with production, fabricating and distribution facilities around the world. During 1998, world aluminum production totaled an estimated 22.1 million metric tons.

The leading producing countries include the United States, Russia, Canada, the European Union, China, Australia, Brazil, Norway, South Africa, Venezuela, the Gulf States (Bahrain and United Arab Emirates), India and New Zealand; together they represent more than 90 percent of the world primary aluminum production.

The major uses for aluminum are transportation, packaging and building and construction and the largest markets are North America, Europe and East Asia.

The U.S. is both a major importer and exporter of aluminum. Approximately 31 percent of the U.S. supply of aluminum was imported from foreign producers in the form of primary ingot and scrap from Canada, Russia, Venezuela and Mexico and mill products from Canada and the EU. U.S. exports amounted to 13 percent of U.S. producer shipments in the form of ingot, scrap and mill products primarily to Canada, Mexico and East Asia including Japan and Latin America.

Excluding NAFTA trade, the EU accounted for approximately 55 percent of U.S. mill products imports and only 17 percent of U.S. exports. East Asia (China, Hong Kong, Japan, Korea and Taiwan) accounted for 15.5 percent of U.S. imports and consumed 30 percent of U.S. exports. Latin America accounted for 10 percent of U.S. imports and 40 percent of U.S. exports.

A substantial part of U.S. exports to the EU are shipments which are duty free under the Civil Aircraft Agreement.

The attached tables and charts provide comparisons of U.S. aluminum imports and exports for 1998 by region. Also attached are tables showing U.S. imports and exports for 1998 by product and country.

ANALYSIS

The members of The Aluminum Association are firm believers in the objective of trade liberalization. They have long supported open and fair trade. They have seen

the benefits from the elimination of tariffs and non-tariff measures under NAFTA and from the decision by the government of Japan in 1987, to achieve parity with U.S. tariffs on aluminum ingot, scrap and sheet and plate.

The members of the association fully understand that the Agreement on Civil Aircraft, which provides for duty free access to the EU for aircraft parts, has enabled them to compete for business in the EU aircraft market.

The potential growth of markets in Asia and Latin America promises opportunities now and, even more so, in the future. The realization of that potential can only be redeemed when tariffs and other impediments to access to those markets have been significantly reduced or eliminated.

As circumstances now stand, that realization will be delayed as long as high tariffs are maintained on aluminum and products made with aluminum.

U.S. tariffs range from zero on ingot and scrap to 2.7 to 6.5 percent on most mill products. The tariff on aluminum can sheet, which is the largest single aluminum mill product consumed in the U.S. is three percent. By contrast EU aluminum tariffs are six percent on ingot and 7.5 percent on mill products. Tariffs in Japan are zero on ingot, the same as the U.S. for some categories of sheet and plate and 7.5 percent or more on all other mill products. For most developing countries aluminum tariffs are in excess of 10 percent with many significantly higher than that.

CONCLUSION

It is highly unlikely that any of our trading partners will voluntarily reduce their bound aluminum tariffs, except as the result of an agreement reached during trade negotiations. Therefore, we recommend that, with respect to aluminum, the objective of the WTO Seattle Ministerial Meeting be to achieve:

an agreement by all major aluminum producing and consuming countries to eliminate tariffs and other impediments to trade in aluminum by phasing out those tariffs or other impediments, over a reasonable period of time, by a date certain, to be determined through multilateral negotiations.

We thank you for this opportunity to express our views on this important subject.

Attachment.

U.S. ALUMINUM EXPORTS BY REGION—1998

(Millions of Pounds)

Region	Total	Ingot	Scrap & Dross	Mill Products
North America	2,328	445	480	1,404
Latin America	320	6	3	311
European Union	143	8	5	131
Other Europe	12	*	*	11
East Asia	834	146	457	231
Other Asia	86	3	9	74
Oceania	13	1	*	12
Africa	5	*	*	5
Total	3,743	610	954	2,179

Source: U.S. Department of Commerce.

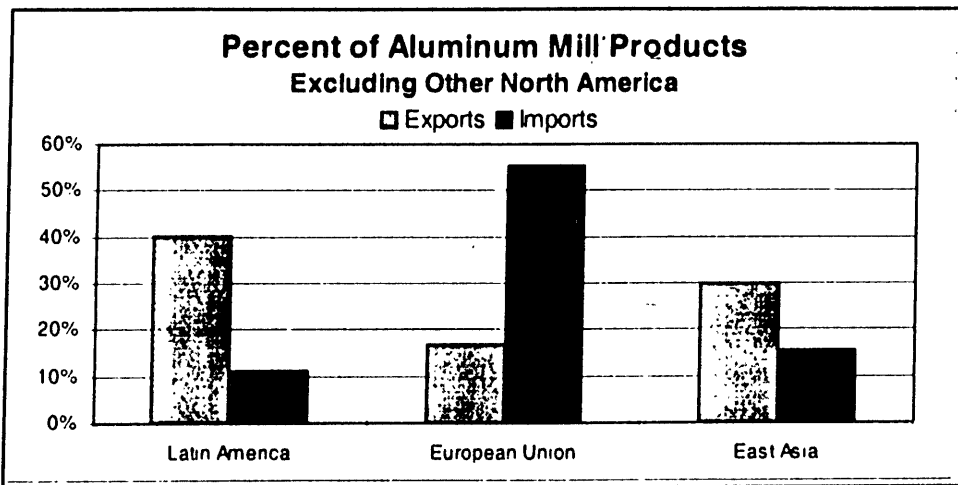
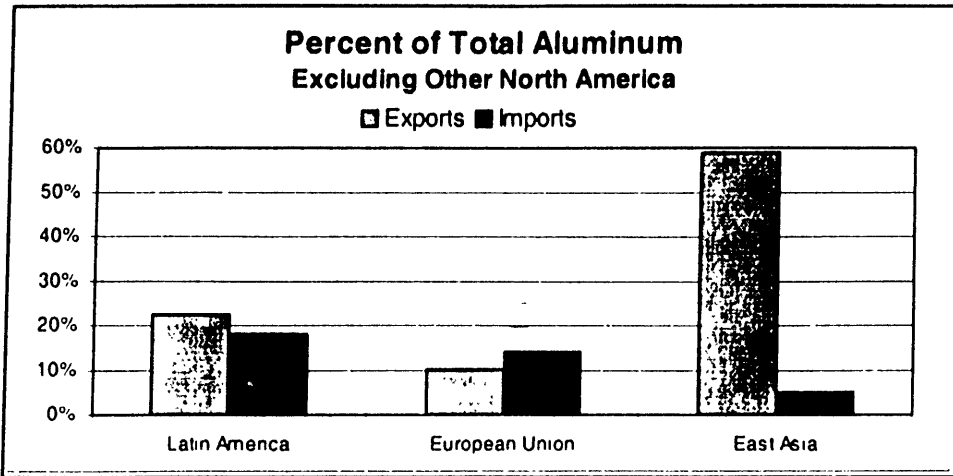
U.S. ALUMINUM IMPORTS BY REGION—1998

(Millions of Pounds)

Region	Total	Ingot	Scrap & Dross	Mill Products
North America	5,043	3,177	794	1,072
Latin America	604	389	139	75
European Union	469	37	58	374
Other Europe	1,679	1,541	73	65
East Asia	164	49	10	105
Other Asia	180	79	69	33
Oceania	151	144	1	6
Africa	52	34	2	16
Total	8,342	5,449	1,146	1,747

Source: U.S. Department of Commerce.

ATTACHMENT



U.S. Foreign Trade Statistics

United States Imports by Product and Country

United States Imports by Product and Country — 1998

Country	Total	Ingot	Scrap Dross & Skinnings	Semi- fabricated Products	Sheet	Plate	Circles & Discs
TOTAL	8,341,753	5,449,468	1,145,746	1,746,540	1,030,452	134,732	19,101
NORTH AMERICA	5,043,016	3,177,423	793,929	1,071,665	615,220	40,074	5,266
Canada	4,837,430	3,176,005	616,039	1,045,387	613,361	40,052	646
Mexico	205,586	1,418	177,890	26,278	1,859	21	4,619
LATIN AMERICA	603,562	389,176	138,980	75,405	55,290	124	636
Argentina	56,339	50,440	3,847	2,052	1,291	79	—
Brazil	124,192	100,780	20,711	2,701	672	—	—
Colombia	19,616	22	18,448	1,147	—	—	—
Costa Rica	10,398	—	6,105	4,293	157	—	—
Panama	15,743	1,340	13,832	571	40	—	—
Venezuela	342,221	236,505	41,376	64,340	53,094	46	636
Other	35,053	90	34,661	302	45	**	—
EUROPEAN UNION	469,287	36,682	58,172	374,433	203,872	80,223	6,956
Austria	18,857	3,032	—	15,825	11,283	4,432	50
Belgium	18,499	2,892	1,226	14,391	3,049	2,510	4,732
Denmark	267	19	—	244	—	1	26
Finland	198	89	—	109	31	—	—
France	51,768	656	17,299	33,812	8,537	18,910	523
Germany	162,434	3,547	3,236	155,651	81,722	37,059	189
Greece	26,782	334	—	26,448	25,066	285	1,023
Ireland	54	2	—	52	—	32	—
Italy	12,031	151	491	11,386	7,138	1,225	1
Luxembourg	5,561	—	—	5,561	5	1	—
Netherlands	15,964	1,639	4,401	9,924	7,950	44	—
Spain	24,654	5	3,437	21,211	17,184	1,062	23
Sweden	27,253	244	1,429	25,579	9,893	9	—
Switzerland	6,750	637	—	6,113	2,451	1,574	265
United Kingdom	98,216	23,431	26,652	48,132	29,583	13,061	124
OTHER EUROPE	1,679,011	1,541,461	72,911	64,638	31,681	7,158	89
Hungary	17,599	2,816	—	14,783	11,761	28	—
Norway	11,935	9,642	691	1,603	927	140	—
Russia	1,533,887	1,435,864	62,665	35,359	18,541	6,658	89
Slovenia	10,615	—	—	10,615	172	222	—
Tajikistan	45,717	45,717	—	—	—	—	—
Turkey	5,529	—	5,360	169	120	9	**
Ukraine	49,601	46,684	2,917	—	—	—	—
Other	4,127	738	1,279	2,110	161	101	—
EAST ASIA	163,992	48,573	9,937	105,483	74,544	5,822	5,405
China PRC	56,819	46,057	569	10,184	1,673	3,515	—
Hong Kong	5,454	—	293	5,161	241	—	4,503
Japan	63,410	853	2,956	59,601	49,253	1,330	868
Korean Republic	34,374	1,533	6,080	26,761	22,942	975	19
Taiwan, ROC	3,936	120	39	3,775	435	1	15
OTHER ASIA	180,085	78,507	68,807	32,771	31,330	60	—
Arab Emirates	61,287	50,035	11,116	136	49	—	—
Bahrain	34,098	2,602	142	31,354	31,151	—	—
India	22,636	21,136	992	509	24	60	—
Kuwait	20,961	—	20,961	—	—	—	—
Malaysia	14,925	1,693	13,070	182	15	—	—
Saudi Arabia	17,026	2,620	14,289	117	7	—	—
Thailand	3,436	335	3,075	26	7	—	—
Other	5,715	85	5,162	468	83	—	—
OCEANIA	150,946	143,982	524	6,441	5,666	582	—
Australia	125,633	119,644	88	5,901	5,132	582	—
New Zealand	25,057	24,338	179	539	535	—	—
Other	257	—	257	—	—	—	—
AFRICA	51,854	33,664	2,486	15,704	12,841	689	749
Egypt	4,193	—	—	4,193	3,882	—	311
Ghana	3,925	—	1,348	2,577	2,460	117	—
South Africa, Rep.	43,488	33,664	1,033	8,792	6,400	573	438
Other	248	—	105	142	99	—	—

Detail may not add to totals due to rounding
** Less than 500 pounds

Note: Figures reflect information provided by importers and exporters on U.S. Customs Service documentation and may include misclassifications of products.
Source: U.S. Department of Commerce, Bureau of the Census

Thousands of Pounds

Foil	Rod & Bar	Wire	ACSR & Bare Cable	Angles Shapes & Sections	Pipes & Tubes	Powder & Paste	Castings	Forgings
112,919	252,691	17,356	28,602	97,439	25,582	11,452	12,339	3,874
45,714	218,574	12,628	17,279	92,939	19,183	3,487	3,137	184
45,370	214,948	12,627	16,999	83,355	13,172	3,376	1,409	71
343	1,627	1	280	9,584	5,990	112	1,728	113
5,744	1,151	1,727	9,598	819	28	1	284	--
--	--	682	--	--	--	--	--	--
1,609	--	--	409	--	--	--	11	--
--	--	--	974	173	--	--	--	--
4,134	2	--	--	--	--	--	--	--
--	--	--	--	532	--	--	--	--
--	1,149	1,048	8,212	115	25	--	18	--
--	--	--	--	--	--	1	256	--
54,337	11,729	2,125	491	2,785	4,181	5,859	1,248	648
1	4	7	--	--	--	25	--	23
786	2,877	18	118	9	208	74	--	1
--	--	--	--	48	187	8	--	--
--	21	--	--	52	--	--	4	--
2,709	928	124	--	913	749	289	6	144
29,944	1,057	549	5	973	2,249	1,747	146	12
--	3	--	--	32	39	--	--	--
--	--	--	--	--	1	18	--	--
129	2,103	82	--	132	42	11	516	7
5,274	--	--	275	7	--	--	--	--
7	1,792	69	--	14	22	18	8	--
2,174	42	1	--	158	--	--	132	436
11,945	17	15	6	128	18	3,478	77	--
892	480	114	1	135	177	2	21	1
478	2,404	1,145	87	188	491	211	338	22
175	21,387	--	--	592	67	331	315	2,843
--	1	--	--	--	--	127	23	2,843
--	--	--	--	535	--	--	--	--
95	9,877	--	--	--	52	--	46	--
40	9,914	--	--	56	--	205	6	--
--	--	--	--	--	--	--	--	--
40	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	1,593	--	--	--	14	--	240	--
5,800	1,801	789	1,100	205	2,042	1,380	6,418	199
2,305	611	10	34	1	61	19	1,931	23
10	309	--	7	--	6	--	85	--
3,197	517	533	1	132	1,678	792	1,303	--
266	340	204	915	68	39	568	424	--
22	25	22	143	4	280	--	2,673	176
89	--	107	137	58	22	180	788	--
--	--	1	--	--	--	--	86	--
44	--	--	--	--	--	159	--	--
45	--	--	--	--	12	--	387	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	146	--
--	--	--	117	--	--	--	--	--
--	--	3	--	--	7	--	8	--
--	--	103	20	57	3	21	181	--
26	--	--	--	4	2	38	123	--
26	--	--	--	4	1	38	119	--
--	--	--	--	--	1	--	3	--
--	--	--	--	--	--	--	--	--
1,035	49	--	--	37	100	176	28	--
--	--	--	--	--	--	--	--	--
1,035	5	--	--	37	100	176	28	--
--	44	--	--	--	--	--	--	--

U.S. Foreign Trade Statistics

United States Exports by Product and Country

United States Exports by Product and Country — 1998

Country	Total	Ingot	Scrap Dross & Slimmings	Semi- fabricated Products	Sheet	Plate	Circles & Discs
TOTAL	3,743,163	608,586	954,430	2,179,147	1,538,591	220,612	4,945
NORTH AMERICA	2,328,463	444,924	479,643	1,403,896	1,073,598	69,045	1,319
Canada	1,810,328	271,066	339,180	1,000,082	798,701	51,385	892
Mexico	718,135	173,858	140,464	403,814	278,897	17,659	427
LATIN AMERICA	320,300	6,387	2,795	311,107	248,827	29,618	695
Argentina	19,893	72	68	19,852	14,538	4,548	6
Brazil	174,682	831	208	173,645	149,930	15,909	27
Chile	8,063	61	—	8,001	3,325	3,923	40
Colombia	15,485	247	438	14,800	10,707	2,371	122
Costa Rica	5,473	2,371	—	3,102	208	137	122
Dominican Republic	6,008	2	—	6,004	703	109	—
El Salvador	3,428	2	221	3,203	818	964	—
Panama	11,307	1,799	861	8,647	8,059	134	21
Venezuela	59,531	522	24	58,985	54,459	672	46
Other	16,334	488	977	14,869	4,083	851	311
EUROPEAN UNION	143,347	7,860	4,663	130,823	60,960	18,036	1,327
Austria	5,894	41	21	5,832	225	74	—
Belgium	32,192	176	416	31,599	27,327	1,788	41
Denmark	901	1	21	878	86	137	8
Finland	190	55	—	136	2	22	—
France	23,537	2,500	112	20,925	6,203	883	552
Germany	23,222	1,807	1,829	19,585	6,253	3,268	165
Greece	573	—	97	476	33	263	—
Ireland	3,168	69	41	3,058	1,407	417	141
Italy	6,660	229	18	6,413	850	1,318	82
Luxembourg	21	16	—	5	—	—	—
Netherlands	3,614	645	23	2,946	561	967	1
Portugal	134	**	—	133	13	5	—
Spain	2,508	146	68	2,294	1,328	294	**
Sweden	976	30	328	618	51	185	—
Switzerland	1,205	58	477	670	65	124	77
United Kingdom	38,553	2,087	1,212	35,254	14,556	6,291	262
OTHER EUROPE	11,650	316	410	10,924	5,210	3,741	1
Norway	1,165	54	1	1,110	8	8	—
Poland	4,653	3	—	4,650	4,566	36	—
Russia	471	31	405	35	20	—	—
Slovenia	286	—	—	286	5	—	—
Turkey	4,508	187	—	4,321	580	3,576	1
Other	587	41	3	522	30	120	**
EAST ASIA	834,127	145,558	457,307	231,262	91,899	91,775	640
China, PRC	181,701	734	117,399	63,568	20,981	35,199	—
Hong Kong	110,089	2,045	70,544	37,500	20,904	9,534	24
Japan	264,501	136,159	79,575	48,767	21,153	4,725	83
Korean Republic	122,547	3,274	70,168	49,105	9,975	33,563	60
Taiwan, ROC	155,288	3,345	119,621	32,323	18,887	7,254	473
OTHER ASIA	86,387	3,023	9,416	73,949	48,096	10,171	574
Arab Emirates	6,890	219	78	6,593	4,766	224	—
India	5,882	800	3,989	1,093	176	5	8
Indonesia	5,330	634	16	4,680	4,209	359	—
Malaysia	8,610	41	3,890	4,679	3,546	7	410
Philippine Rep.	4,352	9	251	4,093	2,716	697	2
Saudi Arabia	15,183	1	—	15,162	12,385	568	42
Singapore	8,888	421	885	7,582	2,859	1,116	14
Thailand	20,447	77	—	20,370	14,087	4,587	51
Other	10,824	821	307	9,697	3,351	2,609	45
OCEANIA	13,426	1,229	109	12,089	7,773	421	275
Australia	6,672	756	16	5,901	2,286	357	275
New Zealand	6,318	473	15	5,830	5,456	64	—
Other	436	—	78	358	32	—	—
AFRICA	5,464	279	88	5,096	2,228	506	112
Egypt	2,323	—	66	2,257	1,609	43	—
Nigeria	656	93	—	563	—	288	—
South Africa, Rep.	1,824	122	—	1,702	408	175	17
Other	661	65	22	574	214	—	96

Detail may not add to total due to rounding
** Less than 500 pounds

Note: Figures reflect information provided by importers and exporters on U.S. Customs Service documentation and may include misclassifications of products.
Source: U.S. Department of Commerce, Bureau of the Census

Thousands of Pounds

Foil	Rod & Bar	Wire	ACSR & Bare Cable	Angles Shapes & Sections	Pipes & Tubes	Powder & Paste	Castings	Forgings
74.732	76.792	94.250	7.477	52.769	62.682	24.601	18.814	4.682
46.948	48.984	60.879	604	34.618	47.269	6.835	12.238	1.560
30.828	23.421	29.660	528	30.327	19.949	5.221	9.741	1.430
16.120	25.563	31.219	76	4.291	27.320	1.614	2.497	131
8.929	5.339	6.641	3,580	4.678	2,641	1,577	521	63
214	21	275	19	78	67	27	40	18
3,333	90	831	1,411	690	368	944	113	2
8	153	63	180	77	83	146	**	4
511	57	805	10	5	93	116	—	3
113	267	227	1,294	314	326	14	58	23
194	1,732	2,910	—	139	155	62	**	**
119	1,157	81	20	20	13	12	—	—
170	51	80	34	3	94	1	—	—
3,023	210	32	157	52	140	111	82	**
1,244	1,602	1,338	455	3,298	1,304	143	227	13
2,038	7,335	16,781	2,335	4,058	8,122	6,917	3,278	1,637
—	3	3	29	2	4,742	664	90	—
6	864	431	1	517	71	171	248	136
2	1	325	117	158	4	—	37	4
—	8	98	—	1	2	—	—	2
359	1,938	8,673	16	194	708	362	639	398
181	373	1,487	699	132	1,248	2,378	1,225	176
19	—	133	—	—	10	18	1	1
65	300	25	—	243	53	219	77	112
174	2,999	319	79	177	168	49	95	103
—	—	—	—	—	1	—	—	4
226	552	113	40	11	150	93	213	17
10	—	8	48	—	2	3	45	—
27	15	126	182	64	99	141	1	18
222	1	58	7	44	13	**	**	37
22	40	107	182	2	5	3	33	9
724	241	4,874	936	2,515	846	2,817	572	620
119	24	1,413	1	15	191	26	26	157
—	—	1,063	—	—6	8	12	3	—
—	2	14	—	—	**	1	—	30
11	—	2	**	—	**	1	**	—
—	—	281	—	—	—	—	—	—
16	15	19	—	—	37	8	1	66
92	7	33	1	8	146	3	21	61
8,607	13,336	5,599	496	7,629	2,513	6,778	1,779	912
3,639	163	864	2	543	544	289	267	277
2,378	895	1,785	11	219	90	387	1,267	6
882	9,920	782	431	6,035	324	3,891	196	344
60	958	598	—	537	1,143	2,043	9	161
1,649	1,401	1,569	52	294	412	168	38	124
7,324	781	2,095	312	1,011	1,123	1,530	795	137
1,465	—	110	6	—	12	**	10	**
152	40	229	67	97	178	138	2	—
29	—	45	—	**	32	2	4	—
368	112	54	—	50	30	75	28	1
367	13	66	—	92	47	29	63	**
1,496	2	150	114	100	275	—	**	28
800	178	267	5	436	68	1,208	611	20
617	77	705	56	111	18	14	1	47
2,030	359	470	63	126	463	64	76	40
451	937	379	116	757	384	37	151	408
175	903	296	86	732	203	34	151	402
66	34	8	12	—	181	3	**	6
210	—	74	18	25	—	—	—	—
318	55	464	34	6	440	901	27	8
266	—	73	5	—	240	2	18	—
—	—	246	—	—	29	—	—	—
4	8	39	1	6	135	899	7	8
46	48	105	28	—	38	—	2	—