

**U.S. TRADE AGENDA AFTER THE
SEATTLE MINISTERIAL**

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

—————
FEBRUARY 10, 2000
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U.S. TRADE AGENDA AFTER THE SEATTLE MINISTERIAL

THURSDAY, FEBRUARY 10, 2000

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

The hearing was convened, pursuant to notice, at 10:05 a.m., in room SD-215, Dirksen Senate Office Building, Hon. William V. Roth, Jr. (chairman of the committee) presiding.

Also present: Senators Grassley, Gramm, Moynihan, Baucus, Rockefeller, Conrad, Kerrey, and Robb.

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

The CHAIRMAN. The committee will please be in order.

This marks the first of a series of hearings I intend to hold this session concerning our trade policy and the operation of the WTO. Our trade policy is in crisis, and my aim is to get it back on track.

To do that, I need to call it like I see it. We need to draw what lessons we can from Seattle and get back to work opening markets for the benefit of farmers, workers, and consumers here in the United States.

From what I saw in Seattle, I would make the following four observations. First, the failure in Seattle began long before the trade ministers arrived there.

It began with the President's ambivalence on trade issues from 1992 to the present, the same ambivalence that was reflected in his unwillingness to press for fast track negotiating authority, and in his failure to close a deal with China this past spring. He has yet to learn that, on issues like this, you simply cannot have it both ways.

Second, having arrived in Seattle without any prior agreement on the negotiating agenda was a prescription for disaster. Ambassador Barshefsky, you, of course, got an earful from us about the lack of preparation in our Finance Committee hearings last fall.

Yet, when we got to Seattle, the proposed ministerial declaration consisted of a heading and signature blocks and no agreement on any of the issues in between.

Third, once in Seattle, we found ourselves isolated by our European and Japanese trading partners, which is a trick we usually manage to play on them. We were isolated on the issues of dumping and labor standards. One of the reasons the Europeans and

Japanese were able to do that, was their cultivation of the developing country members of the WTO.

Fourth, there should not be any mystery about how we found ourselves at odds with the developing country members of the WTO. Ambassador Barshefsky went to Seattle without agreement from the developing country members, even on the administration's proposal to create a WTO working group on labor, a proposal that had only been submitted to other WTO members just prior to the meeting in Seattle, with no time to build a consensus on that approach.

At that point, the President arrived in Seattle to confirm the worst fears of the developing country's delegates. He stated that his goal was to secure the negotiation of labor standards and their enforcement through trade sanctions. That statement led one administration official to tell me that the President's comments did not reflect administration policy.

Now, as Mike Moore pointed out in his closing press conference in Seattle, the ministerial was not a total loss because it led to the creation of a WTO parliamentarian's forum.

At my suggestion and with a great deal of help from the WTO staff, we were able to launch the first-ever meeting of the real representatives of civil society and WTO member countries and to lay the groundwork for our future participation in future WTO meetings. It was a tribute to the WTO's interest in addressing the often-voiced criticisms of a lack of transparency.

What we did not achieve was any progress on market access, which is what our trade policy should be about. The question, now, is how to get our trade policy back on track.

My own State of Delaware is a good example of why we need to get back in the game. Expanding access to new markets for U.S. poultry through the WTO negotiations on agriculture is critical to the future of my producers in southern Delaware.

Service negotiations in the WTO offer Delaware banks the opportunity to offer their financial services, not just to customers here in the U.S., but anywhere in the world.

Expanding two-way trade under the framework of the WTO represents the future of the port in Wilmington, as well as the future of the port's longshoremen and the teamsters that deliver the goods.

Trade and trade negotiations in the WTO are also important to every working man and woman in Delaware in another way: as consumers. Imports bring us a broader range of lower-cost, higher-quality goods, it expands the freedom of choice consumers can exercise in the market.

Trade, for me, is also a moral imperative. Reducing trade barriers eliminate the most regressive taxes imposed in any tax system because high tariffs and quotas fall most often on products that are staples, food and clothing, that consume a larger share of a working man or woman's income at the lower rungs of the economic ladder.

Reasserting American leadership is critical to achieving these goals. Absent American leadership, the trading system will founder. That is not good news, either for the strongest advocates of

trade or its critics. What we need to know is how you propose to get us back in the game.

We need to know if the President, based on his comments in Seattle and more recently in Davos, has essentially set progress on labor and environmental issues in the WTO as preconditions of any substantive progress on the trade agenda.

Let me repeat my view that labor and the environment are issues that need to be addressed in the broader scope of our international economic policy. The fact is, however, that we are unlikely to make progress on either the trade front or on labor and environment if we set up one as a precondition of the other.

Even looked at from the perspective of the labor and environmental critics of our current policy, it does not serve their cause to have the U.S. effectively sitting on the sidelines.

If we do not reengage, one thing that is certain is that the arrangement will not serve either our trading interests or our interests in improving working conditions and the environment around the world. It is time to get back down to business on trade and market access.

Let me now turn to my esteemed colleague and Ranking Member, Senator Moynihan.

**OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN,
A U.S. SENATOR FROM NEW YORK**

Senator MOYNIHAN. Mr. Chairman, let me, first, agree with everything you have said. That may be a first.

The CHAIRMAN. Thank you, sir. I appreciate that.

Senator MOYNIHAN. And I think this committee will do the same.

You make the point that, if we insist that labor and environmental matters be dealt with in WTO, we will do nothing about labor and environmental matters. If you wish to pursue and achieve something there, you would go to the ILO and to the United Nations, which has organizations with old, established procedures. We are scuttling everything.

American trade policy is in crisis. It is a crisis that came about in this administration. We blame a generalized anxiety about globalization. That was the term.

Yet, as a Times correspondent, Nicholas Kristoff—and I think the Senator from Texas would be interested and probably agree—wrote last year, “Perhaps the greatest myth about globalization is that it is new. By some measures, its peak occurred a century ago, making the 20th century memorable in economic history mostly for its retreat from globalization. In some respects, only now is the world economy becoming roughly as interlinked as it was more than a century ago.” I see Ambassador Barshefsky nodding.

We had testimony here this past January from Gary Benanev, the CEO of New York Life International Insurance Company. He told us that, in 1913, his company sold life insurance in 57 countries; today, they are present in just 7. In some respects, we are merely regaining ground that was lost to war and the Great Depression. It will take leadership to avoid making the mistakes that we have made in the past.

Ambassador, am I boring you?

Ambassador BARSHEFSKY. No. I am taking notes, sir.

Senator MOYNIHAN. Mistakes we made in our last retreat from globalization. The Smoot-Hawley tariff raised tariffs to 60 percent and deepened what could have been a stock market correction into the Great Depression. It took Cordell Hull and his vision of the Reciprocal Trade Agreements Act of 1934 to turn this around.

We are losing our way, after 60 years in the right direction. The economist labeled the Seattle ministerial a global disaster. A global disaster.

To make matters worse, the President's traditional trade negotiating authority—we once called it fast track—lapsed nearly 6 years ago on April 15, 1994. I was then chairman of this committee. We would have had the bill out on April 17. If you had been chairman, you would have had it out in the same time.

But there were political concerns, and now there is no hope. In the State of the Union address this year, the President did not even mention trade negotiating authority. Did not mention it.

The CHAIRMAN. That is right.

Senator MOYNIHAN. We are about to begin a review of our participation in the WTO, as called for in Section 125 of the Uruguay Round Agreements Act. We would like to move forward in many directions. We are pleased that we will have negotiations on agriculture and services, but we desperately need to get back the initiative that we had and which has been lost in the last 7 years. Every President, Democratic and Republican, from Roosevelt on, kept this going, and we have lost it.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Moynihan.

Let me point out, we have a vote at 11:00, so we are going to proceed and ask the Ambassador to give her statement. Then we will call on each member to ask whatever questions.

I know one or two of you want to make opening statements, but you have expressed willingness to use your question period for that purpose. Unfortunately, time is limited, so we must proceed.

Our first witness, of course, is the U.S. Trade Representative, Ambassador Barshefsky. She is here on behalf of the administration. She has been the U.S. Trade Representative since 1997, and was both Acting and Deputy Trade Representative prior to that. I want to say that you have been a very, very tough negotiator on the part of the United States, and I think things like China would not happen otherwise.

Ambassador BARSHEFSKY. Thank you.

The CHAIRMAN. Ambassador Barshefsky.

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

Ambassador BARSHEFSKY. Thank you, sir. Thank you, Chairman Roth, Senator Moynihan, and members of the committee. I do appreciate the opportunity to appear before you and if I may, ask that my full statement be accepted into the record.

The CHAIRMAN. Without objection.

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

Ambassador BARSHEFSKY. Let me begin with the most immediate point. That is, that the global trading system is fundamentally sound and participation in it is profoundly in America's interest.

While the ministerial conference in December did not agree on a new negotiating round and legitimate criticisms of the trading system deserve a respectful hearing and repair, the WTO is fulfilling its central mission, and its core mission is critical.

It is opening new opportunities for Americans, promoting sustainable development, raising living standards, and strengthening peace. Our continuing leadership in the WTO is of critical importance to Americans, and to the world.

This is clear in the historic record. Over five decades, our development of the trading system has helped to foster what amounts to a 50-year economic boom. Since the 1950's, the world economy has grown six-fold, per capita income has nearly tripled, and hundreds of millions of families have escaped from poverty.

The completion of the Uruguay Round in 1994 took us further, addressing for the first time agriculture and services, protecting intellectual property rights, strengthening our ability to enforce agreements, and enable us to conclude more recent multilateral agreements on information technology, basic telecommunications, and financial services.

Worldwide, the WTO and its predecessor, the GATT, has strengthened the rule of law, opened markets, and proved its worth during the Asian financial crisis where WTO obligations helped countries avoid a cycle of protection and retaliation, similar to that which deepened the Depression in the 1930's.

At home, since 1992 the GATT system and the WTO has helped America's goods and services exports to have expanded by 55 percent. This export growth is particularly important, as export-related jobs typically pay 10 to 15 percent above the average U.S. wage.

Likewise, our own economy's growing openness and receptivity to imports has helped to promote competition, keep inflation low, and raise living standards, especially for our poorest families.

Together with fiscal discipline and increased investment in education, the trading system has made a remarkable contribution to America's record of growth, job creation, technological progress, and rising living standards.

As this record indicates, development of the trading system has been a work of profound importance. It has, therefore, always been difficult. Just as we saw in Seattle, nations always have entrenched interests which benefit from the status quo, and at each point along the road governments have had to make politically difficult choices to serve the greater good, so at times we have deadlock.

The founding of the GATT in 1948 was built on the failure to set up the International Trade Organization in 1947. The creation of the WTO 5 years ago followed a failed attempt to launch the round in 1982, a mid-term breakdown in 1988, a failure to conclude the round in 1990, a failure to conclude the round in 1992.

More recent negotiations on financial services and telecom also broke down in 1996 and 1997, to be followed in all cases by success.

The experience in Seattle was similar to a number of these deadlocks.

While broadly supportive of a round, a number of WTO members were reluctant to commit themselves to a negotiating agenda covering difficult issues. The reform of agricultural trade poses a very special challenge to Europe and to Japan.

In this instance, Mr. Chairman, with all respect, it was not the U.S. who was isolated, it was Europe and Japan who were isolated, but refused to accept the agriculture tax that was negotiated in Seattle.

Developing countries also have diverse interests which a round must take into account, and we in the U.S. have sensitive areas as well. But all of us, each of us including the United States, must be willing to look hard at our agendas and we must be willing to consider ways to accommodate a number of concerns our trading partners have raised so that we can move forward. Indeed, I believe, Mr. Chairman, Mr. Moynihan, it is essential that we move forward.

The core elements of a negotiating agenda on market access are before us. This week, as you know, the day before yesterday, talks on agriculture and on services reopened pursuant to the built-in agenda agreed to at the close of the Uruguay Round.

These two areas, agriculture and services, are of great importance to American farmers, ranchers, and services providers. I am pleased to say that, through our very great efforts and those of others, these negotiations will proceed on schedule.

The Council on Trade and Services will meet in special session later this month to formally inaugurate the negotiations, and the Committee on Agriculture will do so in the third week in March.

We, for our part, are preparing a Federal Register notice seeking public comment on potential and specific negotiating proposals in both agriculture and services, and, Mr. Chairman, we will consult closely with the committee as we move forward, and certainly well before we put any specific text on the table in Geneva.

Beyond the mandated negotiations in agriculture and services, we have other pressing market access concerns, including with respect to tariff and non-tariff barriers, trade facilitation, and others.

While there are a number of different options for proceeding with trade liberalization beyond agriculture and services, we are also building up consensus for a new round. We will continue to work on this assiduously, without question. The President spoke to this very point in a very well-received address in Davos.

This will not be a simple task, but the outlines can be drawn if WTO members, including the United States, are willing to rethink some of the positions they brought to Seattle, focus more fully on the shared benefits of success, and find the balance that allows us to move ahead.

As the President said, while we will continue to work toward consensus, success will require flexibility and shared responsibility of all WTO members. This is not merely the United States, all WTO members will have to show flexibility and a sense of shared responsibility.

Now, apart from these market access negotiations in agriculture and services, we have a broad and ongoing agenda at the WTO this year, and my written testimony lays that out in detail.

But let me just highlight a couple of points. First, implementation of the WTO agreements agreed in the Uruguay Round, particularly intellectual property, investment, Customs valuation, and other issues. We want the implementation of these agreements to proceed smoothly.

Of course, to the extent particularly developing countries and least-developed countries have genuine problems on implementation, our goal is not to litigate, our goal is to help them comply. With respect to technical assistance and other forms of expertise, the U.S., of course, stands ready to lend assistance in that regard.

In addition, as to the least-developed countries, it is vitally important that developed countries and high-income developing countries further open their markets on a preferential basis. This impacts most significantly sub-Saharan Africa, which has the largest concentration of least-developed countries.

As you know, pending before both Houses, hopefully moving toward conference, are bills related to trade with Africa and trade with the Caribbean Basin region, which will help to further open our market on a preferential basis to the least developed countries.

Third, the WTO is considering 31 accessions. A number of these negotiations are well-advanced. Jordan and Georgia will enter in the near future. We have completed our bilateral talks with China, Taiwan, Albania, Croatia, and a number of other countries, and we have made significant progress with many others.

I know, Mr. Chairman, in several weeks I will be before the committee testifying on China, but if I might say just for one moment, that China's accession to the WTO has the potential to support reform in China, create opportunities for China's trading partners, and ultimately in the longer term, help to further stabilize peace in the Pacific.

As part of this process, of course, the U.S. will need to grant China permanent NTR or risk losing the full benefits of the agreement we negotiated. In connection with both China and Taiwan's accession, the WTO bears a heavy responsibility to help move these talks along, and we are hopeful that it does so.

Let me then, just in concluding, turn to the question of WTO reform. The protests and criticisms of the WTO in Seattle were not at the heart of the negotiating impasse in Seattle. They do raise issues that require a response.

Only through openness and a willingness to listen to its critics will the trading system retain the broad support of the public and member governments over time. But this does not mean that all criticisms are valid. Indeed, part of our response to the criticisms must be a rejection of unsubstantiated claims and radical proclamations.

The core vision of the trading system is right. Opening markets in the past decade has sparked growth, reduced poverty, strengthened peace. To begin reversing the work we have done would be irresponsible and damaging to the extreme. It would be damaging to the poor, to hopes of rising labor and environmental standards,

and broader prospects for political stability as well as global economic growth.

But the WTO must be willing to listen to and act upon legitimate criticisms and be willing to entertain the incorporation of new ideas. Certainly it can do more to promote environmental protection, it can do more to contribute to the advance of internationally recognized core labor standards, and it must address concerns about transparency which are valid and can be easily remedied.

This is particularly important in dispute settlement, where the current practice is to close arguments to public view. If this remains unchanged, public confidence in the system will erode. As a first step at our U.S.-EU summit in December which was post-Seattle, we proposed that we and the EU, as the two largest users of dispute settlement, agree to open up the arguments in our WTO disputes.

That is to say, as in any courtroom in the U.S. or Europe, a member of the public, if space is available, can sit in the back of the room and watch the argument. They are certainly not parties and they certainly must be respectful of the process.

To our regret, the EU has refused to do this. This is of great surprise to us, given that our legal tradition comes from Europe. But it is quite clear that this issue of dispute settlement and the opening of proceedings to public view, the filing of amicus briefs, which now is not allowed other than by discretion of the panel, allowing for publication of documents which should not be restricted. These elements are vitally important to increase transparency in the system.

Let me say that the WTO's internal processes can also be improved and updated. Membership growth has been extraordinary. Since the Uruguay Round was launched, the membership has increased by 50 percent. This has made decision making somewhat unwieldy.

Of course, consensus-based decision making is critical to maintain, but we need to find ways to reform the procedural structure of the WTO. Not in a manner that delays the core business of the WTO on market access, but in a manner that will complement it.

In sum, the WTO raises a number of challenges in the coming year, but also a number of opportunities. From newly inaugurated negotiations on agriculture and services, to implementing prior agreements, bringing in new members, integrating the least-developed countries much better into the system, internal reform, and continued work toward a new round.

None of these tasks is easy or simple, but as Senator Moynihan has pointed out, our forbearers have shouldered much more difficult responsibilities, and much greater responsibilities, and certainly we should be able ourselves also to rise to that task.

Thank you very much, sir.

The CHAIRMAN. Thank you, Madam Ambassador.

Let me ask you a very simple question.

Ambassador BARSHEFSKY. Please.

The CHAIRMAN. Is the fundamental goal of our trade policy to increase market access?

Ambassador BARSHEFSKY. The fundamental goal of U.S. trade policy is to increase market access and opportunities for our working people, farmers, ranchers, and so on, and so forth.

The CHAIRMAN. Well, I agree with you on that point. But I have to tell you, I am concerned. I am worried about recent statements by the President in Davos, by Secretary Summers in India, which seemed to suggest that our trade policy should not move forward until labor and environmental conditions are added to the WTO agenda.

Now, if our policy is to open markets, how do we explain or reconcile these statements? If these issues are preconditions on moving forward, then are we not simply telling our workers, our farmers, that they will not have access to new markets for any time in the foreseeable future? After all, you and I both know there is simply no way to get the 130 countries in the WTO that oppose your labor initiatives to change their minds.

Ambassador BARSHEFSKY. The core purpose of trade policy, I believe, is clear with respect to market access, opening opportunities, leveling the playing field between us and our trading partners.

But there is another aspect to trade policy that we need to take into account, and that is public acceptance of an open trade regime and support for the multilateral institutions that have created the regime under which we have lived and prospered over the last 50 years.

There is an erosion of public support for trade and for the multilateral trade institutions. We have all seen the polling data on this. It is very, very clear. That erosion has been fairly substantial and of a sustained basis.

That does not mean that labor and environmental issues are preconditions to moving forward, but it does suggest that these issues should at least be discussed in the context of trade policy. Or to put it another way, the compartmentalization of trade from other issues is difficult to sustain.

The CHAIRMAN. Let me interrupt, because our time is limited. But it is hard to reconcile what you are saying with what the President said in Seattle and what has been indicated elsewhere, that labor and sanctions are key. Now, either they are a precondition or they are not, you cannot have it both ways.

Let me ask you this. Does the White House, or the President, the administration agree that the sole policy of our trade policy is market access? That is the critical means. And that labor and environment, which we all agree are important and ought to be addressed elsewhere—or at least some of us feel that—are not preconditions?

Ambassador BARSHEFSKY. I think the best way to put the President's position, using his Davos speech as a reference, is that, in an era of globalization, the compartmentalization of issues is not possible. It will erode public support in the trading system. The concern here—

The CHAIRMAN. Are you saying labor and environment are preconditions then?

Ambassador BARSHEFSKY. I am saying that we should do what we can to move them in—if I might respond. What we are saying, is that we should do all that we can to ensure, first off, that trade

is never a race to the bottom, and I do not believe that trade is a race to the bottom.

Second, that labor and environmental issues or improvements move, if possible, in tandem with further trade liberalization, not one as being a precondition to the other.

But if we can effect improvements across the board in market opening co-terminus or coincident with environmental protection and an observance of labor standards, we should attempt to do that.

The CHAIRMAN. My concern is that, when the chips are down, we cannot get a clear-cut statement as to what is the policy. I think that has really been the problem with our trade policy, going back to fast track as well. Yes, we are for it, but no requirements, or suggestions, or requests come forward for us to act on it.

Let me ask you, because I think it is fundamental that we get our trade policy back on track. Have any suggestions been made as to how to do that? For example, do we not have a G-8 meeting in the near future? Has the suggestion been made that the President bring it up there and see if we cannot get the leaders of the G-8 countries to push forward multilateral trade talks?

Ambassador BARSHEFSKY. We are looking at a variety of options. I will be meeting next week with my European counterpart, Mr. Lamy. I also have met with a number of my counterparts at Davos. I have talked to dozens and dozens of my counterparts in Seattle. There are a variety of ideas and approaches on how one might move forward.

We all agreed that the very first step would be inauguration of the built-in agenda on agriculture and services, which some countries were threatening to hold hostage to broader talks. We felt quite strongly, this is a preexisting obligation, and the core work of the WTO must proceed so that a vacuum is not created with respect to core obligations.

Thankfully, we were successful with our trading partners, who agreed with us that the WTO built-in agenda would move forward on agriculture and services. Beyond that, I think, Mr. Chairman, certainly we will be consulting with the committee, and certainly it is our desire to continue to work very assiduously toward consensus on a new round.

The CHAIRMAN. Madam Ambassador, I will ask one more question then turn to you, Pat.

The appellate body will rule on February 24 on our appeal of the *FSC* case. I have encouraged you in the past to seek a settlement of the case in an effort to head off the effect of an extremely divisive decision on the part of the WTO panel.

My question is, I wonder if it is not time to revisit the 1981 understanding we reached with the Europeans on our respective tax systems following the *FSC* case. You will recall that the GATT panels at the time found that the European territorial tax system was also violative of GATT rules.

Is it time that we revisit the tax and trade implications of the European tax system if we cannot find an acceptable settlement?

Ambassador BARSHEFSKY. Mr. Chairman, as you have pointed out, this case is on appeal. We believe the panel below erred sub-

stantively and with respect to the facts. We have put forward a very, I think, strong case on appeal.

But the appellate body will rule shortly, so I am shortly to involve myself in discussions of settlements or anything of that sort, since our aim and our goal is to seek a reversal of the panel ruling below.

Secretary of the Treasury Larry Summers and I have spent quite a bit of time on this issue. Treasury and USTR are working very closely on it.

I have spent time, as has Larry, with our European counterparts on this issue in general terms, but our focus right now is on seeing if we can persuade the appellate body to reverse the findings which we believe were in error of the panel below.

The CHAIRMAN. Well, I hope you are successful in that effort. It is critically important. I also feel we want to make sure that we are ready to address whatever may happen at that panel, because it could be very devastating to trade, generally.

Senator Moynihan?

Senator MOYNIHAN. Mr. Chairman, I have had a chance to speak and our time is short, so I would like to yield to Senator Baucus.

Senator BAUCUS. Senator, please go ahead.

Senator MOYNIHAN. I will put them in writing.

Senator BAUCUS. All right. Thank you.

Ambassador Barshefsky, I would like to address a couple or three points here. This is going to be a long series of questions, and you will not have a lot of time to answer, but you can answer them in detail in writing. You may have some time for a few brief responses.

First, let me back up a bit on China. I am concerned that many members of Congress feel that China is not going to live up to its end of the deal. A lot of members say, all right, we signed this agreement, we voted for PNTR. How do we know that China is going to live up to the agreement? There is a lot of feeling that China will not. Its track record is not good.

One of my questions is, what is the administration's monitoring schedule and plan? I am going to be introducing legislation that will ask the administration to beef up its monitoring of all trade agreements. It will also give the Congress new authority with respect to monitoring and following up on trade agreements.

As difficult as it is to negotiate a trade agreement, often it is even more difficult to implement a trade agreement and to make sure it is followed up on, particularly in the current climate. So that is question number one.

Second, it is my view that, among all the reasons why Seattle failed, one of them is that we are just overloaded. The WTO is now being asked to deal with so many more issues, GMOs, competition policy, food safety, e-commerce, perhaps taxation of e-commerce.

A lot of these are, in some respects, domestic regulatory issues, such as environmental standards and core labor standards. We are almost putting everything in the new globalized world into the round, anything to do with commerce, and I question whether there can even be another round. We may need various bilateral and sectoral negotiations, or find some other mechanism.

Particularly with respect to the EU, I am a little worried on agriculture. I want to know what leverage we are going to have to get something done in this sector.

The Europeans, I think, won in Seattle. They prevented us from getting any significant reductions in export subsidies. In a statement by John Richardson the EU's DCM in Washington, basically he said that if you want to see where we are going look at where we have gone internally. We are not going to go any further.

Ambassador BARSHEFSKY. Right. Right. I have seen that.

Senator BAUCUS. That is no way to begin negotiations. So, really, my second question is what you are doing about that.

Third, I am very concerned that the EU is cutting a lot of special deals around the world with different countries, with Mexico, with the Central Europeans, some Middle East countries, South Africa. There are many who think that those deals discriminate against the United States, in violation of the GATT, in violation of Article 24. We are being discriminated against because Europe is cutting up and cartelizing, if you will, the world.

While we are willy-nilly going along, the whole system is overloaded. I believe the EU has followed this strategy intentionally—tube the Seattle negotiations, and meanwhile cut a lot of deals that discriminate in their favor and against the United States.

So, I would like your comments on the degree to which you think that some of these EU agreements discriminate against us and what we do about that.

Ambassador BARSHEFSKY. Sure.

Senator BAUCUS. Finally, Madam Barshefsky, I would just urge you to creatively be more provocative, in a sense, more candid with us, and talk about some of the new ideas and how we deal with this new era. I do not think there are going to be any more rounds.

We are just too overloaded. Too many countries. Too many different issues. We cannot do it all at once. We are going to have to find some other way.

My suggestion to you is, and I guess one final question is—and this goes back to the leverage question with respect to Europeans and agriculture—is there not a way to get public opinion, world opinion, mounted against Europe on agriculture with the CAIRNS group, the United States, developing countries, and with a full-court press? That is about the only leverage I can think of. Otherwise, Europe wants to put everything on the table; then it gets overloaded and nothing happens.

Ambassador BARSHEFSKY. Shall I take a crack at just running through them?

Senator BAUCUS. What you can finish within a minute or two.

Senator GRAMM. A lot of us want to get an opportunity to ask questions.

Senator BAUCUS. Senator, I wanted to raise several questions, and do not expect full answers at this time. But, to the degree that she has a chance within my time, I would appreciate it. Thank you.

The CHAIRMAN. Please proceed.

Ambassador BARSHEFSKY. Mr. Chairman, if I might just make clear, I appreciate that you have a vote, but if you wish me to remain, I will.

The CHAIRMAN. Yes, we want you to remain, but we will continue. I will run down and vote, and Chuck will preside, and I will come back, so we can continue.

Ambassador BARSHEFSKY. Then shall I respond?

The CHAIRMAN. Yes, please.

Ambassador BARSHEFSKY. All right.

With respect to China and implementation, I think China's record on implementation is actually not bad. On intellectual property rights, the point of our two intellectual property rights agreements was to stop China's exportation of pirated CDs, CD-rom, and so on to the rest of the world. That exportation has absolutely ceased, with China closing 70 illegal factories, and so on, and so forth. We have a retail piracy problem.

Senator BAUCUS. I might say, Madam Ambassador, we had a real problem with China and intellectual property. First of all, they would not do protect it. So, finally, we threatened them with Special 301, and we got them finally to enact legislation. They did not implement the legislation they passed. Pretty good is in the eyes of the beholder. It seems to be all right how, but it has taken years—years—to get some progress.

Ambassador BARSHEFSKY. Well, it has taken four years. But I think our intellectual property rights industries in the CD/CD-rom/business software area are actually very, very pleased with the outcome of those agreements. That is not to say there is not a very serious retail piracy problem in China; there is, and we are working on that.

The CHAIRMAN. I will give you one more minute, then I think we will have to turn to the next one.

Ambassador BARSHEFSKY. With respect to the WTO agreement, and I can address this in two weeks, there are six different means of enforcement, much more so than in any other accession agreement we have done. I will outline those for the committee when I come before you on China.

In terms of rounds in Seattle, we have been very successful in sectoral negotiations. As you know, we inaugurated this as a means to move forward between rounds.

We do think a round would be desirable, if that is possible, but in the meantime I do not think one should despair that there can never be another round, but there is a distinction that has to be made more clearly in rounds what matters are subject to negotiation versus what matters are subject for working group review, study, educative efforts, and so on. That is a different matter from negotiation.

Third, with respect to leverage on agriculture, I think the chief leverage is that the agricultural peace clause expires in 2003, which makes European export subsidies subject to immediate litigation. Europe itself has noted concerns about peace clause expiration. We in the CAIRNS group have already had discussions about this issue, and we will continue to do so.

Last, with respect to whether EU trade agreements discriminate against the United States, yes, in some instances they do. We have worked very hard with Poland and other Central European countries to address specific areas of discrimination as they arise.

We have cautioned Europe that we will not tolerate discriminate that is brought about by these agreements. Whether that results in a trade law challenge or ultimately a WTO challenge until Article 24, we will make those decisions when and if we need to. Thus far, we have been able to rectify the discrimination on a bilateral basis with the countries with whom the EU has these agreements.

Senator BAUCUS. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Conrad.

Senator CONRAD. Thank you, Mr. Chairman. I thank the Ambassador as well.

I must say, I have a different perspective on what occurred in Seattle than I have heard some of my colleagues relate. I was in Seattle, and my observation was that the fundamental cause of breakdown was that Europe was simply not prepared to go forward on any reasonable basis. The key to that, is agriculture. I had a lengthy meeting with Mr. Lamy and with Franz Fischler.

If there is one thing that is apparent, it is that they are deeply dug in on agriculture, as Senator Baucus has related, and they have no intention of relenting. Frankly, I am very concerned that, to beat up on our side here, undermines our Ambassador as she goes back into talks.

I do not, frankly, understand what we achieve by beating up on our Ambassador. I think that just undermines our ability to hang tough when we need to hang tough. The reason we need to hang tough is illustrated by the chart I have here. On agriculture, this chart shows what is at stake.

These are not Kent Conrad's numbers, these are the Organization for Economic Cooperation and Development's numbers. This is the support that Europe provides their farmers: \$324 an acre. That is what we give our farmers: \$34 an acre. Well, you talk about sending your Ambassador in with no leverage, this is the definition of no leverage.

This is the definition of saying, you go out there and get a result, Madam Ambassador, but we are not going to give you any tools with which to get a result. So, surprise, surprise, the Europeans are not going to change their policy because they are winning the game.

Let us just look at the next chart that shows how dramatic the differences are. This is on export subsidy, World Agricultural Export Subsidy. The blue part of the pie is Europe's share, 84 percent. This is the United States, 1.4 percent. We are out-gunned 60 to 1.

We say, Madam Ambassador, go out there and do battle for the United States, but by the way, we have already engaged in unilateral surrender on our side. We have already waved the white flag of surrender, so good luck to you.

Well, I do not know anybody that succeeds in a negotiation without leverage. We have taken the leverage away on the key issue of the round. Agriculture is the key issue of the round, and we do not have any leverage because we have taken it away.

Whose fault is it? It is right here in the Congress of the United States, that is whose fault it is. If we want to start pointing fingers around here as to who is to blame for failure, I would put it right here, because we have absolutely undercut our side.

Now, I would hope that we would make a decision that the thing to do is to re-arm our negotiators. I asked a crowd back home, if the Russians had 50,000 tanks and we had 10,000 tanks, would the first move we would make be to cut our tanks in half, cut it down to 5,000 on the notion that we would set a good example for them? Of course not.

But that is exactly what we did in agriculture, precisely what we did with the last farm bill. Europe is spending \$50 billion a year to support its producers. In the early 1990s we were spending, on average, \$10 billion, and we cut it in half in the last farm bill. That is a brilliant negotiating tactic, unilateral disarmament. Then we wonder why they do not move.

I will tell you, I met with the Europeans. They do not have any intention of moving. The only intention they have is to get equal percentage reductions in levels of support for domestic support and export subsidy. That is exactly what they got in the last round, that is exactly what they intend to get in this round, and for anybody who has listened to them, that is their game plan.

They have got big elections coming up. They are not going to give in without pressure and without leverage. If we want to get a result, I would suggest the first thing we do is give our Ambassador some leverage.

I would ask you, would it be helpful to you to have additional leverage?

Ambassador BARSHEFSKY. I am always looking for leverage. If I could just make a couple of comments. I had, as chair of the ministerial conference, set out the notion that agreement on an agriculture text would be the litmus test of whether we could launch a round. If we could not have agreement on agriculture, there was not going to be a new round. I made this very clear from the first moment I took the chairmanship.

There was not acceptance of an agriculture text, and this was painfully clear Friday morning when, after a 6-hour, word-by-word, arduous negotiation where a text was agreed upon and I am about to gavel it, Europe, Japan, and Korea said, oh, no, no, no, we have not agreed. There they were, sitting in the room negotiating for six hours, but did not agree on the text.

The European Union had lost its member state support for moving on agriculture in Seattle. This was completely clear by Friday afternoon. There was simply no member state support for accepting the text that had been negotiated over the course of six hours, word by word.

That, right then and there, was the end of a round, and it had to be the end of a round from our point of view, because agriculture is a central concern and needs to be addressed.

Senator BAUCUS. I have got an idea. Require them to have fast track.

Ambassador BARSHEFSKY. Yes. Well, that is a very good point, actually, and that is one of the problems with the way the European Union is structured.

The CHAIRMAN. Senator Gramm?

Senator GRAMM. Mr. Chairman, first of all, I want to congratulate you and Senator Moynihan for your opening statements. I guess you would call Senator Moynihan an old Democrat; it re-

minds me why I was one. I am sorry that we no longer have a Democrat in the White House who supports the principles of free trade that have been the hallmark of this country since the end of World War II.

I am not here to criticize you, Madam Ambassador, I am here to criticize the President of the United States, who I believe has betrayed our principles on trade and has let us down.

Let me start with this "race to the bottom" jingoism. That is Clintonism at its worst. Trade is a race to the top. Nowhere in the history of this world has any free trade agreement every produced a race to the bottom.

In April of last year when the Chinese premier came to this country, he offered us an agreement on accession. We rejected it. When we finally reached an agreement, what did we do? We gave up 51 percent ownership on insurance for American firms, we gave up 51 percent ownership on telecommunications, and we let the Chinese extend protectionism on auto tariffs.

And what did we get in return? Protection for textiles and a trade adjustment process that is discriminatory. What we did is reject an A agreement and accept a B agreement, and that movement was totally, 100 percent anti-trade.

Now, I am going to support the agreement because B is passing, certainly, for this administration. It would be a disaster for us to reject Chinese accession to the World Trade Organization.

What has happened on trade? The United States has moved from leader to obstructionist. Our President is the principal impediment to the expansion of world trade in the world we live in in the year 2000.

In terms of the voices in Seattle that need to be heard, those voices have been heard ever since man crept from the cave. Those are the voices of special interests, and greed, and envy. Those are not the voices of the future. The idea that somehow the environment is protected by impeding trade is a fraud, and everybody knows it.

What is happening is those protectionists in this country are funding the environmental movement to make that argument, but it is a cruel hoax. And to suggest that there is a legitimacy in that position, as the President did, is a betrayal of everything this country stands for. Who believes that "worker rights will be benefitted by protectionism?" Is there anybody on the planet that really believes that?

I know there are people who argue it, including economists, because they get paid to argue it. But nobody believes that. The bottom line is, our President has gotten on three sides of a two-sided issue.

One of the problems we have, and one of the reasons I think it is possible that we could lose on the Chinese accession issue, is the President has played all of this protectionist politics and so now he is trying to get his own party, especially in the House, to look at the broad, long-term interest in the country when he has not looked at it himself.

So I do not doubt that you are a good negotiator. You are one of the few people in this administration that, if I were picking peo-

ple to be in the Republican administration, I would be comfortable with.

The problem is not you. The problem is that our President is playing politics with an issue that no President since the second World War has played politics with. And they have not played politics with it, even though they could have benefitted, because it is so absolutely dangerous.

You talk about how we are losing support for trade? Well, is it any wonder that we are losing support for trade when the President of the one country in the world that has made trade its dominant issue in terms of foreign policy since World War II has become an impediment to negotiations?

What I really resent so much about it is hearing the President say, we have got to emphasize labor rights and environmental rights, which perpetuates the fraud that somehow trade does not promote labor rights or that trade is somehow contradictory with good environment. What poor country in the world protects its environment? None. Rich countries protect their environment.

So these are fundamental issues that are critical to the future of our country and the President of the United States is not standing up and defending them. He is playing cheap partisan politics, and I think it is a disgrace. I think history is going to judge him very harshly about it.

Now, like everybody else, I have given a speech and not asked a question. But, before that yellow light turns red, I would be happy to hear any response.

Senator MOYNIHAN. You have 20 seconds.

Ambassador BARSHEFSKY. Obviously, I disagree entirely with your characterization of the President. I think trade policy has been one of the most important accomplishments of this administration, whether it is the Uruguay Round, or NAFTA, or the Information Technology Agreement, or the Telecom Agreement, or financial services, all of those being global agreements, or the agreement with China, which I submit to you and will prove to you in two weeks, remains absolutely an A agreement. It is certainly not a B agreement.

Senator GRAMM. Do you think it was good that we gave up 51 percent ownership in telecommunications and insurance?

Ambassador BARSHEFSKY. As a practical matter, we did not give up anything. As a practical matter, majority ownership in China can be negotiated on an individual basis. It is how it has worked in the past; those laws will remain intact in the future.

So let me just say that, if we look at those global agreements which the President has done, coupled with almost 300 other market opening agreements on a sectoral basis with a variety of countries, I think this administration has a very strong record on trade, and that is under the President's leadership. The issue of labor and environment—let us take them individually.

On environment, the WTO itself has a Committee on Trade and the Environment. This already exists in the WTO. Our environmental agenda, which is not a radical agenda and would be rejected by, certainly, a number of environmental groups, is nonetheless one on which we achieved very broad support in Geneva, and then subsequently in Seattle. It is a sensible, important agenda

that focuses on a variety of factors, including how trade liberalization promotes the environment.

For example, get rid of agricultural export subsidies and you would change land use patterns in Europe for the better because they are farming land that is completely unproductive to farm, and they are only farming it because of export subsidies.

The same with fishery subsidies, the same with tariffs on environmental goods and services, which ought to be eliminated. We out to diffuse that technology that is pro-environment.

So, our environmental agenda in the WTO is one that is, I think, well-regarded, but environment is already a committee in the WTO. That was established at the end of the Uruguay Round.

On the labor issue, the question is not a negotiation of labor standards in the WTO. That is a matter for the ILO. But the issue is, simply, a dialogue on the question of the intersection between labor standards, development, and trade.

On that, if the WTO worked in conjunction with the ILO, the Bank, the Fund, UNAP, the OECD, I think that some very interesting work could come out of that that would be instructive to both developed and developing countries. I think that dialogue should not be a threat to anyone, and this was the President's principal point in Davos.

Perhaps our rhetoric has not been very good in explaining what we are trying to do on the labor side. Perhaps our rhetoric on the environmental side has been, shall we say, somewhat more user-friendly than on the labor side.

But I do think that the agenda in those two issues we have put forward in Seattle is a sensible one. It is by no means extremist. It is a sensible one and one that we believe compels some listening.

I would add only one other point. That is, on the labor and environmental side, it is not just the United States. The European Union has adopted our positions on labor-related issues.

On environment, actually, Europe's agenda is rather more radical than ours, and some of that is for protectionist reasons and we have rejected it. On the labor side, Europe, Canada, Norway, and a number of other developed countries have accepted the notion that some discussion must be held on this in the WTO.

This goes back to the first point I made when the hearing began, which is that I agree with you there can be a vicious cycle in the erosion of public trust and trade, and I agree with you that certainly the U.S. Government, the executive branch, the Congress, must lead.

But I also believe that public confidence in the institutions of trade needs to be bolstered. To the extent there is greater transparency in some of the proceedings, to the extent there is greater access to public participation in an organized way, to the extent that these institutions discussed issues that are on the public mind and that do bear upon the question of trade and globalization, then these institutions should be responsive, not in a radical way, not in a way that detracts from the core and fundamental objectives of these institutions, but in a manner that rekindles broader public trust and public acceptability for an open trading regime. At the end of the day, an open trading regime is absolutely the right pol-

icy. I have no question about that, and I do not believe the President has any question about that.

Senator GRAMM. Thank you, Mr. Chairman.

Senator GRASSLEY. I think that it still is very much a fact that the 73 percent of the membership of the WTO that is the developing nations have been turned off by some of the things the President has said at WTO, and other administration people and the President have said other places as well since Seattle. I think it is something we have to deal with.

I think that this process that we are in right now in having dialogue with you is a way of dealing with that. In fact, if Senator Conrad were here, or his staff can tell them, I do not think that we are trying to disarm you.

I think that if we did not show that, with the constitutional power of trade that Congress has, that if we were not trying to put some distance between us and the President's opinions, then there might be a feeling that the constitutional authority for trade, the Congress of the United States, would be agreeing and you would be in a much weaker position, I think. In fact, a hearing process like this gives leverage to your goals that you seek personally, that you negotiate so well personally.

So I want to express my disagreement with the President, that we cannot have this sort of dramatic reversal of trade policy, particularly when it looks to the world that it is being formulated by a mob in Seattle that was demonstrating at the very same time the President was speaking.

It appeared that the President's speeches were pandering to the mob and the extremist point of view, and the Luddite point of view that was represented by those demonstrators, as right as they had to constitutionally do it in a peaceful way, they did not have a constitutional right to do it in the damaging way they did.

But when the President said that they ought to be able to be at the table, or if he did not say it that way, he said they ought to be inside instead of outside, when through NGO groups and through even as official parts of some delegations those interests were already at the negotiating table as part of delegations or in another formal process.

I hope it was out of ignorance on the part of the President that he did not know that, but they were there. He ought to have known that, and he ought to have not made those sort of comments because it led the rest of the world to think that there was that sort of pandering.

I would say to my colleague, Senator Conrad, I would just say there is tremendous damage to the cause of the process of the WTO by that sort of activity taking place. If we are not careful here, Congress indirectly will be leading us down the Smoot-Hawley trail, not with protectionist law being passed, but through the political process now of electing the next President of the United States where we have got one party going protectionist, and if that brings the other party around to moving towards protectionism, that is not a very good place to start out the year 2001.

So I have those concerns, and I want to express them in a way of supporting your efforts and not in a way of detracting from those efforts.

Can I ask at least one question before I have to go vote? There appears to be significant disagreement with our major trading partners, particularly Japan and the European Union, about the status of the Seattle negotiations, as well as the status of the proposals that were discussed in Seattle.

So is it the United States' position that the negotiations have been suspended, or does the United States accept that they have been adjourned?

Ambassador BARSHEFSKY. It is not really relevant, in the following sense. Texts that were agreed upon in Seattle, for example, largely in services in terms of the built-in agenda—

Senator GRASSLEY. Well, let me interrupt, and then I will let you finish.

Ambassador BARSHEFSKY. Yes.

Senator GRASSLEY. But is it not relevant? Because if they are just suspended, the United States can lead to the opening of them in an ensuing time under the rules, as opposed to adjournment? The United States cannot call for the continuation of the talks.

Ambassador BARSHEFSKY. Under either scenario, the United States will be critical in whether these talks resume and as to who leads the talks. It does not really make any difference. In other words, texts that were reserved upon obviously are reserved upon. They are simply in abeyance. One would not act on them in the ordinary course.

Texts that were accepted, for example, in services can be used in the context of the built-in agenda to move that forward. Agriculture was never accepted as a text in Seattle. This was a leading cause of the breakdown in Seattle because Europe, Japan, and Korea reserved and would not accept the text that was developed.

Right now in the built-in agenda, it is Article 20 of the Uruguay Round Agreement that would govern the beginning of the agriculture talks rather than text in Seattle which, in any event, had not been agreed.

Senator GRASSLEY. Well, it happens that one of your counterparts in the European Union, Mr. Lamy, says that the talks are dead. If he says so, is he right on that?

Ambassador BARSHEFSKY. I do not think he is right. I mean, this is going to be a matter for Mike Moore, frankly, to sort out more than it is going to be a matter for the United States or Europe to sort out. I think Europe is playing something of a rhetorical game.

That is to say, Europe would like to see some formal declaration that the talks are over so as to try and claim, perhaps, a leadership role in their ultimate resumption, but that rhetorical posture is certainly not reality.

Senator GRASSLEY. Let me ask a last question, then I am going to have to go vote, for sure. I am not going to go back through the labor standards deal and whether or not I think it is good or bad, but was there a prior agreement to put the proposal for a working group on labor standards in the draft language?

Ambassador BARSHEFSKY. That proposal had been made months before in Geneva, a working group on labor. There were discussions going on in Seattle at the time the ministerial terminated to look at the U.S. proposal, Europe, Norway, Canada, and a number of other proposals, to see if there could be some combination of them.

That work was being undertaken, actually, by Costa Rica, as chair of a group that was looking at the question of the labor issues.

There was no ultimate resolution of that issue, or of what the bounds of the WTO agreement might have looked. But Costa Rica had undertaken the task of surveying members as to each of the proposals that had been made, getting their views, and then attempting to reconcile the various proposals on this issue.

Senator GRASSLEY. Then we were trying to get a consensus among developing nations on this issue?

Ambassador BARSHEFSKY. Yes. Yes. Yes. Costa Rica started, actually, with developing countries in that consensus-building process, because developed countries had largely already agreed that this was an important series of issues that needed to be looked at.

I would say, if I might, I do not think any developing country wants to see its workers held down or wants to see its workers not able to participate in higher value-added occupations.

I think, for many developing countries, they sense an implied rebuke as to their system or mode of operation when the developed world talks about labor standards. That is one of the reasons I said to Senator Gramm that our rhetoric might not be quite right and it may be too harsh to convey the genuine importance, but not in value-laden terms.

Not as an implied rebuke to anyone else's domestic system, but merely an indication that this is a series of issues we would like to see discussion in the WTO.

I think, in terms of the President, the President's principal focus was not on suggesting in any respect that violent protestors should be in the room, or anything of that sort. His principal concern has always been one of basic transparency. The proposals we put forward on that were, we felt, very responsible, again, not radical and not inimicable to the goals of free and open trade.

Senator GRASSLEY. You will have to pardon me. Or you can keep talking, but I have got to go.

Ambassador BARSHEFSKY. No, that is all. That is all.

Senator GRASSLEY. But, anyway, we will just recess until the Chair returns.

Ambassador BARSHEFSKY. Yes. That is fine. Thank you.

[Whereupon, at 11:19 a.m., the hearing was recessed to reconvene at 11:25 a.m.]

The CHAIRMAN. The committee will please be in order again.

Senator Kerrey?

Senator KERREY. Are you inviting me to do something?

The CHAIRMAN. If you want to ask any questions. If you do not, we will save the time.

Senator KERREY. Well, first of all, Ambassador Barshefsky, I know that you have been enjoying your encounter here with the Finance Committee for some time prior to my being here.

One of the things that concerns me, and I think that it may be that Senator Conrad a bit more eloquently than I already raised it, is I am concerned that when we go into the recently-completed ministerials, in Seattle, for example, that our negotiating position is that a decoupled agricultural policy works. Is that a fair representation? I mean, we are urging upon the rest of the world that they adopt a decoupled agricultural policy.

Ambassador BARSHEFSKY. Just to clarify, if by decoupled you mean decoupling supports from price and production, yes. That is to say, want to see a sharp reduction in trade-distorting domestic supports and, of course, the elimination entirely of export subsidies.

Senator KERREY. Well, there are two positions that I see with that position and I would appreciate if you would give me your response to it.

One, is that our policy is hardly completely decoupled. We have the policy that you have described for corn, for sorghum, for wheat, but not for soybeans, not for sugar, not for rice, not for cotton, not for dairy. It is not for, in all of those cases, for very specific reasons.

So do we make that representation?

Ambassador BARSHEFSKY. I think probably Agriculture Secretary Glickman could answer your question much better than I, but our basic position has been that, to the extent domestic supports are provided, they should be as minimally trade distortive as possible.

Senator KERREY. I agree with that premise, by the way, and I appreciate the work that we have done through the Uruguay Rounds up to present date. I regret, as has been expressed by other members, that we have not successfully under statute provided the President with trade negotiating authority, and there is plenty of blame to go around for that.

But, for whatever reason, as the President noted in his State of the Union, trade has become unpopular. It has certainly become unpopular even in my State, where there are some obvious benefits that come as a result of agricultural exports.

Part of the reason, I think, is people sort of feel increasingly dealt out of it. They do not feel like they are connected to it and they question whether or not there are any benefits that accrue as a consequence.

I would urge, as you consider this, I think, a decoupled agriculture policy. It could, for some nations, be a very bad idea. Take China, as an example. China has about 50 percent of its people living on farms, we have 3 percent. So if you go to full market conditions, if China has a fully competitive marketplace, they would have only 3 percent of their people living on their farms.

Well, I am not gifted at mathematics, but I do know that if you multiply two numbers and one of them is \$1.2 billion, no matter what the other number is, it is going to be big coming out as a product.

In this case, what that means is that China will have to find jobs for somewhere around 480 or 500 million people, if they were to move, and they will move much faster than we did over a 100-year period. I say that, because it can produce enormous political instability.

I was elected in 1988 for the first time in the Senate, and I will never forget an agricultural debate that I had with my opponent in which he said we need fewer farmers at the end of a long description of what the industrial revolution had done to increase the productive capacity of American farms, including lots of applications of technology, but it can be very disruptive. All of his sup-

porters tore up their signs that they were carrying for him at the moment that those words came out of his mouth.

So if you are looking at China and you trying to assist them to manage what is going to be a very difficult transition from a command and control economy to an economy that is more market-driven, one of the things that will determine whether or not they're going to be successful is whether or not there is political instability, and especially if you combine that with their unwillingness to liberalize their political system.

Ambassador BARSHEFSKY. Right.

Senator KERREY. It seems to me it is a recipe for considerable political instability, and the people that were out in Seattle were not there in the United States by accident, they were there because they are frustrated with our own trade policy.

Ambassador BARSHEFSKY. If I might just comment. With respect to agriculture negotiations in the WTO in general, our position has been a substantial reduction in trade-distorting domestic supports, but not elimination of them, and certainly to the extent that they are minimally trade distorting, there have been exceptions made.

In the case of China, we have taken a rather different approach because, as you rightly point out, the goal of WTO membership should not be to create political instability, particularly in a country of that size.

The approach we have taken there, which will be the approach that all of the WTO members accept, is something rather different, that is to say, a very gradual expansion of market access opportunities to provide agricultural products to China, but not at the expense of radical restructuring of the agrarian side of China's economy.

Senator KERREY. Could I just suggest in a few seconds, without a question being attached to it at all, that if you ask me what the answer is to regaining America's confidence on trade, I think we are going to have set goals that are human goals that people can understand.

Take Mexico, as an example. Rather than just passing NAFTA and then forgetting about it, it seems to me that what we should have said to the American people is, over the next 20 years, we are going to work and try to help Mexico liberalize its economy and its political system.

Our goal is for them to have higher standards of living. If you set that as a goal, we could have seen immediately that a lower standard of living came in the devaluation of the peso, and that more needs to be done. I mean, I do not think anybody objects to a policy that lifts all boats. The trouble is, trade oftentimes does not.

The CHAIRMAN. Senator Rockefeller.

Senator ROCKEFELLER. Thank you, Mr. Chairman.

I think that, Ambassador Barshefsky, the feeling that I have here and that you must experience every day of your working life, is that the world is not fair. I happen to agree with a lot of what Kent Conrad said. I think here on the committee we are meant to be somewhat sophisticated internationally; I am not sure that we are.

The American people attack us when we go somewhere else, even if we are going somewhere else to try and learn something about trade policies or try to get jobs for our State. America is not fair. Bob Kerrey and Kent Conrad fight very hard for agriculture, and we pass enormous bills that do enormous things for farmers.

You put a steelworker out of work, you put a coal miner out of work, forget about helping them. If you can prove that they are import-related, you might get a little trade adjustment assistance, but you probably will not, and it does not last very long.

So we have enormous inequities within our own system. We love to criticize the President, Ambassador Barshefsky. I mean, you let him go out to Seattle and say one thing worded a bit too strongly if he did—and, as you say it may be that the rhetoric was not right but the purpose was real—I might come back and say that I thought that was a very successful round in Seattle because of the fact that the Japanese and others were not able to weaken our antidumping and circumvention laws, and other things.

That was the reason I went to Seattle. I did not go out there with the idea of expecting the world to suddenly come together. I went out there with the idea of trying to get the administration to keep its antidumping policy at least as strong as it was, and I have had some fairly strong words to say to you, to the President, to the Vice President, and others about that in regard to steel.

All I am trying to say is, international trade is about the most complicated subject in the world. We have this thing now called the Internet, and it has sort of been shut down, depending on which company you are working for, for the last 3 days. But we kind of assume that is going to happen, even though it is very new, do not draw any conclusions from it, and go right ahead.

But, oh, my heavens, let the President or somebody say something which is just a little bit not felt to be correct for somebody's particular ideological point of view, or just political point of view no matter what side of the aisle it might come from, and all hell breaks loose because we love to personalize and we love to make life easier for ourselves so that we ourselves do not have to face up to some of the difficult decisions.

For example, in West Virginia, I spent quite a lot of time going to Japan, Taiwan and China. Not more than 10 years ago, Taiwan was under martial law and in that respect did not differ in some ways in treatment of dissidents and things than did the Mainland.

Now you cannot find enough people trying to say nice things about Taiwan, even though Taiwan, along with lots of others, was responsible for part of what was going on in antidumping in steel.

So we all have our points of view. We like to make life easy on ourselves because we do not want to have to make tough decisions, and we know that the American people are not by nature internationalists. We know that the American people are deemed to be, or expected to be, because when wars come up, there we are, and we win them, but that does not make us international. It has always been my theory that we are a Nation of homesteaders, that we have not fundamentally psychologically changed since the gold rush and the land rush, that we look after our interests.

It was like the Clinton health care bill, where 72 percent of Americans said they wanted to spend a couple of dollars more a year to make sure everybody was insured.

The problem was, they did not mean it. What they really said, is I am really frightened about my own insurance and the cost of health care, and until I am sure about that, I will let others worry about themselves.

So it seems to me that what we ought to be talking about is how we can strengthen your hand, how you can come up here and, rather than being bombarded with questions and having to defend what President Clinton did or did not say in a speech, to me, he has been very clear in his support of open trade.

I have had my differences with him, and when I have had them I have made them very clear, and you are aware of that. But I have to also recognize that my State, which now is 50th in the Nation in terms of per capita income, needs jobs.

I place a moral value on jobs. My mother was born in Greenwich, Connecticut. I do not think in Greenwich, Connecticut there is an enormous moral value on new jobs, but there is in West Virginia.

That is where I work, those are the people I represent. We get jobs and investment from Taiwan, we get them from Japan, and we have our differences with Japan. We get them from China, and we have our differences with China. But the point is, it is all extremely complicated.

You have the most difficult, complicated job of all because we up here have just enough knowledge to make ourselves audible, and even sometimes elegant in our criticism of you, or the President, or somebody else, and it is easy to take a position on China, which is going to be a very difficult vote because of preset ideological views which are then perpetrated throughout the country, and it will be a very difficult vote.

But have we talked about beefing up your staff? You need more staff. You want more money. You do not hear anybody talking about that. One of the reasons that you want more money, is so you can hire people to do enforcement of trade.

That is one of the specific reasons, but not a question about that. It is much easier to attack the President, much easier to sort of let venom spew forth than to say, how can we actually solve this problem?

So that is my question and that is my answer. [Laughter.] You keep at it. We will try to improve ourselves as best as we can, because we have some very important decisions ahead of us and we are not prepared at this point to make them intelligently.

The CHAIRMAN. I would just make one comment to the good Senator. For many years, I tried to create a Department of Trade because I think there has to be more resources available for the most important area of government, and that is market access.

Senator Robb?

Senator ROBB. Thank you, Mr. Chairman. I will be relatively brief.

I must observe that I was pleased to learn the secret of my long-time friend and colleague's success has been homesteading, and I am going to take that lesson with me and see if I can find others that can replicate it with similar success.

Let me just ask you a quick question. I have long been a supporter of basically free trade, but with an emphasis on the ultimate fairness, and certainly the growth in our economy, the opening of worldwide markets all contribute to an increased quality of life for the vast majority of our citizens. But there are those who are not benefitting at this point in the economic expansion, indeed, some of the folks that have been left behind.

Again, with a parochial example, we have had a number of plant closings or dramatic lay-offs in Southside, Virginia. I know one of the witnesses on the next panel will probably talk about some experiences with the coal industry and the steel industry, and we have experienced that in the past. Textiles, shoes, and even the tobacco economy have created some real hardships. Now, we have the trade adjustment assistance that is available to individuals, but in some other areas like base closings, we came up with the plans to provide some target assistance to communities.

We have communities now where, while the national unemployment rate is down in low single digits, and in Virginia it is even lower, for the most part, but there are some dramatic exceptions, such as the small city of Martinsville that has over 20 percent unemployment, and surrounding counties are about 10 percent, a major impact, with 1,450 jobs lost in the last closing from one company alone, another long-time major employer, the same thing.

I realize that this is not specifically USTR jurisdiction, but it is part of a larger plan in dealing with those who are not the direct beneficiaries of increased trade and market openings. Is there any ongoing discussion now about the possibility of providing community-type assistance beyond what is already available?

We have tried to bring that to bear and, as former Governors, we would frequently marshal all of the forces of both the States and the Federal Government when we had this kind of dramatic decrease in employment because long-term industries shut down, and in most cases they are probably not going to put those jobs back on. Those jobs are going to be permanently lost.

I would just digress for one second before I get an answer. Several of us have been working to try to find ways to take other parts of the economy which are clearly benefitting in, specifically, the high technology area in Northern Virginia—even last night I was working with a number of CEOs, all women, as a matter of fact, from start-up companies in this area—and trying to encourage them to find ways to use work force—we have been trying to do that in the southwest and other areas for some period of time.

But is there something that, in your conversations with other administration officials, we might be able to do to specifically target the communities in addition to the individual assistance that is available that we are not doing now?

Ambassador BARSHEFSKY. Right. I think this is an area where I will ask Gene Sperling, the President's NEC chairman, to come up and see you. Yes, there have been a variety of discussion in the administration for how one handles pockets of low employment or pockets of unemployment, and how one deals with communities that are severely impacted by the loss, for example, of a particular plant.

If I might digress a minute, one of the reasons trade gets sometimes an undeserved bad rap is, first off, that people attribute to trade job loss or dislocation that is actually not trade related, but tends to be technology related. CEA has estimated that about 80 percent of job dislocation in the U.S. is technology-related dislocation.

Well, people do not want to be against technology, that is rather flat-earth oriented, so people look for the next best thing to be against, and unfortunately that is often trade, even if trade is not the cause.

But we do know that there are times when trade will displace workers, and in those situations, certainly, we have taken a look at the question of community-based assistance, of a kind of FEMA for areas in the country have have been disproportionately impacted by job loss and by plant closures, much in the way base closings are done and how one handles the surrounding community, including how one handles disposition of property of closed bases.

So there has been quite a bit of discussion, actually, over several years now within the administration on this. But what I would like to do, if that is all right with you, is to ask Gene to come up and see you specifically and give you a run-down of some of the more specific proposals that have been floating around within the administration.

Senator ROBB. I would be delighted to work with him. My time has expired. But the need is urgent, and it is now. In order to look at the long-term implications of NTR, et cetera, I think if we can find some way to address some of those near-term challenges, that we would increase the likelihood that we will succeed on that score.

Thank you, Mr. Chairman.

The CHAIRMAN. Madam Ambassador, we appreciate your being here today. Our time is running out. I just want to emphasize, as you have heard, many of us feel that trade is in crisis and it is important that we get it back on track. We want to work with you. We have great respect for you as a negotiator, and it is going to take bipartisan support to get the job done.

Thank you very much for being here.

Ambassador BARSHEFSKY. Thank you, Mr. Chairman. Thank you, Senator.

The CHAIRMAN. We will now turn to the next panel. Tom Donohue is the first witness. He is president and CEO of the U.S. Chamber of Commerce; Allen F. Johnson is the president of the National Oilseed Processors Association; Mark Van Putten is the president and CEO of the National Wildlife Federation; Richard Trumka is the secretary-treasurer of the AFL-CIO; and, finally, Susan Westin is the Associate Director for International Relations and Trade of the General Accounting Office.

Your full statements will be included as if read. I would ask that we try to keep your opening remarks to three minutes.

With that, it is my pleasure to call on you, Mr. Donohue.

**STATEMENT OF THOMAS J. DONOHUE, PRESIDENT AND CEO,
U.S. CHAMBER OF COMMERCE, WASHINGTON, DC**

Mr. DONOHUE. Thank you, Mr. Chairman. Three minutes is a little bit of a reduction than what I thought, but here we go.

The question you have asked today is very simple: where should the United States go after Seattle. Our answer is also simple: the focus for the U.S. after Seattle should be exactly where we were before Seattle, a relentless drive to open markets and opportunities all around the world for American farmers.

The CHAIRMAN. We are going to give you 5 minutes. We have reviewed the situation.

Mr. DONOHUE. Thank you.

Now, there are two ways that we can open these markets. First, by convincing other countries to lower the barriers to our goods and services that we now have in place, and second, by dismantling barriers that American government has constructed against our own industry, namely unilateral economic sanctions.

Everybody has been celebrating a 107-month economic expansion, the longest in our history; everybody wants it to continue. The single most important thing that this Congress and the President can do to guarantee Americans' continued economic prosperity is to give us a free trade policy that opens markets around the world.

Because you can make an argument that, when it comes to the financial affairs of our country, Mr. Greenspan and others have been very helpful. Then it comes to the huge productivity gains we have.

We can count that against the technology industry that has significantly improved our productivity. For better or for worse, it is the States and the localities that will determine the future of our educational system. But, Mr. Chairman, when it comes to trade, it is in your hands and it is in the hands of the President of the United States.

I am here to tell you, on behalf of the American business community, that if you give us the right trade policy, we will directly create more jobs, more prosperity, and more opportunities for the people of this country, both in exports and imports.

We have an unparalleled opportunity to knock down barriers to farmers, as well as to manufacturers, entertainment companies, high-tech folks, services, and others under the bilateral agreement negotiated last year with China, and to the World Trade Organization.

All Congress has to do to make these opportunities a reality is to grant, on a permanent basis, something that has been done every year since 1980, and that is normal trading relationship for China.

Now, there has been a lot of misinformation about this vote. Let me be very clear, this vote is not about whether to let China into the World Trade Organization. China will go in the World Trade Organization, even if we vote no.

It is about whether American farmers and American businesses are going to have an opportunity to take advantage of these reduced barriers or whether we are going to stand on the sideline while the Europeans and all of our other trading partners cheer and prosper.

The vote is about whether we are going to keep our end of the bargain. The vote is about what we are going to do about national security in Asia, in Southeast Asia, and bringing China into the community of world nations.

So we believe that the Congress ought to enact this WTO China vote, and we ought to reject the opportunity that is being suggested around to penalize China.

Obviously, we all are concerned about the human rights issues and labor issues. There are other important organizations in which to advance these objectives. Passing PNTR ought to be job number one for this Congress.

Now, other emerging markets also need your consideration. You ought to renew your focus on the questions of African trade and the Caribbean Basin, establishing a Free Trade of the Americas, because we need those people trading together to compete with the growing cartels in Asia and Southeast Asia.

As we negotiate bilateral, regional, and multilateral agreements and work through organizations like the WTO, we should also keep in mind our ultimate goal, to open up new markets and opportunities for Americans.

We also must address the barriers that we have imposed on ourselves. Right now, there are dozens of laws imposing unilateral sanctions in dozens of countries. I want to point out, we have missed Bermuda, the Vatican, and a few places, but there is still hope.

It is unfortunate that, over the past decade, sanctions have become the only proactive type of incentive that we have, and there are reasons for that. We do not have as much foreign aid, we do not have things to give and take. We either go to war or we have a sanction, but the sanctions hurt Americans, and they help others.

The U.S. has also risked its leadership role, in my opinion, in the international, economic, and financial affairs by reluctantly living up to our commitments to the United Nations, the International Monetary Fund, and others. If you look at what we have done in those institutions to bring money into our own Treasury, it is very poor economics and it is not very good international relations.

The reality is, the United States must compete in international markets. The failure of the U.S. to assert leadership can only result in a loss of competitive position. Over 95 percent of the world lives outside of the United States and it makes a lot of sense not only to trade with them, but to work with them to solve international crises and promote trade and economic growth.

Finally, in closing, let me say a word about those who believe that environmental, human rights, working conditions, and foreign policy concerns should be tied to trade. The evidence show that the more we trade, the more these matters improve in the countries with whom we trade. With those higher standards of living come a cleaner environment, better working conditions, and more open societies. Those are facts.

Let me end just by saying, trade will increase, but not diminish, opportunities for the U.S. to influence the policies of countries that we trade with. Mr. Chairman, it is time to build some bridges, not some walls, between nations, and it is here in this committee that much of that must begin.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Donohue.

[The prepared statement of Mr. Donohue appears in the appendix.]

The CHAIRMAN. Mr. Trumka?

**STATEMENT OF RICHARD TRUMKA, SECRETARY-TREASURER,
AFL-CIO, WASHINGTON, DC**

Mr. TRUMKA. Thank you, Mr. Chairman, members of the committee. I thank you for the opportunity to appear here today on behalf of the AFL-CIO and our 13 million members.

It is crucially important that we all understand and appreciate what happened in Seattle. We all have a tendency to view these events through our own eyes. Many of those giving testimony here today will stress the up side of the global economy, rapidly growing trade and investment flows, a booming stock market, job creation here in the United States, but I speak to you today on behalf of working families here in the United States, and also across the world.

Working families have experienced a different side of the global economy. From our side of the bargaining table, it appears that the current rules of the global economy have been used to tilt the odds in favor of corporations at the expense of workers, family farmers, the environment, and sometimes small businesses. The rules have freed up corporations to move production around the globe in search of the most vulnerable and disenfranchised workers, and the most lax regulation.

The rules have pressured governments to cut social spending, to weaken labor laws, and to export their way out of every corner. We have not yet experienced the global economy described by the so-called free traders, an economy that evenly spreads wealth and opportunity and that brings prosperity, which in turn improves rights.

We live in a global economy where income inequality is at an all-time high and growing, both between and within countries. We live in a global economy ravaged by financial crises, where workers pay the high price of adjustment.

We live in a global economy where the largest companies in the world, headed by some of the richest people in the world, sell overpriced goods to relatively wealthy consumers and pay their workers too little to live on, put factories in countries where organizing an independent labor union can be a death sentence, and spend millions of dollars a year fending off union organizing drives.

But at the end of the day, we are all living in the same global economy, and rosy predictions and corporate cheerleading cannot change the reality of the global economy. That is our job—yours as Senators and mine as secretary-treasurer of the AFL-CIO—to insist that governments craft rules for this global economy that will deliver better outcomes to workers as well as employers, to small, poor countries as well as to big, rich ones.

The lesson of Seattle that we must all learn, is that there is no going back. The member countries of the WTO have called a time out on further trade talks until we have a better common understanding of the impact of past trade and financial liberalization on income inequality, on development, and on global financial markets.

Many diverse voices in Seattle called for institutional reforms to ensure that the WTO operate with more democratic accountability

and transparency. The AFL-CIO believes that the WTO must significantly overhaul its rules and procedures if it is to survive as a legitimate and politically viable institution.

It is also essential that the U.S. Government enforce its existing trade laws effectively and consistently. We do not want to see new WTO negotiations that might weaken our antidumping laws. These laws are one of the few remaining protections for American workers against unfairly traded goods.

If we do not do better in the future, if the global system continues to generate rapidly growing inequality, environmental destruction, and a race to the bottom for working people, I can assure you it will generate broader and broader opposition.

It is important for all in Congress to recognize that these views are shared by a broad and growing majority, both in the United States where voters overwhelmingly believe that workers' rights and environmental protections should be enforced in the global economy and across the world by working people whose voices too often go unheard.

None of these issues, Mr. Chairman, that I have raised here today are addressed in the bilateral WTO accession agreement the U.S. Government signed with China late last year.

The Chinese government's abysmal record of violating its citizens' fundamental human rights of freedom of speech, religion, and association will be harder, not easier to challenge, if Congress grants permanent NTR.

The Chinese government's woeful record of violating the terms of trade agreements it has already signed will likely be worsened, not improved, if the United States agrees to grant permanent NTR.

If Congress gives up its right to annual review of China's human rights record and trade compliance, the pressure to reform will be off the Chinese government. It is absolutely essential, Mr. Chairman, that Congress take a firm and principled position against permanent NTR.

We can all agree, and I think we should all agree, on just one thing: this global economy must be reformed or it will face ever greater resistance from working people around the world.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Trumka.

[The prepared statement of Mr. Trumka appears in the appendix.]

The CHAIRMAN. Mr. Johnson?

STATEMENT OF ALLEN F. JOHNSON, PRESIDENT, NATIONAL OILSEED PROCESSORS ASSOCIATION, WASHINGTON, DC

Mr. JOHNSON. Yes. Thank you, Mr. Chairman.

The WTO negotiations are the best opportunity for U.S. agriculture to achieve more open and freer global markets. We will need to be bold and creative in meeting the challenges we now face, and the U.S. must lead and have meaningful discussions with our trading partners in developing a common vision of the future.

The simple fact is, the future of U.S. agriculture is outside our borders: 5.8 billion of our customers are outside the U.S., compared to only 274 million domestically. The population outside our bor-

ders will grow much faster, and each of those people, as their economic environment improves, will eat more.

In addition, we recognize that U.S. agriculture continues to increase its productivity every year, well beyond our U.S. customers' ability to increase consumption.

Today, one out of every three acres planted in the United States is exported. When exports are down, as they were last year by about \$11 billion from just three years ago, agriculture feels the pain.

No one can question that progress was made in the Uruguay Round, however, we all know that more needs to be done. Average bound tariffs for all WTO members, at the end of implementation, will be around 50 percent. While the United States' agricultural tariffs are less than 10 percent, on average, non-agricultural tariffs worldwide are about 4 percent.

Final bound EU and Japanese agricultural subsidies are 3.5 times and 2 times higher than the U.S. limit. The EU is also spending over \$7 billion in export subsidies, 57 times as much as the U.S.

In addition, in many areas we continue to see countries drag their feet in implementing their WTO obligations, particularly in the use of non-tariff trade barriers such as regulatory approval practices.

The American farmer and agribusiness and food companies are the most efficient in the world. The average person in the U.S. spends 10.9 percent of their income on food, the lowest in the world.

The benefit to the U.S. of having over 89 percent of its income available for other economic activity is immense. Lower food costs created the available time and resources that helped to make the great technological and economic advances we enjoy today.

However, other countries, by protecting their agricultural industries, are allowing the opposite to occur. They are cheating customers out of the benefits we enjoy of lower food costs, and limiting their ability to use their resources more productively.

In effect, they are limiting their citizens' ability to improve their quality of life and the opportunity to benefit from and contribute to a growing global economy.

While the current political environment does not bode well for granting the President fast track authority, and you all discussed that, that step must be taken as soon as possible.

In the meantime, we should be laying the groundwork for the future. This must include education. U.S. citizens and others around the world need to recognize the benefits of trade.

Another area of opportunity, is sanction reform. Food and medicine should not be used as weapons. Opening markets to food provides a beachhead for democracy and freedom to follow where it does not exist, and supports it where it does exist.

China's accession in the WTO must also move forward quickly. This includes the U.S. granting PNTR. With the U.S.-China accession agreement, we have made significant strides in opening the Chinese market to U.S. agricultural products, while bringing them under the international disciplines that exist in the WTO.

We have encouraged the administration also to continue to aggressively pursue negotiations in agriculture as part of the built-in agenda, while making it clear that any final agreement will be part of a broad agreement that encompasses all sectors in a single undertaking.

I understand that the WTO agreed this week to start the agricultural negotiations under a special session of the Agriculture Committee, reporting directly to the General Consul.

We welcome this development and will work to insist that the selection of a chair be qualified both in agriculture and has negotiating experience.

In my written testimony, I have outlined the goals for the U.S. oilseeds and oilseed product industry for the WTO negotiations. I also described the concept of a level playing field and the work we have done with the crushing associations from Europe, Brazil, Argentina, and Canada, as well as the American Oilseed Coalition here at home, to eliminate trade-distorting practices in our industry worldwide.

I have also heard many of the Senators' comments at the beginning of this hearing regarding standing still. I want to assure you that, in the private sector, we are not sitting back, we are trying to move forward.

An organization called the Seattle Round Agricultural Committee was organized prior to Seattle for the purpose of exchanging points of view on the negotiations. Currently, the SRAC includes 107 varied agriculture/food organizations and companies representing roughly 96 percent of the GDP of agriculture. The SRAC WTO policy statement which establishes the policy of the SRAC is attached to my testimony.

Since Seattle, we have had several meetings with the USDA and USTR to discuss how we should proceed with the WTO agriculture negotiations. On January 24, the SRAC sent a letter to the administration describing our views, and this letter is attached to my testimony.

Finally, in closing, as the world looks to our country for leadership and moving forward in international trade, the U.S. has a tremendous opportunity to influence the agenda for the next round. As the largest, most dynamic economy in the world, the U.S. also has the most to gain.

The U.S. must set an ambitious agenda for the negotiations and use its global leadership role to aggressively pursue a comprehensive trade liberalization package. We must also be creative in approaching the challenges and opportunities that face us today and in the future. Thank you.

The CHAIRMAN. Thank you, Mr. Johnson.

Mr. Van Putten?

[The prepared statement of Mr. Johnson appears in the appendix.]

**STATEMENT OF MARK VAN PUTTEN, PRESIDENT AND CEO,
NATIONAL WILDLIFE FEDERATION, VIENNA, VA**

Mr. VAN PUTTEN. Thank you, Mr. Chairman, Senator Moynihan, members of the committee. I greatly appreciate the opportunity to appear before you today on behalf of the National Wildlife Federa-

tion, America's largest conservation, education, and advocacy organization, with over four million members and supporters.

In addition to those members, we are a federation of State groups, like the Delaware Nature Society, Environmental Advocates of New York, the Montana Wildlife Federation, and so on. They have, collectively, a million members, and the delegates that they send to our annual meeting establish our policies.

Next month, we are going back to Seattle for our annual meeting, where those delegates will come together in that convention, and among other things, establish our policies.

I tell you that because I think it is important that you understand our governance and that we are mainstream and Main Street Americans. We share a commitment to U.S. leadership in building a global economy that protects the environment, while raising living standards for all.

We believe that trade liberalization is necessary, but not sufficient to achieve those goals. We supported NAFTA, we opposed granting President Clinton fast track authority in the last Congress.

I was in Seattle all week for the World Trade Organization meeting, representing the National Wildlife Federation, and had the opportunity to be on a panel with Senator Baucus, to chair the Environmental Panel organized by the WTO on Monday, to meet with President Clinton, and with other members of the Congress.

We have consistently tried to play a productive and creative role in helping to craft a new trade regime that can meet the needs of people and the environment as well. It includes education and activities before Seattle. Here is my op-ed in the Seattle Times from November, "Fix Trade, Don't Trash It." We have published educational primers that have been circulated through our members and delegates to educate them on these issues.

I think there are four lessons that need to be learned from the Seattle experience. The first, is there is no turning back. The old, exclusive, secretive deal-making process must give way to a new, inclusive, transparent, and democratic process. The era of international trade negotiations being compartmentalized and insulated from public concerns, like respect for the environment, is over.

Second, trade liberalization and environmental protection must go hand in hand. We have used every constructive means available to us in preparing for the WTO meeting, and since, to try and improve it, not disparage it.

Let me be clear about this. To the degree that there is a stereotype that the environmental community wants to shut down international trade, that stereotype is false, at least as it pertains to us.

We believe that globalization is a fact, not a policy choice. We want the international trading system to succeed, but we want it to fulfill its true potential. We want it to deliver on its promise of improving our quality of life, raise living standards, and include respect for conservation and environmental values.

To achieve this goal, my written testimony presents the National Wildlife Federation's agenda for environmentally responsible trade, and I will not go through that.

I just want to mention a couple of the key points. The WTO must recognize and defer to legitimate national and international envi-

ronmental standards. Second, new trade agreements must include environmental assessments. Third, individuals and nations must be able to take into account the environmental effects of how imports are produced. Fourth, the WTO should adopt modern standards of openness.

Mr. Chairman, we do not see meeting these concerns as a precondition to further trade liberalization, but it is a necessary corollary. We seek not to turn the WTO into an environmental super-agency, we seek a WTO that appropriately recognizes and defers to other multilateral institutions.

Frankly, one of the credibility problems the U.S. has in this regard is the U.S. has not ratified the Kyoto protocol, the convention on biological diversity, the Inter-American Agreement on Sea Turtle Conservation, all of which provide venues in which some of these issues can be addressed, and we believe in a way that is coordinated with the WTO.

The third lesson, is the need to seek consensus, the need to be proactive in reaching out to developing countries and the developing world in building that consensus. And not only you members of Congress and not only the administration, but we in the NGO community have a responsibility there, too, to reach out to our counterparts in other countries.

The fourth and final lesson, is we all have a stake in seeing trade liberalization move ahead. It is in the self-interest of the American business community and traditional free trade activists who remain committed to a compartmentalized approach to stop resisting the inclusion of democratic values such as environmental concerns into the international trading system. Progress requires finding common ground, not accentuating the differences.

I agree with you, Mr. Chairman, that international trade is suffering a crisis of public confidence. Those of us in Seattle witnessed that crisis firsthand. We are committed to crafting creative ways to demonstrate in a concrete way that trade liberalization can, and will, ensure that the values that our members care so much about are advanced along with economic development.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Van Putten.

[The prepared statement of Mr. Van Putten appears in the appendix.]

The CHAIRMAN. Now, Ms. Westin.

**STATEMENT OF SUSAN S. WESTIN, ASSOCIATE DIRECTOR,
INTERNATIONAL RELATIONS AND TRADE, GENERAL ACCOUNTING OFFICE, WASHINGTON, DC**

Ms. WESTIN. Mr. Chairman, Senator Moynihan, I am pleased to be here today to provide some observations about the WTO ministerial conference in Seattle. In my remarks, I will summarize what happened, why it happened, and what lessons we can draw from the experience.

Senator MOYNIHAN. In 5 minutes. [Laughter.]

Ms. WESTIN. In 5 minutes.

The main message of my testimony, is that significant differences among WTO member countries on several issues led to the failure of the ministerial to launch a new round of multilateral trade nego-

tiations. Notwithstanding the outcome, there are several lessons to be learned from the Seattle experience.

Let me speak, first, to what happened. After four days of intensive talks, the ministerial was suspended without agreeing on a round and without issuing a ministerial declaration, or any other formal documentation of its deliberations. As a result, the status of the ministerial remains unclear.

Although negotiations to further liberalize trade in agriculture and services are scheduled to begin this year, and news this week indicates they are beginning, progress may be slow because the agenda lacks a deadline for completion.

As to why it happened, we concluded that there were two major reasons. First, the differences on important issues, both among the major trading countries and between developed and developing nations, were too large to be resolved in Seattle.

For example, the United States wanted to pursue a narrow agenda in the new round, focusing on market access issues, while the European Union proposed including investment, competition policy, and other issues in a broad framework for negotiations. In addition, there were differences on very sensitive issues such as agricultural export subsidies.

Developing countries also had concerns about the scope of the negotiations and several sensitive issues. For example, they sought more time to implement their Uruguay Round commitments.

In addition, they feared that addressing labor standards under the WTO was a veiled form of protectionism aimed at undermining one of the few competitive advantages they enjoy as lower wage producers.

According to some officials from developing countries we spoke with, the U.S.'s assistance on resurfacing the issue of labor in Seattle and the President's remarks potentially linking labor standards to trade sanctions were counterproductive.

The second major reason leading to the failure to launch a new round was the number of challenges faced by the negotiators, both in Seattle and in preparations leading to Seattle.

In particular, efforts to balance efficiency with allowing the maximum participation of all WTO members in negotiations presented a challenge to reaching consensus. In an effort to include all WTO members, the ministerial co-chair set up five large working groups on the major issues, including agriculture, market access, and implementation.

The working groups were to provide draft text on their issues to be brought together into a ministerial declaration at the end of the conference. After 2 days of working group meetings, it was clear that the process was not moving toward consensus and the traditional green room process began on Friday. By then, there was not enough time to work sequentially through the unresolved issues.

We identified several factors that contributed to these challenges faced by the negotiators in Seattle. One major factor, was the inherent weakness of the draft text used as the basis for negotiations.

When WTO ministers arrived in Seattle, the draft declaration officially on the table was 32 pages long and contained nearly 400 bracketed items indicating disagreement among members.

As one WTO official noted to us, negotiators had to build down or remove text to reach a consensus document. This is more difficult to do than building up or negotiating to add desired language.

A number of officials with whom we spoke said that hosting the Seattle ministerial posed procedural challenges for the United States, as it is difficult to serve as both host and key participant.

This job was made harder by the newness of the WTO team. The WTO Director General took office in September, and his principal deputies were named less than a month before the ministerial.

Finally, there are several lessons that can be learned from the experience in Seattle. One, efforts to launch a new round may have been premature. Many countries, due to political or other reasons, may not have been ready to launch a new round.

Two, ministerial conferences are more likely to succeed if they address only a handful of politically difficult decisions, having reached consensus on most issues in advance.

Three, the WTO needs to find ways to address the institutional challenges posed by increases in the number and diversity of its members.

Four, holding high-profile WTO meetings in countries that are major trading partners, such as the United States or the EU, may present difficulties.

Mr. Chairman, this concludes my prepared remarks. I would be happy to respond to any questions.

The CHAIRMAN. Thank you, Ms. Westin.

[The prepared statement of Ms. Westin appears in the appendix.]

The CHAIRMAN. Let me turn to you, Mr. Donohue, for the first question. Now, you have been instrumental in trying to bring about a new consensus on trade that would allow us to bridge differences and move ahead on the trade front. Where do you think we can make progress on rebuilding a consensus on trade?

Mr. DONOHUE. Mr. Chairman, I think there are a couple of issues here. First of all, there is clearly amongst the players, including members of the Congress, the business community, and some of the people that would advocate a different position, a lack of clarity of information.

I mean, if you went out to the House of Representatives right now and did a survey and asked them, how many people thought, if they voted against China permanent recognition, that the Chinese would not go into the WTO, you would find large numbers of the Congress that think that they are not going to get there.

Well, they are going there. They are going to make a deal with the EU in a real hurry, they have got one with Brazil, and they are moving ahead on a lot of others. So, I think information is important.

We sometimes lose a little bit of sight of who we are. We are only 29 percent of the world's economy. The EU is 31 percent, and, by the way, creating a trading cartel that is closing doors very, very quickly. We need to express that what we are about is opening doors, opening opportunities for American folks to trade.

We also have to get clear, and I will be very brief here in wrapping up, and we have to understand, our friend from the union is talking about working families. Working families work for compa-

nies. Working families work for people that trade. We have to understand that, as the President said the other day in Davos, I thought very articulately, on the benefits of imports as well as exports.

We have to work with unions and with the environmental community in a very clear and open way. Probably most people know that Mr. Sweeney and I had come to an agreement on advancing a working group, hopefully in the WTO, that would not be coupled to the trade agreement, but would be very analytical and would look, clearly, at what is the effect of trade on workers in the United States and around the world. I was very pleased to do that, because I think the results will be outstanding.

It was difficult to advance that with the developing nations, because they did not want to hear about it because all they could think, were standards and sanctions. I believe that we have to continue to work with labor.

Labor is going to oppose the China thing, and we are going to be on the other side of it, but sooner or later we are going to have to find some ways to do some things in common. Labor has got to understand that a lot of the manufacturing jobs that are lost have nothing to do with trade. They all have to do with 5 percent productivity increases.

Finally, I really believe that we have to look at the environmental thing and recognize we have 169—I believe is the correct number—international environmental agreements now. American business has spent \$1 trillion in 20 years to clean the air, the water, and the land. Without any other agreements, we will spend \$1.5 trillion in the next 20 years. I am perfectly willing to sit down.

I think that my colleague here at the end of the table had a fairly open view, and I made a note here, I am going to go over and see him. We have got to build coalitions of folks, we have to build better information, and we have got to get down to the facts that people understand who we are, what we can do, and what we cannot do.

It is about time we recognize that we have gone from 10 percent to 30 percent of the total movement of economy around the United States being international trade, and I think it is very important. We are anxious to work on it; you cannot do it alone.

The CHAIRMAN. Let me turn to Mr. Van Putten, because I would be very interested in your reaction to what Mr. Donohue has said and proposed.

Mr. VAN PUTTEN. As I said in my remarks, Mr. Chairman, I think we need to find that new consensus, and I welcome his visit very much.

As he pointed out, there are a number of international environmental agreements and emerging institutions to implement those agreements. One of the principles that we articulated in our agenda, is that the WTO recognized the existence of those other multi-lateral environmental institutions, that they involved the expertise of those institutions in decision panels if the implementation of those institutions was implicated, and that in appropriate circumstances they would defer to those institutions.

This is one of the areas in Seattle where the EU was supportive of that text in the draft declaration, and the United States opposed

it. One of the reasons, I understand, the United States opposed it, is the difficulty in the U.S. acknowledging these institutions created by treaties the U.S. Senate has not ratified and, therefore, the United States is not a participant.

You have heard a lot about sea turtles in the whole trade and environment area. Well, one of the things the appellate panel pointed out to the United States as a way it could vindicate its interests in sea turtle conservation, is the negotiation of international agreements and doing it in the venue of those institutions. We have an agreement. It has been ratified by Mexico, Venezuela, Peru, Brazil, and Honduras. It has not been taken up or ratified by the United States.

So, it is difficult here to say that the WTO is not the place to address these issues, there are other international fora, and the United States is not a full participant, is not lending its credibility to those fora.

One can understand how the developing countries might be a little skeptical about the United States' ability to advance an environmental agenda when it sees that. That is an area where, obviously, the U.S. Senate can help build that consensus. Thank you.

The CHAIRMAN. Thank you, Mr. Van Putten.

Let me turn to you, Mr. Trumka. As I understand it, the AFL-CIO has had considerable success in the International Labor Organization in recent years.

In 1998, you succeeded for the first time in obtaining an agreement of all ILO members to a declaration of a fundamental rights of workers. This past year, you finalized ILO Convention 182 on the worst forms of child labor.

Why does the ILO not provide a viable alternative for the negotiation of labor standards, one in which we are likely to make greater progress than in the WTO?

Mr. TRUMKA. Thank you, Mr. Chairman. I would like to answer that, and if I might, I would also like to answer your question about how we build that consensus again, if you might allow me that opportunity.

The CHAIRMAN. Please.

Mr. TRUMKA. It is tough for us to be able to look at the ILO with any kind of confidence and say, we will go there to enforce workers' rights with all the other countries in the world, when our country has not ratified any of those conventions of the ILO itself.

We have, but for a few maritime conventions, not ratified them. There is no enforcement mechanism, and workers think that it will take virtually decades, and they do not think that they have decades to participate in the globalization of the economy.

Now, with regard to the question you asked Mr. Donohue about consensus, I think our point of view would be to stop mislabeling us as protectionists because we raise workers' issues. When people cannot deal with your issue, frequently they label you. That is the first label they give us.

The second point, would be to start recognizing as legitimate the concerns of workers and the environment, and that they must be addressed. The third thing is, when we talk about developing nations, I think he is right, we need to get the facts out.

When we talk about developing nations, I think everybody should understand that, in Seattle, the workers from those developing nations marched with American workers and workers from around the world.

They, too, wanted workers' rights raised by their countries and they were frozen out of that process. So that would be a start, and we would welcome the dialogue, we would welcome the opportunity to start reconciling the differences.

The CHAIRMAN. Thank you, Mr. Trumka.

Now, you, Mr. Johnson. How do you read the results of the recent agreement in Geneva on agriculture? Does it represent the start of negotiations on agriculture, or will we now spend endless months going through the motions rather than improving market access?

Mr. JOHNSON. Well, first of all, I think it is the start of the negotiations; where they go from here may be another question. But in terms of what came out, I think we were generally pleased that they did establish a separate negotiating group or an agriculture committee under special session which would report to the General Consul directly, with its own chairman, is a step in the right direction.

I think we have to be somewhat realistic that, particularly after Seattle, there are a lot of doubts about where we are going with this. I think that is one of the main things we can focus on over the next several months and years, is trying to redevelop confidence and have a dialogue—and I mentioned this in my statement—with our trading partners, developing a common vision.

Because agriculture has one benefit that it did not have going into Seattle, I suppose, if you want to look on the cup-half-full scenario, which is we now have time and a structure for discussing the issues in agriculture.

So by the time we approach the next WTO ministerial, hopefully most of those issues will have been vented to a large extent, and some of the comments you had made and the other Senators had made about preparation is part of the built-in agenda when it comes to agriculture, and also in services.

So we are optimistic, and we are going to continue to push in terms of the Seattle Round Agriculture Committee, and the agriculture community in general, to make sure we take these negotiations seriously.

The CHAIRMAN. And you, Ms. Westin. You talked about the formation of working groups in an effort to include more of the membership in the negotiations.

How did these groups function, and why were they not more successful?

Ms. WESTIN. Well, my observations are based on, I was there, my staff was there, and they attended, as I did, several of the working group meetings. I think that the working groups did not function as envisioned. We see them as a real effort to be more inclusive, to get away from the process completely behind closed doors.

Part of the difficulty, though, was that, although the working groups were known before Seattle, as far as we could determine, most of the chair people were not in place until either that Sunday, or even as late as Tuesday.

This actually, I think, was a pretty critical factor because it means that the chairs had no time, really, to talk among people who might be in the working group sessions to try to start achieving consensus. So, I think that they did not function too well.

The labor working group was a different issue altogether. That one seemed to come up rather suddenly. All of a sudden, it appeared on the agenda. We tried to follow what was going on by looking at the little TV screens in the convention center.

All of a sudden, this one was called. It was called the day after the President's remarks on trade sanctions and labor standards, and there were very heated discussions in that room.

In fact, there were some developing countries' delegations that just threatened to walk out of that. They thought that this issue had been decided in Singapore that the ILO was going to handle it, so rightfully or wrongly, that is what their position was. There was very heated discussion, and I do not think it achieved anything to hold that working group.

The CHAIRMAN. Senator Moynihan?

Senator MOYNIHAN. Sir, I have only a few remarks, one anecdotal, if you do not mind, but it is not without some relevance.

To Mr. Van Putten, I was once Ambassador to India in the early 1970's, and 1 day I found myself out in Rajasthan being driven around by the regional head of the Peace Corps at that time, what was left of the Peace Corps. It was phasing out fast.

But this fine gentleman had been an aide to a hunting/shooting/fishing maharajah, just in the days before the privy purses were abolished. We were driving along in this desert, and he says, see that little hill? There was a little hill up there. He said, we once shot a tiger up there.

I said, my God, you could not hide a field mouse on that hill. He said, oh, well, it was all jungle then. We are talking, 20 years. Where had the jungle gone? It had been torn down by women with their hands to make fires to cook supper, and it goes on and on. You see it in downtown New Delhi, actually.

I would say to my good friend and steelworker, Brother Trumka, that it is not quite true that we have not attended to labor conventions. I was the floor manager for three in the 1980's, and after Senator Pell brought up the matter of the forced labor convention, I then took the floor and did the managing thereafter.

In the 1980's, there were only two no votes against 120 treaties. Senator Hatch managed on the other side. More recently, we ratified the convention on child labor, Number 182, unanimously.

Do not despair. That Singapore agreement that Ms. Westin referred to was taken very seriously. We agreed to it, all WTO members agreed to it. This was 1986, was it not?

Ms. WESTIN. 1996.

Senator MOYNIHAN. I mean, 1996. Yes. Yes. So that is not so far back. It is lost in memory.

I repeat what I said at the beginning. I was quoting a Times correspondent who said, "Perhaps the greatest myth about globalization is that it is new. By some measures, its peak occurred a century ago, making the 20th century memorable in economic history, mostly for its retreat from globalization. In some respects,

only now is the world economy becoming roughly as interlinked as it was more than a century ago."

Obviously, there are problems. We think we are dealing with some new phenomenon, and what we are dealing with is coming out of a century of protectionism that was brought about by war and threats of war, and had devastating effects.

The business community, which has spent altogether 30 years or so deploring the new deal, which really was kind of a waste of time, might well have considered, if it was not for that Smoot-Hawley tariff, we would not have had that Depression which brought about the New Deal.

If you wanted to make a short list of events that led to the second World War, it was Smoot-Hawley. Following Smoot-Hawley, the British went to imperial preference, the Japanese went to the Greater East Asian Co-prosperity Sphere, which meant expansion and creating their own trading empire.

In 1934, with unemployment at 25 percent, Adolph Hitler was elected chancellor of Germany, not in a coup. That is how desperate people had become. It could happen again.

And that is all I want to say, Mr. Chairman, excepting to thank Ms. Westin for a very clarifying and helpful account. I think the GAO ought to go to more conferences, do you not? [Laughter.]

The CHAIRMAN. Absolutely.

Senator MOYNIHAN. It was very well done. For those of you who do not know, the General Accounting Office is a branch of the Congress. They tell it as they see it, but we depend on them greatly, and you just saw why.

Ms. WESTIN. Thank you.

The CHAIRMAN. Well, Ms. Westin and gentlemen, we appreciate very much your being here today. I think I detected some willingness for some of you to get together and talk. I think it is critically important that we seek a consensus. If we lose this opportunity, we will regret it for years to come. Much will depend, I think, upon your leadership, so I thank you for being here, and we look forward to continuing this dialogue.

The committee is in recess.

[Whereupon, at 12:35 p.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF HON. CHARLENE BARSHEFSKY

Chairman Roth, Senator Moynihan, Members of the Committee:

Thank you very much for this opportunity to testify before the Committee on our agenda at the World Trade Organization over the coming years. I appreciate this opportunity to review our assessment of the WTO after five years, the events at last year's Ministerial Conference, the negotiations and other work we have under way in the year 2000.

INTRODUCTION

Our agenda for the year 2000 ranges from opening negotiations on agriculture and services as mandated by the Uruguay Round Agreement of 1994; to implementing and enforcing existing agreements, including several now coming fully into force; promoting the full integration of the least developed countries into the trading system; institutional reform at the WTO, with a focus on strengthening transparency; and the accession of new members, in particular China, to the organization. At the same time, we are working with other WTO members for consensus on a new Round. To reach such a consensus, as the President has said, all WTO members will have to show flexibility and accept their share of the responsibility for success.

My testimony will review each of these points, but will open with a more basic review of the record of the WTO over the past five years. And here the immediate point is clear. That is, the trading system is fundamentally sound and our participation in it is profoundly in America's interest. While the Ministerial Conference in Seattle was unable to agree on an agenda for a new negotiating Round, and the WTO has received some criticism from its members and from outside as well, on the whole the WTO is fulfilling its mission of opening new opportunities, promoting sustainable development, raising living standards and strengthening peace.

As the President recently said, there is no substitute for the confidence and credibility the WTO offers the world as trade grows. WTO membership opens world markets to our goods and services, and helps us take advantage of our competitiveness in agriculture, manufacturing and high-tech industries. It advances the rule of law in commerce, and promotes stability during economic crisis. And thus our participation and leadership in the WTO is of critical importance.

Criticisms, both from within the WTO and from outside, deserve a respectful hearing and the WTO must respond to the legitimate issues they raise. But these were not the fundamental reason the Ministerial conference did not launch a new Round. Rather, the WTO's 135 members reached an unfortunate, but familiar, impasse on some of the major policy issues. The impasse will not fix itself; but if WTO members remember history and first principles, focus more intently on the shared benefits we derive from the open markets and rule of law represented by the WTO, and accept the shared responsibilities of developing the trading system, we can break the deadlock and move ahead.

THE CONTEXT

Our first challenge is to place the Ministerial in its proper context.

Today's WTO has its roots in the General Agreement on Tariffs and Trade, or GATT, created under President Truman after the Second World War. The leaders of the time acted in the light of their personal experience: they had seen the Smoot-Hawley Act in America and similar protectionist policies overseas deepen the De-

pression and contribute to the political upheavals of the 1930s. Fifteen years later, they believed that by reopening world markets they could promote growth and raise living standards; and that as open markets gave nations greater stakes in stability and prosperity beyond their borders, a fragile peace would strengthen.

The work they began has proceeded through five decades. Over time, as we and others abandoned the closed markets of the Depression era, we have strengthened peace by integrating first Germany and Japan, then the post-colonial world, and now the countries moving away from communist planning systems into a modern economic world. And we have fostered what amounts to a fifty-year economic boom during which the world economy grew six-fold, per capita income nearly tripled, and hundreds of millions of families escaped from poverty.

Most recently, with completion of the Uruguay Round and Congress' passage of the Uruguay Round Agreements Act in 1994, we made a fundamental advance: going well beyond the GATT agreements in addressing agriculture and services; protecting intellectual property rights; and strengthening our ability to enforce all the agreements covered by the WTO. In the WTO itself we created a small but efficient organization, with a very small budget and professional staff, to serve as a venue by which governments can agree by consensus on measures in the general interest. This is evident in the substantial further progress we have made since 1995, in conclusion of the landmark multilateral agreements on Information Technology, Basic Telecommunications and Financial Services.

Taken as a whole, these achievements have substantially improved the world trade environment and its institutions, in ways including:

- *Expansion of the Rule of Law:* In just five years, the 50 year-old trading system has been transformed from a complex set of rules and disciplines that applied fully to a relatively few members to a system where the rules apply to all members (subject to transitions) eliminating the potential for "free riders" on the benefits of an open trading system.
- *Dispute Settlement:* Today, WTO Members rely on a set of procedures for the prompt settlement of disputes, eliminating many of the shortcomings of the earlier GATT system where the process could drag out indefinitely. While improvements to the system are still warranted, the greater certainty of the new system has led to a more prompt resolution of disputes and greater predictability in the application of rules.
- *Market Access in traditional and new areas of commerce:* Globally, the Uruguay Round is reducing manufacturing tariffs by a third; American farmers and ranchers are finding export opportunities, as a result of the first real commitments to reduce barriers and limit the use of export subsidies; for the first time in the history of the trading system services providers have also recorded real export opportunities, from accounting to telecommunications services providers. New entrants into the global marketplace, particularly small and medium-sized enterprises, are also benefiting from these new market openings and innovations.
- *Intellectual Property Rights Protection:* WTO member governments have accepted a landmark set of rules for protection of patents, copyrights, trademarks and other forms of intellectual property. This both protects the research and innovation of Americans in our most competitive industries, and creates incentives for further investment and technological progress worldwide.
- *Global Membership:* The WTO has grown by 50%, from the 90 members which joined to launch the Uruguay Round in 1986 to 135 in 1999, with another 30 members seeking to negotiate entry. More stringent requirements for membership mean acceptance of WTO rules helps to open markets to American products and promote domestic economic reform. This is especially important for countries emerging from communist planning systems and seeking to establish market-based economies. Thus, membership in the WTO is a key element in newly emerging economies in Eastern Europe, in Asia, and in the Middle East. African nations as well are participating more fully in the WTO than in the past.
- *Creation of a dynamic forum for trade liberalization:* In establishing the WTO, we created a system that is responsive to rapid changes in technology and the needs of the 21st century. The WTO first set in motion and then realized agreements in financial services, basic telecommunications services and information technology, whose outcomes are larger in scope than the totality of the results of the Uruguay Round; and by setting a built-in agenda to continue in agriculture and services this year.
- *High Technology:* The dynamism of the WTO has kept the trading system current with technological development, providing real benefits to business and consumers—through its work on the Information Technology Agreement, Basic

Telecommunications, Financial Services, electronic commerce and other initiatives. Since the Basic Telecommunications Agreement came into effect, for example, rates paid by U.S. consumers for international service to most foreign destinations have declined significantly. From 1996 to 1998, the average price of an international long distance call declined from 74 cents per minute to 55 cents per minute, a 25% decline. On highly competitive routes, such as the U.S.-UK route, prices have fallen even more dramatically, to as low as 10 cents per minute. Although aggregate data for 1999 are not yet available, indications are that the trend toward lower rates has continued and that the current average price worldwide is well below 55 cents per minute.

- *World Economic Stability:* The WTO has also strengthened the world's ability to address economic crises. During the financial crisis of 1997 and 1998, for example, the respect WTO members, including ourselves, showed for open market commitments helped to prevent a cycle of protection and retaliation similar to that of the Depression era, ensuring affected countries the access to markets they needed for recovery, and minimizing damage to American farmers and manufacturing exporters.
- *Greater Openness and Accountability:* While, as I will note later, we are not satisfied with the WTO's progress toward full transparency, we also recognize that in five years, the WTO has moved forward on these issues by making a majority of its documents available to the public, reaching out via symposia and other means to the NGO community and by creating a Web page. All of the WTO Ministerial Meetings held thus far—in Singapore, Geneva and Seattle—have enjoyed strong NGO participation.

THE WTO IN AMERICA'S ECONOMIC BOOM

These policy achievements, in turn, have helped to facilitate an expansion of American goods and services exports, despite the effects of the Asian financial crisis, by 55% since 1992. This is especially important, as export-related jobs typically pay 10–15% above the average U.S. wage. Together with domestic policy measures such as the improvement of fiscal discipline since 1993 and increased investment in education, the trading system has thus made a remarkable contribution to our prosperity in the past five years. By opening markets, advancing the rule of law and promoting competition, the WTO has contributed to a record of:

- *Growth:* The U.S. economy has grown by \$2.2 trillion, from \$7.0 trillion in 1992 to \$9.2 trillion in 1999. To put this figure in context, only two countries in the world apart from the United States have a GDP totaling \$2 trillion or greater.
- *Jobs:* U.S. employment has grown by over 20 million, as unemployment levels dropped from 7.3% to 4.0%. This is the lowest unemployment rate since January of 1970.
- *Rising Living Standards:* American living standards are rising, as hourly wages for nonsupervisory workers are up by 6.8%. At the same time, openness to imports has helped to keep inflation low, broaden choice and improve consumer prices especially for basic household necessities. This is especially important for the poorest families.
- *Investment:* Since creation of the WTO, U.S. non-residential business investment has risen at 10.8% per year.
- *Shared Benefit:* Americans have broadly benefitted from our expansion, with poverty rates falling to the lowest level measured since 1979, and unemployment at record lows for African-Americans and Hispanics.

A final point to note is that in the past five years, the U.S.' share of world foreign direct investment has sharply increased, with foreign countries investing more than \$400 billion in America. Many had expressed fears that a more open world would promote investment in countries with weaker labor and environmental standards. Investment decisions obviously have many causes, but experience shows that our high standards have not been any sort of a deterrent to investment in the United States.

REASONS FOR SEATTLE DEADLOCK

Let me now turn to an analysis of the Ministerial, and then to our next steps.

As the record—both of the past five years and of the past fifty—indicates, developing the trading system has been work of profound importance. It has therefore always been difficult: nations always have entrenched interests which benefit from the status quo, and at each point along the road, governments must make politically difficult choices to serve the greater good.

It should therefore be no surprise that we at times have encountered deadlocks. This happened at the creation of the trading system, in which the founding of the

GATT in 1948 built upon a failure to set up an "International Trade Organization" in 1947. The creation of the WTO five years ago followed a failed attempt to launch a Round in 1982, a mid-term breakdown in 1988, and failures to conclude the Round in 1990 and 1993. More recent negotiations on financial services and telecommunications also broke down in 1996 and 1997, in all cases to be followed by success.

The experience in Seattle was similar to many of these previous negotiating deadlocks. While broadly supportive of a Round, a number of major WTO members were reluctant to commit themselves to a negotiating agenda covering issues that are genuinely difficult.

Most important, any new Round must clearly have as a central goal the rapid reform of agricultural trade. This is a commitment the WTO made long ago, when in 1995 it adopted a "built-in agenda" requiring the opening of agricultural talks this year. This poses a special challenge to the European Union and Japan. However, developing countries also have diverse interests and agendas, which a Round must take into account, and we in the U.S. have sensitive areas as well. All of us must be willing to look hard at our agendas and consider ways to accommodate a number of the concerns of our trading partners to move forward.

We knew well before the Ministerial, of course, that a new Round would involve difficult issues. But an agenda that does not take on the difficult issues is one of little real-world consequence. Over the long run, WTO members have been able to overcome their differences; on this occasion they did not. WTO members began to harden their positions rather than coming to consensus, and the negotiations proved unable to bridge the gaps.

WTO AGENDA FOR 2000

Since then, we have been consulting with our trading partners and with Director-General Moore on ways to move ahead. As we do so, we view it as of fundamental importance that the WTO acts on the issues immediately before it: the implementation of core agreements under the Uruguay Round, the opportunity to promote development and integration for the poorer countries, the decision by China and a number of other countries to join the WTO and the commitment made in 1995 to open negotiations on agriculture and services this year.

1. Implementation of Agreements

To begin with, a set of WTO agreements covering intellectual property, trade-related investment measures, customs valuation and other issues come fully into force this year, when remaining transitions expire. It is crucial that this proceed smoothly. We are meeting our own commitments, of course, in areas such as textiles. And in case of outright refusal to keep promises, we will not hesitate to use dispute settlement to enforce compliance.

But we also recognize that these agreements are complex. Some countries have genuine difficulty implementing them despite making sincere efforts to do so. In such cases, our preferred approach is to work through the problems on a practical, constructive and pragmatic basis. That is the best way to ensure that we address the fundamental concerns countries have, and preserve the integrity of the balance of rights and obligations all of us have taken up. Likewise, we are willing to review concerns others may have about our own implementation of agreements.

2. Least Developed Nations

WTO members must also act with greater generosity of spirit toward the least developed countries.

Part of this is greater market access for the poorest countries. We are prepared to do this unilaterally, as the President stressed in his State of the Union Address, by securing passage this year of legislation further opening U.S. markets to goods from Africa and the Caribbean. This is of fundamental importance to growth and sustainable development for the people of these regions, and will also help them become better markets for our own products.

Equally crucial, we must develop better means to help these countries participate fully in the trading system. Many of them come to the table with less experience in trade policy and at times fewer resources to devote to it. They often rightly feel they have difficulty in asserting their rights and interests in the WTO. A proposal we introduced last year, together with Bangladesh, Lesotho, Nigeria, Senegal and Zambia, to improve the technical assistance and capacity-building programs available from the WTO and other international institutions, can serve as a starting point.

3. *WTO Accession for China and Others*

Likewise, the WTO is considering the accession of 31 economies. A number of these negotiations are well advanced: we expect Jordan and Georgia to enter in the very near future; we have also completed our bilateral negotiations with Albania, China, Croatia, and Taiwan; and have had significant progress with a number of other countries. Each case will mean significant trade liberalization, bounded by the rule of law.

Let me say a few special words about the completion of China's entry into the WTO. This is a critical goal for the WTO this year. The economic liberalization and opening to the world China will make as part of its WTO accession have the potential to support reform in China, create opportunities for China's trading partners, and ultimately help to stabilize peace in the Pacific. And simply from the perspective of the trading system, a status quo in which the world's third-largest economy does not need to follow WTO rules is an enormous source of distortion and uncertainty. The China accession is thus a central task for the WTO, and must move ahead this year.

This will require expeditious action, first of all by those WTO members which have yet to complete their own negotiations with China, and second by the entirety of the WTO's membership on rules issues. It is a complex task, but one which is manageable for the WTO and should be completed soon. As part of this process, the United States must grant China permanent NTR or risk losing the full benefits of the agreement we negotiated, including special import protections, and rights to enforce China's commitments through WTO dispute settlement, among other means. If Congress were to refuse to grant permanent NTR, our Asian and European competitors will reap these benefits of the agreement we negotiated with China, but American farmers and businesses may well be left behind.

4. *Built-In Agenda Negotiations and Work Toward New Round*

Finally, with this work proceeding, we must look to the future. The core elements of the negotiating agenda are before us, in the opening of talks on agriculture and services, as required under the "built-in agenda" WTO members agreed upon in 1995. These are the sectors in which markets remain most distorted and closed, and in which the opening of trade will mean perhaps most to future prospects for rising living standards, technological progress, and sustainable development.

I am pleased to report that WTO Members are moving forward on this agenda. The WTO General Council yesterday set dates for the initial meetings for the negotiations on services and agriculture, and our expectation is that the important work for those negotiations will proceed. That will include the development of negotiating proposals this year, a matter on which we will be consulting with Members, the private sector and other interested Americans in the days ahead. The work has just begun, and we will soon publish a notice in the Federal Register seeking comments from all interested parties as we begin the process of developing proposals for these negotiations. But our view of the initial steps is as follows:

—In *agriculture*, the WTO Agreement on Agriculture, with binding commitments on market access, export subsidies and domestic support, provides the basis on which to pursue further agricultural reform. Useful preparatory work has already been accomplished through the WTO Committee on Agriculture over the last three years, where countries have identified key issues and their interests.

We are now working with other countries to ensure discussions in Geneva focus on substantive reform proposals. Our work last year enabled us to identify general negotiating objectives, such as eliminating export subsidies; reducing tariffs; expanding market access opportunities for products subject to tariff rate quotas, including better disciplines on the administration of those TRQ's; reducing trade-distorting domestic support levels; and ensuring that the operation of agricultural state trading entities are more market-oriented. We also want to ensure access for biotechnology products.

We are now developing specific proposals to implement these objectives. While specific negotiating timelines have not been established by the Uruguay Round, the expiration of the agricultural "peace clause" in 2003, and continued domestic farm reform efforts in the United States, Europe and other countries, should help to move the negotiations forward.

—In *services*, we are developing negotiating proposals for a wide range of sectors where our companies have strong commercial interests, including, energy services, environmental services, audiovisual services, express delivery, financial services, telecommunications, professional services, education and training, private healthcare, travel and tourism, and other sectors. Our companies are

poised to be among the primary beneficiaries from stronger services commitments in the WTO.

Broadly speaking, our objectives are to remove restrictions on services trade and ensure nondiscriminatory treatment. We also need to ensure that the commitments we obtain accurately reflect our companies' range of commercial activities. For example, the GATS definition of environmental services does not include recycling services, an area where U.S. companies are leaders. We want to fix this and similar deficiencies in the GATS.

Our proposals must also reflect the many different means U.S. service providers use to meet the needs of their foreign customers. This includes U.S. companies that establish operations overseas—for example, as a branch or subsidiary; that deliver their services electronically—by phone, fax, or the Internet; or that depend on individual personnel to “export” services—for example, Americans that perform short-term consultancy services in a foreign country.

Beyond these mandated negotiations, we have pressing needs to address market access concerns in non-agricultural products, electronic commerce, issues related to trade and the environment, trade facilitation, and perhaps other topics as well. Thus, while there are a number of different options for proceeding with trade liberalization beyond the agricultural and services sectors, we working to build consensus for a new Round.

To build a consensus for such a Round will not be a simple task. However, the outlines can be drawn, if WTO members prove willing to rethink some of their positions, focus more fully on the shared benefits of success, and find the balance that allows us to move ahead. As the President has said, we will keep working toward consensus; we are willing to be flexible, and expect our trading partners to do the same.

WTO REFORM

Finally, let me turn to the criticisms the WTO has received and the questions of institutional reform.

The protests and internal criticisms of the WTO were not at the heart of the negotiating impasse in Seattle. However, they raise issues that require a response. Only through openness and willingness to listen to its critics will the trading system retain the broad support of the public and its member governments over time.

This does not mean that all criticisms are valid. Indeed, part of the response must be a rejection of unsubstantiated and more radical criticisms. The core vision of the trading system is right: opening markets in the past decades has sparked growth, reduced poverty and strengthened peace. The creation of the WTO here in the United States has brought this still further: by cutting tariffs, it has been the equivalent of a \$750 billion global tax cut, whose benefit goes largely to less prosperous families which devote more of their income to food and basic necessities. It has helped America's farmers, working people and businesses find new markets overseas. And as our import growth has shown, it has helped to raise living standards, dampened inflationary pressures and broadened consumer choice, while creating new opportunities for our trading partners. Most recently, during the Asian financial crisis the respect WTO members showed for open market commitments helped to prevent a cycle of protection and retaliation similar to that of the Depression area, ensuring affected countries the access to markets they needed for recovery, and minimizing damage to farmers and manufacturing exporters worldwide.

To begin reversing the work we have done would be irresponsible and damaging in the extreme. Workers in poorer countries would lose jobs as industrial markets closed; living standards of the poor in America and other industrialized countries would fall as the price of food, clothing, shoes and other essential goods rose. Hopes of rising labor and environmental standards would be deferred, as countries which suffer from grinding poverty have little time or resources for clean air enforcement and factory inspection. And a crucial support for peace would weaken, as the stake nations now have in one another's prosperity and stability beyond their borders diminished.

But the WTO must also be willing to listen to and act upon legitimate criticisms and incorporate new ideas. Most immediately, it must address concerns about transparency which are valid and can be easily remedied. This is especially important in dispute settlement, where the current practice is to close arguments to the public. Historically, the practice dates from an earlier era, in which dispute settlement largely meant mediation and negotiation. But today, dispute settlement is a more adjudicative process. In such a process, what once was privacy becomes a harmful secrecy that reduces public confidence in decisions.

If this remains unchanged, public confidence in the system will erode. As a first step, at our US-EU Summit in December, we proposed that we and the EU, as the largest users of WTO dispute settlement, immediately agree to open the arguments in our transatlantic disputes. Thus far, to our regret, the EU has refused. But it is quite clear that this issue threatens to erode public confidence in the WTO and its work, and must be addressed sooner rather than later.

Likewise, the WTO's internal processes can be improved and updated. Since 1986, when the Uruguay Round opened, the WTO has grown by over 50%, from 90 to 135 members, with more to follow this year. It is not only larger but more diverse, ranging from the world's most developed to its poorest countries, and covering each point of the spectrum in between. Each of these members has different priorities and interests, adding to the complexity of negotiations. Over time we should develop a more effective means of ensuring both participation and efficient consensus-building. Director-General Moore has begun consultations with WTO members toward this end. However, as we address the issue, we must be careful not to alter the principle of consensus for decision-making in the WTO. And we must also ensure that such procedural discussions do not distract us from taking immediate action on core policy issues.

There are also clear areas in which the WTO can do more to help environmental protection. These include elimination of environmentally abusive subsidies, such as fishery subsidies which contribute to over-fishing; elimination of barriers to trade in environmental goods and services; and the disciplining of agricultural subsidies, including the elimination of agricultural export subsidies.

And we believe the WTO can contribute to the advance of internationally recognized core labor standards. Its current refusal to discuss the links between trade and labor cannot be justified. It can also cooperate more actively with the International Labor Organization on a number of issues.

We should also, however, draw lessons for the future from our experience in Seattle in these areas. While our environmental proposals won a substantial amount of support, we received at times intense criticism for pressing to open a discussion of trade and labor. If we are to move forward, I believe we must address more effectively the reasons many developing countries are suspicious of these discussions. Few want to specialize in low-wage industries; almost all would prefer highly skilled, healthy and prosperous workforces. But most also fear discrimination against their products that would block development and perpetuate poverty. Clearly, our proposals in this area have no such intention and would have no such effect. But if the trading system is to play a role in achieving the shared goal of improving labor standards—as it should—we must find ways to allay these concerns.

USTR BUDGET

Finally, Mr. Chairman, in the context of our ability to meet the totality of these challenges, let me raise one final issue.

Monday, the president transmitted his budget to the Congress. In it, he is recommending funding for USTR at \$28.3 million and 190 staff. This represents an increase of \$2.8 million and 12 hill-time positions. In addition, the President's initiative on enforcement includes additional resources for our agency. Thus, this budget, like the previous two the President has submitted, calls for funding increases, to match the escalating workload our agency has at home and worldwide.

As you know, USTR is certainly one of the leanest and I believe most cost-effective agencies in the Federal government. When we began, we were an agency designed to coordinate policy, drawing on the resources of other agencies. Today, we have tremendous statutory obligations, together with complicated and demanding interactions with nearly 200 foreign trade partners and a very wide spectrum of Americans. As the Appropriations Committee begins considering this budget request, I ask your support as our authorizers for the addition of these 12 new positions to our team. To fulfill our mission most effectively, we need additional support not only at the WTO, but with respect to agriculture, Africa, China, Japan and several other areas. I hope you will support this request.

CONCLUSION

In conclusion, then, the WTO faces a number of challenges in the coming year, from proceeding on the built-in agenda for agriculture and services, to implementing prior agreements, bringing in new members, improving the ability of the least developed countries to participate, reforming its institutions, and working toward a new Round. To meet these challenges is a responsibility that all WTO members share. None of these are easy or simple; but others have shouldered equally difficult tasks in the past.

And the record of the past fifty years should give us a great deal of confidence. Taken as a whole, the multilateral trading system has promoted the rule of law, created new opportunities for worldwide economic growth, and created opportunities for Americans. This amply justifies the decision Congress took five years ago to support creation of the WTO as a successor to the GATT. And it should remind us how significant will be the rewards of success as we take up the challenges of the new century.

RESPONSES TO QUESTIONS FROM SENATOR BAUCUS

Question: I want to recognize you, and the President, for negotiating an agreement with China on WTO accession that provides so many new opportunities for so many of our business and agriculture sectors. It is a stunning agreement.

Now we have the challenge of approval of PNTR for China, something I fervently hope we can complete this year. We may become a victim of the calendar, either the negotiating calendar, or the political calendar, or both. I hope not.

Let me raise one major concern that is shared by many of my colleagues. That is monitoring Chinese compliance with its WTO commitments, and enforcing those commitments. We learned a long time ago that trade agreements with many of our Asian trading partners are not self-enforcing. We have to put even more effort into enforcement than we do in the original negotiation.

China does not have a good record of complying with its past trade agreements. Senator Roberts and I are circulating for signature a letter to President Jiang Zemin urging the full and immediate implementation of the Agriculture Cooperation Agreement. Specifically, we want China to make purchases of wheat, beef, and citrus from the United States now. That would be a positive indicator of their intentions on implementation.

When we return from recess, I plan to introduce legislation that establishes new mechanisms in the Congress and in the Administration to ensure that we will relentlessly monitor and enforce the Chinese commitments. It is vital that this process be institutionalized to ensure that future Administrations and future Congresses, be they Democrat or Republican, do not deviate from this path.

I would like to know what the Administration intends to propose in the way of a comprehensive plan for monitoring and compliance by China.

Answer: The U.S.-China WTO Accession Agreement will increase U.S. leverage to open China's markets by giving the United States broad new rights and strong mechanisms to enforce them. The Administration has already begun to identify and put into place tools that will bolster our existing monitoring and enforcement mechanisms, and we will want to consult closely with you and other members of Congress as we develop a comprehensive plan for monitoring China's compliance.

China's broad commitments will be subject to enforcement by every WTO Member through binding WTO dispute settlement. In no previous trade agreement has China agreed to subject its decisions to impartial review, and ultimately imposition of sanctions if necessary—and China will not be able to block panel rulings. If China loses in a dispute, it will have to change the offending practice, provide compensation, or be subject to denial of access to our market in an amount proportional to the harm it causes.

The United States also maintains the right to use the full range of U.S. trade laws. Indeed, we have strengthened that arsenal with respect to China by negotiating an anti-surge mechanism using a lower standard than 201 and providing expeditious relief and continuation of our nonmarket economy methodology in anti-dumping cases.

In addition, we will strengthen our enforcement capabilities through the multilateral nature of the WTO. The accession of China will create a multilateral review mechanism to monitor China's implementation of all of its WTO commitments closely. And as these commitments come into effect, China will be subject to enforcement action by all 135 WTO members, significantly diminishing China's ability to play its trading partners off against one another. In all previous disputes over Chinese compliance with agreements, notably those over intellectual property, the United States had to act alone. With China in the WTO, we will be able to work with 134 other members, many of whom will be concerned about the same issues we raise and all of whom will have the legal right to challenge China's implementation practices and seek redress.

The specificity of China's commitments also will help ensure that China complies. Experience with the Intellectual Property Agreements demonstrates that our agreements with China are enforced most satisfactorily when obligations are concrete, specific, and open to monitoring. Our bilateral Agreement therefore includes highly specific commitments in all areas—including industrial goods, services, agriculture,

and rules—clear timetables for implementation, and firm end-dates for full compliance. These will allow us to carefully monitor China's compliance and present clear evidence of any failure to comply.

We will, as you suggest, relentlessly monitor and enforce China's compliance. We are already preparing for an increased monitoring and enforcement effort through President Clinton's request for \$22 million in new enforcement and compliance resources for USTR, the Commerce Department, USDA, and the State Department. The President is requesting resources for the largest monitoring and enforcement effort for any agreement ever, covering China's obligations in the WTO and strong enforcement of our trade laws.

The additional resources sought for the Office of the U.S. Trade Representative would strengthen our ability to ensure that the terms of our agreements are fulfilled. This initiative would create new positions in four areas of expertise—legal, economic, geographic, and sectoral—to be devoted to negotiating, monitoring, and enforcing trade agreements, and would significantly increase USTR staff dedicated to China.

President Clinton's new initiative would triple resources at the Department of Commerce dedicated to China trade compliance—including administration of our unfair trade laws. The Department would more than double the number of compliance officers in Washington devoted to China to ensure effective enforcement of China's WTO accession commitments and other bilateral trade agreements. It also would create a new Commerce/State Overseas Compliance Program which would provide trade experts to monitor compliance with international trade obligations and support enforcement of U.S. trade laws, such as those involving market access issues, subsidies, dumping, and other unfair trade practices. By strengthening our capacity to gather information "on the ground" in foreign countries, this initiative would help American businesses make the most of market access opportunities and facilitate the investigation of trade agreement violations.

The President's budget also calls for providing additional resources to the U.S. Department of Agriculture to bolster its legal and technical expertise in areas covered by trade agreements and U.S. trade law. USDA monitors implementation of the WTO agreement's agricultural trade liberalization provisions and works with USTR to ensure compliance.

The Administration will continue to work with the American workers, farmers, businesses, and the Congress, to ensure effective monitoring and quick response. At the same time, we will seek to prevent or reduce problems by working closely with the Chinese, including through technical assistance where appropriate, to ensure they fully understand their new obligations. WTO rules will require real and meaningful changes in China's application of trade rules and policies, and consultation and training can head off problems.

Question: Earlier this week, I gave a speech with my thoughts about why a new round was not launched at Seattle. I don't want to dwell on this today, although we do need to learn from that experience. One major conclusion I have reached is that the WTO probably is not the place to deal with many of new issues confronting us—such as GMOs, competition policy, food safety, e-commerce, other domestic regulatory issues, environmental standards and trade. In fact, I now believe that trying to open a new round would be the wrong way to go in the future.

I was glad to see that the WTO agreed this week to begin agricultural negotiations. Europe's refusal to deal with its agricultural export subsidies was a major cause of the failure at Seattle. And it is a major distortion in the global trading system. I know that the EU fought against starting these negotiations in Geneva. But this issue is so important to so many nations. It inflicts significant damage on the United States, on the Cairns Group, and on many developing countries. I believe that we can work with these other countries to construct a strategy that will isolate Europe and put them on the defensive in these negotiations. I think the EU has done a masterful public relations job internationally in putting the blame on us. I would appreciate your thoughts about how we can galvanize our potential allies around the world.

Answer: Elimination of agricultural export subsidies has been at the center of our strategy for the upcoming WTO negotiations. Economically, export subsidies are among the most trade-distorting policies applied in the international marketplace, as the level and direction of trade is directly determined by government policies rather than basic competitiveness. Recognition of this fact, and the fact that the European Union accounts for over 80% of global export subsidies, has allowed us to build a broad coalition against export subsidies, stretching from APEC members, to FTAA members, and a number of developing countries. We will continue to work with these countries as negotiations begin this year, and our work will continue to put pressure on the EU. As we address the range of procedural and technical issues,

and then move into substantive negotiating issues, we should increase the level of interest in agricultural trade reform across WTO members.

Question: A related issue is the series of bilateral arrangements that the EU has reached with many of its trading partners—Mexico, central Europeans, countries in the Middle East, South Africa. Many people believe that these arrangements, which provide preferences for EU products that discriminate against us, are in violation of the WTO, specifically, Article 24 on free trade areas. I would like your comments on this.

Answer: We have had concerns about the compatibility of some of the EU's bilateral and regional trade agreements with the multilateral rules governing such agreements. In particular, there are questions about whether some agreements cover substantially all trade between the parties, as is required by the WTO's rules, and whether the origin rules applied under such agreements are consistent with international obligations. We have expressed our reservations about these and other elements of their bilateral agreements in the WTO's Committee on Regional Trade Agreements, and are conducting further analysis of the matter should resort to dispute settlement be necessary.

Question: And, finally, the FSC. I think it is outrageous that the EU, after making an agreement with the United States 15 years ago, now breaks that agreement for totally extraneous reasons. A lot of people believe that we will lose the appeal this month. This is a major threat to the integrity of the trading system and a major threat to the way in which we deal with Europe. It has enormous ramifications in many areas of the trans-Atlantic relationship, not just trade. Again, I would appreciate your thoughts.

Answer: As you undoubtedly know, on February 24, the WTO Appellate Body affirmed the finding of the WTO panel that the FSC tax exemption constitutes an export subsidy that is prohibited by the Subsidies Agreement and in violation of U.S. obligations under the Agriculture Agreement. We share the view that this dispute, if not properly managed, could damage our bilateral relationship with the EU and impair our ability to cooperate in a number of areas. We have communicated this view to EU officials. It is our intent to seek a constructive solution to this dispute, working closely with Congress, the business community, and our EU counterparts. However, in finding such a solution, we will ensure that U.S. firms and workers are not placed at a disadvantage vis-a-vis their European competitors.

Question: At the end of January, a number of nations signed the Biosafety Protocol. The Administration announced that the United States will abide by it. I'd like to congratulate the Administration on its negotiations here, especially for fending off proposals which could have seriously disrupted grain shipments.

There is some confusion about the relationship between the Protocol and the WTO on trade in GMOs. The Protocol's preamble emphasizes that the Protocol doesn't change any obligations under existing agreements, such as the WTO agreement. But it then says that the Protocol is not subordinate to any other agreement, such as the WTO agreement.

How are we in the Congress to interpret these seemingly contradictory two statements? Does the Biosafety Protocol undermine the WTO? Which takes precedence in a biotech dispute, the WTO or the Biosafety Protocol?

Answer: The Protocol does not undercut our WTO rights in any way. As you note in your question, the Protocol contains a savings clause that clearly states that it should not be interpreted to change rights and obligations under other international agreements. The additional clause in the Protocol stating that the savings clause does not subordinate the Protocol to other agreements does not conflict with or undermine the legal force of the savings clause. Biotechnology disputes in the WTO, if any, will be governed by WTO rules—unchanged by the Protocol.

Question: As you both know, a Federal District Court found that an environmental representative should be appointed to ISAC-10 on lumber and wood products and ISAC-12 on paper and paper products. I am very concerned that the Administration is appealing this ruling.

First, I believe that the court decision was proper. FACA, the Federal Advisory Committee Act, requires that membership in these committees be fairly balanced. Judge Rothstein made it clear that it is not sufficient to have a membership that is broadly representative of the industry sector only. The ISAC must include balance in terms of viewpoints to be represented. In this case, that means representation by environmental groups.

Second, I was deeply disappointed by the decision to appeal. In both Seattle and Davos, the President spoke eloquently about the need to bring Third Sector concerns, such as labor and the environment, into the mainstream of our formulation of trade policy and trade negotiations. I would like to get a better understanding

about why there would be an appeal that is at such odds with the views that the President has stated so clearly.

Note: If they say that they cannot speak about something that is currently being litigated, say:

I am not trying to raise a legal issue. I am trying to understand the underlying policy that opposes environmentalists serving on these committees. I recognize that there are issues of confidentiality. But, our system of government is based on inclusion and transparency, and keeping the environmental voice out of these ISAC discussions does not serve our national interest. Besides, if we want to see openness and transparency in the WTO system, we need to start at home with full participation of those affected by decisions.

Answer: The Administration actively seeks and obtains advice from environmental groups on the development and operation of U.S. trade policy. One way it does so is through the trade policy advisory system that Congress has established under Section 135 of the Trade Act of 1974. Under the Act, Congress provided that the CEO-level Advisory Committee for Trade Policy and Negotiations (ACTPN), which sits at the top of the advisory committee pyramid, is to include representatives from non-governmental environmental and conservation organizations. In addition, President Clinton has established a CEO-level Trade and Environment Policy Advisory Committee (TEPAC) to provide a forum for advice to the Administration on both trade and trade-related environmental policy issues. Members of the ACTPN and the TEPAC, including representatives of five different environmental organizations, were included on the official U.S. delegation to the recent World Trade Organization ministerial conference held in Seattle.

The advisory committee system is but one of a variety of mechanisms through which the Administration obtains advice from interested groups and organizations on the development of U.S. trade policy. For example, in formulating specific U.S. objectives in major trade negotiations, USTR routinely solicits written comments from the public, consults with and briefs interested constituencies, holds public hearings, and meets with a broad spectrum of environmental and other groups. In addition, the President's recent Executive Order on environmental reviews of trade agreements and its implementing guidelines will establish an inclusive process for bringing environmental perspectives into the development of U.S. trade negotiating objectives.

The lawsuit referenced in your question is based on a complaint regarding the membership of two Industry Sector Advisory Committees (ISACs), which form the third tier of the trade policy advisory committee system Congress established under Section 135. The ISACs, which are co-chaired with the Department of Commerce, are carefully designed to channel important negotiating advice to the Administration from the various sectors of our economy. The relevant statutory language and legislative history make clear that Congress intended ISAC membership to be drawn from industry, labor, agricultural, and services representatives in the sector concerned. Appointments to the ISACs have been made on that basis since the ISACs were established over 20 years ago.

The decision to appeal the court's ruling relates to broader concerns about the integrity of the statutory system Congress devised. The court's ruling, if permitted to stand, could undermine the framework that Congress established. Of course, Congress can examine the operation of the advisory committee system and consider whether changes in Section 135 may be warranted. (Indeed, as indicated below, I have asked Congress by letter to the Chairs and Ranking Members of Senate Finance and Ways and Means, to evaluate how to improve the entire advisory system.) But that is a task for the legislative branch, not the courts.

As the appeal goes forward we are implementing the court's order, and have already extended invitations to environmental representatives to serve on the committees. Once these persons have received security clearances, they will be appointed for full two-year terms.

Moreover, the Administration is committed to ensuring that it receives timely and comprehensive advice on trade-related matters from a broad range of civil society interests, including environmental and conservation organizations. The Administration encourages and supports strengthening relationships between non-governmental groups and government agencies, which will help ensure that the perspectives of these organizations are fully considered in the trade policy and negotiating process.

Accordingly, earlier this year USTR and Commerce announced an initiative to seek views from the public on ways to enhance the effectiveness of Administration efforts to obtain advice from environmental, consumer, and other nongovernmental groups on important trade policy matters. USTR and Commerce recently published a Federal Register notice seeking comments from the public on changes to the advi-

sory committee system, that would help to ensure that the Administration obtains timely, relevant trade policy advice from nongovernmental groups. We are also asking our trade policy advisory committee members to provide their views on this subject as well. In addition, the Administration is considering other initiatives to address the concerns that have been raised.

In tandem with the Administration's review of this subject, we believe that it would be appropriate for Congress to undertake an examination of the existing trade policy advisory system. Such a review would help to identify the extent which the advisory system is presently functioning in a manner consistent with Congressional intent and whether changes in law or policy may be warranted to ensure that all relevant perspectives are heard and considered in the formulation of U.S. trade policy. Consequently, as indicated, I wrote to the Chairmen and Ranking Members of the Finance and Ways and Means Committees, and their trade subcommittees, requesting them to undertake such a review. We look forward to working with you and the other members of the Finance Committee in addressing this important subject.

RESPONSES TO QUESTIONS FROM SENATOR HATCH

Question: "Ambassador Barshefsky, as I said in my statement, I understand the reluctance of developing nations to adopt certain WTO standards. There are legitimate reasons for delayed implementation, and they have always been a part of WTO. But the timely compliance with the TRIPS commitments is important to the ability of these members to attract and sustain foreign investment as well as the technology that they need to achieve development goals. No nation should be allowed to prolong the implementation of the basic protections that our software manufacturers, for example, expect when they enter into good faith trade transactions with importers in any WTO member country.

"I am providing a copy of my recent letter to you on this matter. I am also requesting that you advise me of your timetable for initiating TRIPS cases against some of the worst offenders."

Answer: We appreciate and share the concerns expressed in your letter about the importance of developing countries meeting their January 1, 2000 obligations under the TRIPS Agreement. We are completing an in-depth assessment of TRIPS compliance by all developing countries and are preparing to take appropriate action, including initiating WTO dispute settlement actions where appropriate. You are correct that clear criteria are necessary to select countries for dispute settlement actions. The two criteria you suggest are evidence of a lack of respect for TRIPS obligations, and deficiencies or practices that have a particularly harmful effect on American high-tech industries. In conducting our analysis, we are looking carefully at these and other types of deficiencies or practices, the value which a WTO decision might have in interpreting relevant sections of the TRIPS Agreement, and priorities for dispute settlement actions.

Question:

- Madame Ambassador, I understand that your office is considering a petition to grant duty free treatment under the Generalized System of Preferences to imports of magnesium alloy and magnesium powder. I am concerned about this petition because the U.S. magnesium industry has sharply contracted in the recent past as a result of injurious import competition. Only two producers remain. The largest is Magnesium Corporation of America, located in the State of Utah. I understand that this company has successfully petitioned for anti-dumping relief against imports of magnesium products from Canada, China, and Russia. I also understand that workers from the two remaining magnesium plants have been certified for trade adjustment assistance by the Department of Labor.
- In considering a GSP petition such as the one on magnesium, does your office consider the fact that imports of the product at issue have been found by other agencies to injure U.S. producers and workers?
- It would seem to me that the better practice might be to reserve GSP treatment for products that have not already been found to cause injury to our industries and workers.
- I would appreciate your giving careful consideration to the views of the U.S. industry and its workers in this case.

Answer: First, let me assure you that the GSP annual reviews provide multiple opportunities for interested parties to make their views known to the inter-agency committee charged with administering the GSP program. We invite pre-hearing briefs, hold a public hearing, and solicit post-hearing and rebuttal briefs. In addition to our public hearing, the International Trade Commission holds its own hearing.

The ITC provides us with economic effects advice on all petitions, and we request public comment on it. The U.S. magnesium industry is participating in this process.

Second, we are very careful not to designate products for duty free treatment under the GSP program that would harm a U.S. industry and its workers. While we wish to use GSP to stimulate development as intended by Congress, we do not endanger U.S. industries by designating import-sensitive products. However, since the due process we provide has not been completed with regard to the magnesium petitions, it would be inappropriate for me to comment specifically on them. Your interest in this case has been communicated to the inter-agency GSP committee and will be considered by it when members formulate a recommendation to me.

Finally, under the law, we do not grant GSP benefits to countries for products having outstanding anti-dumping or countervailing duty orders.

RESPONSES TO QUESTIONS FROM SENATOR MACK

Question: It is disturbing to me that the WTO might rule against the validity of the Foreign Sales Corporation (FSC) laws, since the FSC was created specifically to comply with a 1981 "Understanding" adopted by the governing Council of the GATT. How could the WTO ignore the express findings of this "Understanding," which provided that countries need not tax foreign source income (including export transactions) and that the failure to do so does not constitute a prohibited export subsidy?

Answer: As you undoubtedly know, on February 24, the WTO Appellate Body affirmed the finding of the WTO panel that the FSC tax exemption constitutes an export subsidy that is prohibited by the Subsidies Agreement and in violation of U.S. obligations under the Agriculture Agreement. In so ruling, the Appellate Body disagreed with our argument that the 1981 GATT Council Understanding had been incorporated into GATT 1994 as an "other decision" of the GATT 1947 CONTRACTING PARTIES within the meaning of paragraph 1(b)(iv) of the so-called "incorporation clause" of GATT 1994. Instead, the Appellate Body found that the Understanding did not constitute a legal interpretation of general application, but rather was limited to the particular measures at issue in the earlier disputes over U.S. and European tax laws that gave rise to the Understanding. While the Appellate Body agreed with the United States that the Understanding qualified as a "decision" under Article XVI:1 of the WTO Agreement, it did not find the Understanding relevant to the issue presented in the complaint concerning the FSC. According to the Appellate Body, the Understanding did not address the issue of whether, having decided to tax a particular category of foreign-source income, a WTO Member government may provide an export-contingent exception from taxation such as that provided by the FSC.

Like you, we disagree with the Appellate Body's findings. We are now focusing our efforts on finding a constructive solution to this problem that ensures that U.S. firms and workers are not unfairly disadvantaged.

Question: Is it the Administration's position that the WTO Agreements repealed the 1981 GATT Understanding upon which the FSC was based? If so, why wasn't that point made to the Congress in the Statement of Administration Action that was submitted to identify all changes in U.S. law that were necessitated by the WTO agreements?

Answer: As indicated in the answer to the preceding question, it is not the Administration's position that the WTO Agreements repealed the Understanding. Rather, the Administration argued that the Understanding remains relevant to an interpretation of the WTO Subsidies Agreement. While the Appellate Body agreed that the Understanding had continued legal vitality as a "decision" under Article XVI:1 of the WTO Agreement, it disagreed with the United States with respect to the relevancy of the Understanding to the matter at issue in the FSC dispute.

Question: What efforts has the Administration made to settle the FSC case with the European Union?

Answer: Since this case began in November 1997, we repeatedly have told the EU that it would be in both of our interests to address EU concerns regarding the FSC through negotiation rather than litigation. However, the EU was not interested in negotiation. Now that the Appellate Body has issued its ruling, we have reiterated to the EU the need for a constructive solution to this matter that preserves—rather than damages—our bilateral relationship. We believe they share our view about trying to resolve this issue constructively. We are examining a wide range of options in order to secure that constructive solution, and are consulting with Congress and the Private Sector on these options.

Question: If the U.S. loses the appeal of the FSC decision, will the Administration examine the tax laws of EU nations that, similar to the FSC, reduce taxes on ex-

ports, and bring these before the WTO? If so, has the Administration informed the EU of this course of action?

Answer: In evaluating the Appellate Body report, we are considering how the Appellate Body's findings affect the WTO-consistency of the tax systems of other WTO Members, including those of EU member states. At this point, however, it would be premature to speculate on the outcome of this analysis or whether it would be advantageous to initiate disputes against foreign tax systems.

Question: Has the Administration made it clear to the EU that the FSC case could jeopardize continued U.S. participation in the WTO, considering the upcoming Congressional debate under Section 125 of the Uruguay Round Agreements Act?

Answer: We have made it abundantly clear to the EU that its attack on the FSC through litigation has done nothing to increase support for the WTO within the United States, and a failure to resolve it constructively may erode support for the WTO Dispute Settlement process.

PREPARED STATEMENT OF THOMAS J. DONOHUE

INTRODUCTION

I am Thomas J. Donohue, President and Chief Executive Officer of the United States Chamber of Commerce. The U.S. Chamber is the world's largest business federation, representing more than three million businesses and professional organizations of every size, sector and region in the country. The Chamber serves as the principal voice of the American business community. An important function of the Chamber is to represent the interests of its members before the U.S. Congress, the Executive Branch, the independent agencies of the federal government, and the federal courts. The Chamber welcomes this opportunity to present its views on U.S. trade policy after the Seattle ministerial.

Perhaps the single most important lesson we should derive from the debacle in Seattle is that our mission is the same now as it was before Seattle. Economic globalization will continue on its own momentum. We need to continue fighting for U.S. interests in this global economy. We need to keep opening markets for American agriculture, manufactured products and services. We need to keep opening markets for American workers whose jobs increasingly depend on access to those markets. And we also need to quit hurting ourselves through our continuing use of unilateral sanctions.

China is a case in point. Congress will soon vote on whether to extend permanent normal trade relations (PNTR) status to China as part of the recently-negotiated China-U.S. agreement on China's pending WTO accession. Once China concludes the requisite additional agreements with the European Union and others, it will enter the WTO—whether or not Congress grants PNTR. If Congress votes not to grant PNTR, we forfeit the benefits of improved access to China's market that we negotiated for ourselves last year—with the big losers being American farmers, American manufacturers, American technology firms, American service providers, and American workers.

Congressional defeat of fast-track legislation in September 1998 served to underscore the fact that, in recent years, the principal U.S. tendency on foreign economic policy has been to restrain or resist U.S. participation and integration into international commerce. Since the 1994 passage of the Uruguay Round Agreements Act, unilateral economic sanctions have represented the primary—if not the only—form of U.S. trade policy activism. But during the same time, renewal of presidential fast-track negotiating authority was expressly rejected by the Congress for the first time since its inception in 1974. Maintenance of normal trade relations with China—the world's largest nation and one of its fastest growing economies—has remained on a year-to-year footing for over a decade, while our major competitors in that market display no such hesitancy. And the U.S. has proven reluctant, at best, to exercise the leadership that is expected of it in international institutions such as the International Monetary Fund and the United Nations.

As the world changes, continuing U.S. engagement is becoming more important to the national interest, not less. The world is becoming more multipolar in political and economic terms. New players are emerging on economic and political fronts. Economic issues are increasingly recognized as important at home and abroad as trade's share of national output grows. Economic and trade "blocs" such as the North American Free Trade Agreement (NAFTA), the European Union, the Asia-Pacific Economic Cooperation area (APEC), Mercosur, and others continue to gain prominence.

Beginning in the early 1970s, the U.S. demonstrated in various ways its willingness to exert international economic leadership. Presidential trade negotiating authority was strengthened in 1974 with the establishment of fast track. The U.S. continued its leadership in international institutions such as the IMF, World Bank and GATT. In the 1980s, U.S. trade laws were revamped to defend and advance U.S. interests more effectively. Also in the 1980s, the United States led efforts to negotiate NAFTA and the Uruguay Round.

But the late 1990s witnessed a sudden and potentially very costly lapse in U.S. leadership. Unilateral sanctions became the only "proactive" initiatives the U.S. seemed willing to take as our foreign policy drifted toward isolationism and sectarianism. The Congress and the Administration have been unable to agree on the importance of effective trade negotiating leverage. U.S. companies are facing growing disadvantages relative to their competitors as other nations negotiate agreements that provide preferences for their firms. And the U.S. is risking its leadership role in international economic and financial affairs as it only reluctantly lives up to its commitments to international institutions such as the United Nations and the International Monetary Fund.

The reality is that the U.S. must compete in international markets. The failure of the U.S. to assert the leadership incumbent upon the world's largest national economy can only result in a loss of competitive position and further loss of momentum in the decades-old effort to create a world of open and competitive markets.

The United States must either resume its leadership soon or abdicate to others. Trade's importance to the U.S. economy has grown enormously since 1959. The share of U.S. output purchased by foreigners has grown almost three-fold since then—as has the share of U.S. income used to purchase foreign goods and services. Over 95% of the world's population lives outside of the United States. It should make common sense not only to trade with them, but also to work with other nations to solve international crises and promote expanding trade and sustained economic growth.

Accordingly, the U.S. must pursue both a regional and multilateral agenda for commerce abroad and a legislative agenda in the U.S. Congress which advances our interests in all of the world's major trading regions. But such leadership can be resumed only if certain fundamentals are attended to:

- The United States must resume its place at the trade agreement negotiating table so that markets can be further opened to U.S. business as well as our competitors. This means providing U.S. negotiators with the tools they need to close deals and bring them home for expedited consideration by the Congress. Without such tools, other nations will continue to initiate negotiations and conclude agreements which establish preferential terms for our competitors, to the disadvantage of U.S. interests. For this reason, approval of permanent normal trade relations (PNTR) status for China (a necessary precondition for enjoying the benefits of any final market-opening China WTO accession agreement) and "fast track" trade negotiating authority should rank at the top of the nation's international economic and business agenda. Increased public awareness of trade's importance generally and China's normal trade relations status in particular is right now the major focus of a major public education effort—called "TradeRoots"—by the National Chamber Foundation, a separate affiliate of the U.S. Chamber. At the same time, the U.S. Chamber itself is committed to an all-out effort to obtain Congressional support for requisite legislation to ensure PNTR's approval by this summer.
- The United States must meet fully its obligations to international institutions on which it must depend for stabilizing and growth-enhancing influence in the global economy. International institutions such as the International Monetary Fund and the United Nations are necessary tools for the management of global financial and economic crises in a coordinated, complementary fashion. Similarly, the United States must maintain sufficient financial support for domestic U.S. trade development institutions (e.g., Eximbank, OPIC, Trade and Development Agency) that meet financing, insurance and other needs that are not fulfilled by the U.S. private sector. At the same time, the U.S. must work to ensure that these institutions are structured and directed to meet carefully defined objectives that are consistent with their overall missions. Care should be taken to prevent enactment or implementation of policies that might undermine, distract from or conflict with these institutions' missions.
- The United States must cease its continuing preference for unilateral economic sanctions and Cold War-era controls on exports of widely available goods as foreign policy tools of choice. History demonstrates that the primary result of such sanctions and export controls is to inflict economic injury on U.S. businesses and their workers while at the same time strengthening—rather than weak-

ening—the intended targets of the sanctions and controls. But even more damaging in the long run, such sanctions and controls cast a lingering pall of unreliability over U.S. companies which subordinates U.S. firms' price- and quality-competitiveness to concerns that U.S. policy may compromise U.S. enterprises' ability to fulfill their business partners' expectations.

- The United States must recognize the importance of maintaining viable trade remedy laws that are designed to eliminate, offset or obtain compensation for unfair trade practices or violations of international trade agreements by our competitors. Such remedies are necessary to enhance U.S. negotiators' leverage and credibility. They will also help instill public confidence in the system, so that a political mandate for future trade negotiations can develop. This will be easier to accomplish if appropriate checks and balances are effective.
- The United States must find a basis for addressing substantive labor and environmental concerns without holding U.S. competitiveness hostage to special interest efforts to achieve extraterritorial application of policy objectives that are not relevant to international commerce.

THE WTO AFTER SEATTLE: RESUMING OUR PLACE AT THE NEGOTIATING TABLE

The WTO Ministerial Meeting in Seattle has come and gone. The Chamber and others in the business community worked long and hard on proposing an agenda for advancing new global trade talks at that meeting. However, the Ministerial failed to produce agreement on that point among the principal players. Moreover, opponents of trade expansion are clearly more energized, and were not shy about completely disrupting an entire city to make their points.

WTO rules require member nations to eschew high tariff and nontariff barriers, subsidies and other protectionist domestic policies which provide unfair and market-distorting advantages to their interests. Under these rules, other countries commit not to discriminate against U.S. trade, and agree to abide by fair trading practices that safeguard U.S. workers and firms.

To ensure that the U.S. secures the full benefits of WTO rules, the United States sought and obtained unprecedented discipline over the resolution of international trade disputes. As a result, under the WTO we have better enforcement of U.S. rights and greater assurances that our trading partners will abide by the rules and open their markets to American exports.

More broadly, participating in the WTO permits us to advance our democratic values. Countries that subscribe to WTO rules—rules we had a disproportionate role in shaping—are obliged to adhere to these rules in commercial transactions. In short, the WTO reinforces the rule of law.

Those who successfully disrupted Seattle's civic life for a few days last fall may have made the evening news. But they did nothing to stop or even slow down international commerce. Nor did they create any jobs, solve any environmental problems, or advance any causes which have a meaningful chance for international agreement. But these disruptions were and are symptomatic of a much more serious lack of U.S. resolve to continue "pushing the envelope."

Trade's share of U.S. GDP has roughly tripled since the late 1950s. U.S. leadership in international fora has led to strengthened trade rules that have allowed American businesses, farmers and workers to find new opportunities, create new jobs, and raise living standards and, in other words, enjoy substantial benefits from the growing impact of trade on our lives.

There are those who, during the struggle to implement the North American Free Trade Agreement (NAFTA), argued that NAFTA's implementation would be followed by a "giant sucking sound" of U.S. jobs head south to Mexico. But what has really happened? Since NAFTA's implementation, the U.S. economy is enjoying record employment. Indeed, while progress has been somewhat uneven, significant areas of this nation are facing labor shortages, particularly in higher-skilled jobs.

Notwithstanding the failure to launch a new WTO negotiating round in Seattle, global trade continues to expand with attendant benefits for consumers, workers and business. Continued progress toward trade liberalization requires we recognize that:

1. The WTO continues to serve United States' interests:

—Large international trade flows continue to move without hindrance under existing WTO rules and thereby make an important contribution to current U.S. prosperity.

—The structure of rules governing trade in goods and services remains in place within the WTO. We should work vigorously in the coming year to insure rapid and full implementation of all existing commitments by WTO members.

2. The U.S. should vigorously support the WTO while at the same time seeking reforms that improve its performance:

—The U.S. is a principal beneficiary of the WTO dispute-settlement mechanism's (DSM) enforcement of WTO rules and has a large stake in its continued operation. Nevertheless, rapid action is necessary to make the DSM more transparent and effective.

—The WTO's less advanced members, especially the least developed countries, need to be given a deeper stake in the WTO system through additional trade liberalization initiatives and through education in the benefits of global trade liberalization for their economies.

3. The rapid pace of global economic integration will insure that continuing delays in further trade liberalization pose serious risks and burdens for global trade. Every attempt should be made to move forward as much as feasible in the already mandated negotiations on agriculture and services. Opportunities for limited progress, such as sectoral initiatives, should be pursued wherever feasible.

OTHER INTERNATIONAL INITIATIVES

Lack of progress on trade liberalization in the WTO underscores the importance of achieving progress wherever possible in other international fora. The U.S. must continue to pursue several regional and multilateral objectives in a manner that further advances U.S. interests in the world economy. They include:

- achievement of free and open trade in Asia-Pacific region by at least 2020, and sooner (by 2010) among the developed countries in the region;
- reinforced Europe-U.S. trade and economic cooperation in specific disciplines under the auspices of the Transatlantic Economic Partnership;
- early achievement of a Free Trade Area of the Americas by 2003; and
- continued strengthening and reform of the IMF, World Bank Group, the United Nations and other international financial and multilateral institutions.

U.S. CONGRESSIONAL OBJECTIVES

Finally, the U.S. Congress should focus anew its attention on several key priorities in 2000 and beyond:

1. Establishment of "permanent "normal trade relations" (PNTR) status with China;
2. Fundamental reform of U.S. trade sanctions policy, including application of cost-benefit tests and other reforms to U.S. economic sanctions;
3. Completion of action on Africa/CBI trade legislation;
4. Renewal of fast-track trade negotiating authority;
5. Application of "trade and commercial impact" analysis requirements to proposed international agreements on environmental and labor issues;
6. Oversight of International Monetary Fund reform efforts;
7. Provision of appropriate resources to U.S. trade development programs;
8. Removal of counterproductive or anachronistic export controls;
9. Repeal of the anachronistic "Jackson-Vanik" provisions of the 1974 Trade Act;
10. Long-term renewal of the Generalized System of Preferences;
11. Renewed emphasis and support for "function 150" and other programs that are critical to U.S. international diplomacy;
12. Fulfillment of all U.S. obligations to the United Nations; and
13. Elimination of double taxation of income earned by U.S. workers abroad.

That concludes my testimony. I will be happy to try to answer any questions you may have.

PREPARED STATEMENT OF HON. ORRIN G. HATCH

Mr. Chairman, thank you for bringing together this panel, one of several that the Committee will sponsor to examine the direction and implementation of US trade policy in the next year.

HOW TO PROCEED AFTER SEATTLE

My good friend Tom Donohue of the U.S. Chamber of Commerce got it just about right in his statement. He noted that our mission after Seattle remains that same as it was before. However, I would add that it will be more difficult to accomplish.

I am not trying to "worst-case" trade policy. I am saying that the old GATT rule for operation-by-consensus is no longer something we can rely on. The new WTO members want a voice. Happily, they also want results. Asia, for example, has

gained too much from trade to tolerate a stalemate. In fact, the so-called "Tigers" of Asia and other Asian nations have moved ahead on their own, in spite of Seattle, creating new trade openings through Asian Pacific Economic Commission (APEC) and the Association of Southeast Asian Nations (ASEAN), along with other nations, such as the rapidly emerging Philippines under the very enlightened leadership of President Estrada, some are even considering an East Asian Economic Community.

In this climate, globalization will continue, as my friend Tom Donohue also said. But it is not going to comport with the traditional U.S. image. We already see that happening. Also, we are hamstrung in a sense by being denied a Fast Track policy that ought to allow us to be simultaneously negotiating in as many fora as may be necessary: APEC, WTO, ASEAN, even the new East Asian Economic Community.

There are other steps that we should consider as well; we're going to need a big tool kit to retain US leadership and to keep WTO intact. In my judgment, we should take the following additional steps:

- Expand the benefits under the Trade Adjustment Assistance Act, to include moving expenses, for example. I would even add health insurance for a reasonable period of time during the beneficiary's job dislocation period.
- We need to find a package of benefits, possibly tax-related, for US corporations that are certain to be injured from what appears to be the near-certain rescission of our Foreign Sales Corporation rules, which have been challenged in the WTO by the European Union.
- And, we need to give serious thought to the formation of an independent US commission to ensure that products are labeled as to the basic labor standards established by the International Labor Organization.

WE MUST NOT CONCEDE TO THE ANTI-GLOBALISTS

Seattle aroused many opponents to free trade. There are now two categorical camps which have been called the "Open Market Forces" and "Anti-Globalists." On balance, at Seattle, the Anti-Globalists added a win to their steady campaign against the WTO. I say this because they succeeded in attaining a type of moral high ground on environmental and labor issues. As Ambassador Barshefsky has already seen and said, agricultural negotiations are becoming more intractable. I would add that many other negotiations will also become problematic, especially those dealing with textiles and anti-dumping barriers. The Anti-Globalists have other victories: they and their allies have been beating back fast track; I believe they have slowed progress on the Free Trade of the Americas Agreement; we saw the NGOs actively halt action on the Caribbean Basin Initiative in the House; and I noted that their compatriots in Japan kept the Japanese Government's very reasonable Early Voluntary Sectoral Liberalization offer from seeing the light of day at the APEC Kuala Lumpur a little more than a year ago.

It's not that the Open Market people are without victories. We have seen Ambassador Barshefsky lead the US into the Information Technology Agreement, as well as the Basic Telecommunications and Financial Services Agreement. But, to continue that trend, we need a policy strategy, and that is why this hearing, Mr. Chairman, is so important.

WHAT CAN WE DO TO KEEP THE WTO VIABLE?

As I said earlier, consensus will be very difficult to build. This means that we will need real leadership, especially among the major trading nations. But the leadership must be exercised in a way that the other nations, especially the LDCs, have a role that will give them value from their membership. Whether this leadership comes in the form of a "WTO-Plus" arrangement, or through some other mechanism, the LDCs, as voiced by the Seattle "Ministers' Group of 70 Plus China," can be depended upon to seek exceptions to WTO compliance.

Mr. Chairman, once more, I am hopeful that these hearings will start us down the road to finding the right mechanism, and do it in a way that will discourage a rash of Article 125 WTO withdrawal resolutions from members of Congress.

I thank the chair for its consideration of my remarks, and send to the chair several questions which I wish to submit for the record and for written response.

PREPARED STATEMENT OF ALLEN F. JOHNSON

Mr. Chairman and Members of the Committee, I appreciate the opportunity to testify on the World Trade Organization (WTO). The National Oilseed Processors Association (NOPA) represents companies that process one or more of five oilseeds: soybean, sunflower seed, safflower seed, canola, and flaxseed. NOPA member com-

panies operate 75 plants in 23 states and process more than 1.6 billion bushels of oilseed annually. The total value of the industry's seed, meal, and oil production is about \$30 billion, with nearly \$10 billion of this being for exports.

The WTO negotiations are the best opportunity for U.S. agriculture to achieve more open and freer global markets. The United States and other members of the WTO must move forward if we are to continue to create export opportunities and growth. We will need to be bold and creative in meeting the challenges we now face. The U.S. must lead. Our strategy should include bilateral discussions with our trading partners in developing a common vision of the future.

SEATTLE AND THE WTO AGRICULTURE NEGOTIATIONS

We sincerely appreciate the efforts made by U.S. negotiators in December to launch the next round of WTO negotiations in Seattle. While we are disappointed that a new round was not launched in Seattle, we also recognize that the Uruguay Round Agreement provides for the services and agricultural negotiations to begin this year. As an active member of the Seattle Round Agricultural Committee (SRAC), NOPA has encouraged the Administration to continue to aggressively pursue the negotiations in agriculture while making it clear that any final agreement must be part of a broad agreement that encompasses all sectors in a single undertaking.

As soon as possible the next round of multilateral trade negotiations should be launched. It is critical that the WTO negotiations include, in a comprehensive manner, as many sectors as possible. An inclusive approach is necessary for the agricultural negotiations to achieve the significant reductions in trade barriers described later in this testimony. If the ultimate agreement were conducted under a sector-by-sector approach, individual sectors would be negotiated separately from all others and there would be no opportunity for WTO members to negotiate with full consideration of their overall trade interests.

TRADE IS THE FUTURE FOR U.S. AGRICULTURE

The simple fact is that the future of U.S. agriculture is outside our borders. 5.8 billion of our customers (96% of the world's population) are out outside the United States, compared to only 274 million people in the U.S. In addition, the population outside our borders will grow much faster than in the U.S. and all of those people, as their economic environment improves, will eat more. Also, U.S. agriculture continues to increase its productivity significantly every year, well beyond our domestic customers' ability to increase consumption.

The reality is that even the best farm policy can never undo a bad trade environment. Today, the production from one out of every three acres planted in the U.S. is exported. When exports are down—as they were last year by about \$11 billion (almost a 20% drop) from just 3 years ago (1996)—agriculture feels the pain. When the U.S. agricultural balance of trade is down—as it was last year to only \$11 billion, the smallest agricultural trade surplus in 12 years since 1987—it strikes a serious blow to the overall U.S. balance of trade.

It is worth noting that an increasingly important element in determining the health of agriculture and agricultural exports is processed foods. In 1998, processed food products accounted for a higher percentage of U.S. agricultural exports than primary agricultural commodities. In 1998 consumer food exports accounted for 39% of all U.S. agricultural exports, while bulk commodities represented 38%. Together, consumer and intermediate products (which have also undergone some processing) accounted for 62% of total exports. These figures represent a significant change: Only 25 years ago, consumer food exports constituted just 10% of the total U.S. agricultural exports pie, while bulk commodities accounted for 76%. Yet, at the same time processed food products have become the leading source of U.S. agricultural exports. Tariffs on many of these processed products unfortunately remain among the highest in the agricultural sector.

MUCH IS LEFT TO BE DONE IN THE WTO

No one can question that progress was made in Uruguay Round Agreement on Agriculture (URAA). A few of the more important steps were:

- Establishment of disciplines and reduction of trade-distorting domestic support;
- Disciplines and reductions of export subsidies;
- Tariffication and reduction of tariffs; and
- Establishment of sound science as the rule for regulations affecting human, plant, and animal health.

However, we all know that more needs to be done. All around the world governments have attempted to swim upstream against the river of progress by maintaining barriers and continuing their trade-distorting practices.

Average bound agricultural tariffs for all WTO members at the end of implementation will be around 50 %, with some as high as 300%, while the U.S. agricultural tariffs are less than 10%. This is in comparison to average non-agricultural tariffs worldwide of about 4%. Final bound EU and Japanese agricultural subsidies are 3.5 times (\$70 billion) and 2 times (\$38 billion) higher than the U.S. limit of less than \$20 billion. The EU is also spending over \$7 billion in export subsidies, 57 times as much as the United States (about \$122 million). In addition, in many areas we continue to see countries drag their feet in implementing their WTO obligations, particularly in the use of non-tariff trade barriers, such as regulatory approval practices.

While some of the issues can and should be part of bilateral discussions, the only avenue to address these issues in a meaningful comprehensive way will be in a broad WTO round of negotiations.

FAIR TRADE IS IN THE WORLD'S INTEREST

The American farmer, agribusiness, and food companies are the most efficient in the world. The average person in the U.S. spends 10.9% of his income on food, the lowest in the world. At the same time we are feeding America, 25% of U.S. agricultural production is exported to others in the world.

The benefit to the U.S. of having 89% of its income available for other economic activity is immense. Lower food costs make available time and resources to other economic, social and cultural activities and have allowed for the U.S. to make the great technological and economic advances we enjoy today.

However, other countries, by protecting their agricultural industries, are allowing the opposite to occur. They not only cheat their consumers out of the benefits we enjoy in lower food costs, but they are also limiting their ability to use their resources more productively. In effect, they are limiting their citizens' ability to improve their quality of life and the opportunity to benefit from and contribute to a growing global economy. In the process they limit even their best producers' and agribusinesses' ability to respond to customer demands and to make the adjustments necessary to survive in this competitive world long-term.

STEPS TOWARD PROGRESS IN TRADE

As the leader of the free world the U.S. must lead. The world looks to the U.S. to provide leadership. While the current political environment does not bode well for granting the President Fast Track Authority for negotiation of a comprehensive WTO Round, those steps must be taken as soon as possible. In the mean time, we should be laying the ground work both in the U.S. and with our trading partners. This includes education. U.S. citizens and others around the world must recognize the benefits of trade and must be given the opportunity to benefit from the fruits of more open markets. Of course, that means both buying the products and being able to sell them. One-sided trade is not in anyone's interest and is ultimately not sustainable.

Another area of opportunity is sanctions reform. Food and medicine should not be used as weapons. Over the last few years we have begun to see a growing awareness of this fact. Opening markets to food provides a "beach head" for democracy and freedom to follow where it does not exist and supports it where it does exist.

CHINA'S ACCESSION INTO THE WTO

China's Accession into the WTO must move forward as quickly as possible. This includes the U.S. granting Permanent Normal Trade Relations (PNTR). With the U.S./China agreement for China's Accession into the WTO, the U.S. has made significant strides in opening the Chinese market to U.S. agricultural products while bringing them under the international disciplines that exist in the WTO. We appreciate the Administration's efforts in both the negotiations and now in working with Congress. Any delay in moving forward with this agenda for China will have serious negative consequences to the U.S. agriculture and food industry.

China is the largest growth market for oilseed products. China is currently an \$347 million market for the oilseed industry and we expect it to exceed \$1 billion annually in a short period of time. The WTO Accession agreement provides for greater market access in the form of stable import duties, growing TRQs with eventual elimination, and guaranteed private sector share of trade starting at 50% and growing to 100% by 2006. All of this under the rules and disciplines of the WTO. The importance of this agreement and this market can not be overstated.

OBJECTIVES FOR THE WTO NEGOTIATIONS

For the U.S. oilseeds and oilseed products industry, the WTO negotiations are the only avenue to achieve our trade policy objectives. We have advanced the concept of the Level Playing Field for Oilseeds and Oilseed Products (LPF) domestically and internationally, which would create greater market access and eliminate export distortions. NOPA's objectives cover the broad range of the Uruguay Round Agreement on Agriculture—including market access, export subsidies, and domestic support, as well as areas outside the Agreement such as state trading enterprises and differential export taxes. Our general objective is the global elimination of all trade-distorting practices in oilseeds and oilseed products.

Our specific objectives are:

- The largest possible reductions in individual oilseed and oilseed-product tariffs with eventual elimination of all tariffs on oilseeds and oilseed products;
 - Harmonization at the lowest possible level of all tariffs on oilseeds and oilseed products;
 - Elimination of export subsidies;
 - Elimination of differential export taxes and other trade-distorting measures; and
 - Disciplines on export credits and export financing.
- We believe that the reduction of barriers to trade in oilseeds and oilseed products and all agricultural products is the only way to expand the markets for our highly productive agricultural industry.

INTERNATIONAL ASSOCIATION OF SEED CRUSHERS (IASC)

NOPA has been working with the IASC for many years in pursuing the LPF. Five members of the IASC—NOPA, the European Oilseed Crushers Association (FEDIOL), Associação Brasileira das Industrias de Oleos Vegetais (ABIOVE), Camara de la Industria Aceitera de la Republica Argentina (CIARA), and the Canadian Oilseed Processors Association (COPA)—have signed a Joint Declaration to pursue liberalizing trade in oilseeds and oilseed products during the WTO negotiations. The five organizations have established a unified set of objectives to pursue with our respective governments in preparation for the upcoming WTO negotiations. Our goal is to form an exporting coalition with a unified message that the major exporting countries should take significant steps to level the playing field and that our respective negotiators should work aggressively together to open up import markets in order to gain access to consumers. It is vital that we reach a WTO agreement that provides for all countries to eliminate import tariffs and other trade barriers for oilseeds and oilseed products.

BIOTECHNOLOGY REGULATION

More than 50% of U.S. soybean acreage was planted with genetically modified varieties in 1999, up from 30% in 1998 and 13% in 1997. The U.S. oilseeds industry has been quick to adopt biotechnology because of the benefits it brings for producers, consumers, and the environment.

One of the reasons the United States is the world leader in the development and commercialization of agricultural biotechnology products is that we have an effective and efficient regulatory system that enjoys the trust of consumers. Unfortunately, this is not the case in many other countries of the world.

For example, the regulatory approval process in the EU is slow and unpredictable. The problem from our perspective is that political considerations have been allowed to overwhelm sound science in the decision-making process. The result is that new genetically modified varieties cannot be marketed in the United States without seriously threatening exports to our top market.

NOPA has encouraged the Administration to make resolution of these problems one of its highest priorities. If the EU approval system does not function in an efficient, timely, and transparent manner, trade problems will be unavoidable. The system should operate in such a manner that if there are serious, scientifically valid concerns about the safety of a new genetically modified crop variety, those concerns can be addressed before the product is approved.

AGREEMENT ON THE APPLICATION OF SANITARY AND PHYTOSANITARY MEASURES (SPS)

The SPS Agreement should not be re-opened. The U.S. oilseeds and oilseed products industry opposes any efforts to allow for the consideration of non-scientific factors in establishing SPS measures. The commitment to sound science embodied in the SPS Agreement must be maintained. We also must not allow the SPS Agreement to be undermined by other international agreements, such as the U.S. Bio-

safety Protocol, or negotiations in the WTO on Trade and Environment. This is not only in our industry's interest, it is in the consumer's interest as well.

In the short time since its adoption, the SPS Agreement has already been the subject of several politically charged dispute-settlement cases. Many more issues concerning questionable SPS issues have gone unresolved because the parties have not wanted to invest the time and resources necessary to pursue formal dispute settlement. A more informal process is needed for addressing technical issues, measures affecting products in which trade is not substantial, or any other situation in which formal dispute settlement is not warranted. Article 12.2 of the SPS Agreement provides for such a process. It allows the WTO SPS Committee to serve as an informal facilitator of disputes between parties over the interpretation and implementation of the SPS Agreement. During the Triennial Review of the SPS Agreement in 1998, the United States proposed developing procedures to make the provisions of Article 12.2 operative. We fully support this effort.

- WTO rules should not be preempted by the U.N. Biosafety Protocol or any other international agreement.
- The U.S. should take the lead to encourage other WTO members to comply with the objective of the SPS Agreement to harmonize sanitary and phytosanitary measures. This includes greater use of the informal consultation provision in Article 12.2 of the SPS Agreement to resolve disagreements that do not warrant formal dispute settlement.

WTO DISPUTE SETTLEMENT

The implementation requirements of a WTO dispute-settlement panel decision should be addressed. Negotiators should seek to better define the gray areas of this critical component of the rules on multilateral trading. Several possible changes may allow for the process to be shorter, so decisions can be implemented more promptly.

WTO SAFEGUARDS AGREEMENT

The rights of affected members to retaliate should be restored so that safeguard actions are not taken casually. The Uruguay Round changed the Safeguards Agreement with the effect of making it easier for countries to impose import barriers by restricting the right of affected members to retaliate before 3 years. As the world's largest exporter of agricultural and food products, the U.S. is the most vulnerable to the misuse of safeguards agreements.

WTO ANTIDUMPING RULES

The U.S. should address WTO antidumping rules in the next round of WTO negotiations. The methodology used to determine whether dumping has occurred does not accurately reflect the dynamic nature of global agricultural markets.

SEATTLE ROUND AGRICULTURAL COMMITTEE (SRAC)

In preparation for the WTO Ministerial meeting in Seattle, the Seattle Round Agricultural Committee (SRAC) was organized to serve as a vehicle for exchanging points of view on the negotiations, both within the agricultural community and with government, and when appropriate, to develop common policy positions. Members of the SRAC include the varied agricultural and food organizations and companies that will be affected by the outcome of the negotiations.

On April 6, 1999, 59 agricultural organizations sent a letter to President Clinton expressing support of a comprehensive round of multilateral trade negotiations that include all goods and service, continue to reform agricultural and food trade policy, promote global food security through open trade, and increase trade liberalization in agriculture and food. The SRAC recommended three process objectives that should be included in the negotiations:

- Conclusion with a single undertaking that encompasses all sectors (i.e., no early harvest).
- Adoption of the Uruguay Round framework for the agricultural negotiations to ensure that there are no product or policy exceptions (i.e., no request/offer approach).
- Establishment of a three-year goal for the conclusion of the negotiations by December 2002.

On May 11, 1999, the SRAC sent a policy statement to President Clinton outlining 14 objectives that should be included in the negotiations. The SRAC 1999 WTO Policy Statement was approved by 69 agricultural organizations and companies.

On May 25, 1999, the SRAC submitted its policy statement to be included as part of the written record in response to the Federal Register (FR Doc. 99-9288) printed on April 14.

On July 12, 1999, the SRAC sent a letter to President Clinton outlining concerns that the Administration supports early and on-going results, or early harvest, in the upcoming WTO negotiations. The SRAC believes such an approach would be extremely harmful to American agriculture if adopted as the format for the WTO trade discussions. The SRAC supports a single undertaking format for the negotiations wherein all negotiations conclude simultaneously.

Since last April, the SRAC has grown to over 107 agricultural organizations. The SRAC Policy Committee has met with Congressional committee staff, and Administration officials from the Department of Agriculture, Office of the U.S. Trade Representative, and State Department. Issues discussed have included, the SRAC Policy Statement, single undertaking, biotechnology, dispute settlement and the Administration's objectives for the Seattle Ministerial. In addition, the SRAC sponsored a series of very successful activities in Seattle including daily press conferences, briefings for Members of Congress, bilateral discussions with similar organizations in other countries, and a program of trade discussions on "Agriculture Day" concluding with a reception for the world agricultural trade community.

Since Seattle the SRAC has had several meetings with USDA and USTR to discuss how we should proceed in the WTO Agricultural negotiations. On January 24, 2000, the SRAC sent a letter to the Administration. This letter is attached to my testimony. In summary the letter thanked the negotiators again for their efforts, expressed our strong view that the WTO agricultural negotiations move forward as part of the built in agenda, reaffirmed our support for the SRAC Policy Statement, including the need for a comprehensive round, and commented on issues related to biotechnology.

AMERICAN OILSEED COALITION (AOC)

The American Oilseed Coalition (AOC), which includes the American Soybean Association, the National Cottonseed Products Association, the National Sunflower Association, the U.S. Canola Association, and NOPA, strongly supports the global liberalization of trade in oilseeds and oilseed products.

The AOC submitted written comments on the 1999 WTO negotiations (U.S. ITC Investigation No. 332-296) in December 1998. Those comments are available to the Committee for your consideration.

U.S.-EU RELATIONSHIP

To further advance freer and more open global trade in agricultural products beyond the Uruguay Round Agreement on Agriculture will require the cooperation of our major trading partners, especially the EU. The EU is the primary user of export subsidies in today's global market and, therefore, is likely to oppose the immediate elimination of export subsidies. However, there are other common areas of interest to the U.S. and EU, including:

- Improving WTO disciplines through changes in Article 12 of the Uruguay Round Agreement on Agriculture to impose penalties on exporting countries if they prohibit or restrict exports. This would provide more protection to food-importing developing countries;
- Establishing WTO rules for developing countries to graduate to full WTO obligations using objective economic indicators such as per capita GDP; and
- Establishing effective disciplines on the trade-distorting practices of state trading enterprises and making their operations transparent.

Another key area of potential common interest to the U.S. and the EU is domestic support. The Uruguay Round Agreement on Agriculture required reductions in coupled support, support tied to production; established the "blue box" of policies not subject to reduction, including former U.S. deficiency payments and EU compensatory payments to producers of grains and oilseeds; and established "green box" (decoupled from production) programs exempt from reduction if they met certain criteria that made them non-trade distorting.

We would encourage all countries to move toward green box policies. We believe that it is very important to refine green box criteria for decoupled support in a way that they are practical for public policy. Green box criteria will permit countries to pursue "multi-functionality." This is the concept that domestic programs have more objectives than supporting farm income. NOPA supports the concept that domestic farm policies can have a number of objectives as long as they do not distort production and trade. Additional disciplines on blue box policies would help transition countries toward fully decoupled policies. The point is that it is difficult for coun-

tries to make immediate direct change from coupled to decoupled policies and they may need a transition period for this transformation. The EU's movement toward adoption of Agenda 2000 and revised payments for grains and oilseeds, which while not fully decoupled and, therefore, subject to WTO reductions, is a movement in that direction. It is in the interest of the U.S. and our industry to encourage movement toward decoupled policies, and we should support language in the WTO that permits that transition.

The U.S.-EU trading relationship is of vital economic importance to both. In agricultural trade, there have been disputes. The latest disputes are bananas and bovine growth hormones. We believe that these disputes spotlight how disruptive such issues can become when WTO panel decisions have not been respected. Ongoing disputes such as these block progress on other trade issues and make it difficult for the U.S. and EU to work cooperatively to advance global trade liberalization. There are real opportunities for the U.S. and the EU to work together to make sure that the next WTO negotiations are successful in expanding global markets for oilseeds, oilseed products, and other agricultural products.

CONCLUSION

As the world looks to our country for leadership in moving forward in international trade, the United States has a tremendous opportunity to influence the agenda for the next round of WTO negotiations. As the largest, most dynamic economy in the world, the U.S. also has the most to gain from the next round. Further trade liberalization is needed to open new market opportunities for the ever-increasing output of U.S. agriculture. The U.S. must set an ambitious agenda for the negotiations and use its global leadership role to aggressively pursue a comprehensive trade liberalization package. We must also be creative in approaching the challenges and opportunities that face us today and into the future.

The ability of U.S. agriculture to gain and maintain a share of global markets depends on many factors, including obtaining strong trade agreements that are properly enforced, enhancing the Administration's ability to negotiate increased market access for U.S. agriculture, and changing the WTO dispute-settlement process to ensure timely resolution of disputes.

Mr. Chairman, that concludes my remarks. Thank you for holding this hearing. I would be pleased to answer any questions.

CATTLE ROUND AGRICULTURE COMMITTEE (SRAC) • 600 MANTLARD, AVE., SW, Ste. 800, WASHINGTON, DC 20024
 PHONE 202 484 3620, FAX 202 484 3604



January 24, 2000

The Honorable Charlene Barshefsky
 United States Trade Representative
 Winder Building
 600 17th Street, N.W.
 Washington, D.C. 20508

Dear Ambassador Barshefsky:

The Seattle Round Agricultural Committee (SRAC) members appreciate the efforts made by U.S. negotiators last month to launch the next round of WTO negotiations in Seattle. We recognize that there were many issues that resulted in the negotiations failing to conclude with a Ministerial Declaration to begin the round. The SRAC remains committed to the SRAC 1999 WTO Policy Statement shared with you last April. Achieving the objectives outlined in this statement is essential to promoting world trade liberalization in agriculture and food, and expanding opportunities for U.S. producers, processors and agribusiness.

While we are disappointed that a new round was not launched in Seattle, we also recognize that the Uruguay Round Agreement provides for the services and agriculture negotiations to begin this year. We encourage the Administration to continue to aggressively pursue the negotiations in agriculture while making it clear that any final agreement will be part of a broad agreement that encompasses all sectors in a single undertaking. A comprehensive agreement is essential if there is to be meaningful further liberalization in agriculture.

Even though no commitments were made by any party in Seattle, SRAC believes it is timely to identify some issues discussed in Seattle and that appeared in the last draft "Text on Agriculture" that are either in conflict with the SRAC's policy objectives or require clarification.

First, we encourage that the phrase offered by the U.S. to the WTO on May 20, 1999 be included in any framework discussions related to agriculture:

Within the overall (Uruguay Round) framework, additional modalities should be established in the three principal areas – export competition, market access and domestic support.

This is critical if we are to avoid needless, time-consuming discussions regarding the framework of the negotiations; this discussion took over six years during the Uruguay Round to conclude.

The Honorable Charlene Barshefsky
January 24, 2000
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Second, the SRAC is concerned that the term "with no a priori exclusions" conflicts with the SRAC policies related to "no product or policy exceptions" and could lead to a misperception that exclusions will be allowed at some point during the negotiations. If included, it would distract from the intent of the negotiations, threaten the framework in all policy areas and call into question the meaning of "comprehensive."

Third, the export subsidy language raises several concerns, particularly the terms "substantial reductions of export subsidies" and "in the direction of progressive elimination." While the inclusion of the term "elimination" is constructive, the SRAC firmly supports the elimination of export subsidies and it is not clear that this language would ensure elimination.

Fourth, language should be included to reference the SRAC's objectives of transitioning countries to provide an increasing portion of total domestic support for agriculture in a decoupled form.

Fifth, several issues were raised under Non-trade concerns, particularly references to "food safety." Food safety issues should be addressed within the existing Uruguay Round Agreement of the Application of Sanitary and Phytosanitary Measures. In addition, the language should be clear that any non-trade concerns must be addressed through "targeted, transparent and non-trade distorting measures."

Finally, we have several concerns about the special and differential treatment language and the extent to which such treatment would be granted. The draft language listed several areas where special and differential treatment may be offered, including rules and disciplines. The SRAC would be opposed to the U.S. accepting such a provision in the negotiations, especially as it may be interpreted to apply to any provision related to dispute settlement.

The SRAC also places a high priority on finding a solution to trade problems related to biotechnology. While this issue was not dealt with in the draft Seattle agriculture text, it was the subject of separate negotiations. We are interested in the status of those negotiations and the next steps the Administration intends to take. It is essential that we establish a forum under WTO auspices to deal with biotech trade issues. In this context, we are following with some anxiety preparations for the Biosafety Protocol meeting in Montreal later this month. We urge you to reject any agreement that would in any way supercede or undermine WTO rules on trade in biotech products.

The Honorable Charlene Barshefsky
 January 24, 2000
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Other issues that were not specifically mentioned in the draft agriculture text but we understand were discussed in Seattle include disciplines on state trading enterprises and reform of the dispute settlement system. Again, the SRAC continues to support our policy statement in these areas and strongly encourages the Administration to pursue these issues aggressively as the negotiations move forward.

Again, we appreciate the dedication of the U.S. negotiating team for agriculture and the time and effort it committed to the negotiations in Seattle. We look forward to continuing to work with you in accomplishing our mutual goals in the WTO.

Sincerely,

Ag Processing Inc
 Agricultural Retailers Association
 Alabama Farmers Federation
 American Cotton Shippers Association
 American Crop Protection Association
 American Farm Bureau Federation
 American Feed Industry Association
 American Frozen Food Institute
 American Meat Institute
 American Peanut Coalition
 American Peanut Product Manufacturers, Inc.
 American Potato Trade Alliance
 American Seed Trade Industry
 American Soybean Association
 American Sugar Alliance
 American Vintners Association
 Animal Health Institute
 Archer Daniels Midland Company
 Biotechnology Industry Organization
 Bryant Christie Inc.
 Bunge Corporation
 CF Industries, Inc.
 California Table Grape Commission
 Cargill, Incorporated
 Cenex Harvest States
 Chicago Board of Trade
 Chocolate Manufacturers Association
 Coalition for a Competitive Food and
 Agricultural System
 ConAgra, Inc.
 ContiGroup Companies, Inc.
 Corn Refiners Association
 Distilled Spirits Council of the United States
 Far West Spearmint
 Farmland Industries, Inc.
 Florida Phosphate Council
 Food Distributors International Association

Gold Kist, Inc.
 Grocery Manufacturers of America
 Hill's Pet Nutrition
 Idaho Barley Commission
 Idaho Grain Producers Association
 Idaho State Department of Agriculture
 Independent Community Bankers
 of America
 International Dairy Foods Association
 Kraft Foods
 Land O'Lakes
 Louis Dreyfus Corporation
 Monsanto Company
 National Association of Animal Breeders
 National Association of State
 Departments of Agriculture
 National Association of Wheat Growers
 National Barley Growers Association
 National Cattlemen's Beef Association
 National Chicken Council
 National Confectioners Association
 of the United States
 National Corn Growers Association 3
 National Council of Farmer Cooperatives
 National Cotton Council of America
 National Food Processors Association
 National Grain and Feed Association
 National Grain Sorghum Producers Association
 National Grain Trade Council
 National Grange
 National Milk Producers Federation
 National Oilseed Processors Association
 National Pork Producers Council
 National Renderers Association
 National Sunflower Association
 National Turkey Federation
 North American Export Grain Association

The Honorable Charlene Barshefsky
 January 24, 2000
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North American Millers' Association
 North Dakota Barley Council
 Northwest Dairy Association
 Northwest Horticultural Council
 Pacific Northwest Grain and Food
 Pet Food Institute
 Pioneer Hi-Bred International, Inc.
 Publicis
 Ralston Purina Company
 Snack Food Association
 SunKist Growers
 Sweetener Users Association
 The IAMS Company
 Transportation, Elevator, & Grain
 Merchants Association
 USA Poultry & Egg Export Council
 USA Rice Federation
 U.S. Apple Association

U.S. Canola Association
 U.S. Dairy Export Council
 U.S. Grains Council
 U.S. Meat Export Federation
 U.S. Poultry & Egg Association
 U.S. Rice Producers Association
 U.S. Wheat Associates, Inc.
 United Egg Association
 United Egg Producers
 Virginia Department of Agriculture and
 Consumer Services
 Washington Association of Wheat Growers
 Washington Barley Commission
 Washington State Potato Commission
 Western U.S. Agricultural Trade Association
 Wheat Export Trade Education Committee
 World Perspectives Inc.

Attachment

02P095.5 1/2400

SEATTLE ROUND AGRICULTURE COMMITTEE (SRAC) • 600 MARILAND AVE., SW, STE. 800, WASHINGTON, DC 20024
 PHONE 202.484.3670, FAX 202.484.3604



**SEATTLE ROUND AGRICULTURAL COMMITTEE (SRAC)
 1999 WTO POLICY STATEMENT**

The U.S. agricultural and food sector supports the launching of a comprehensive round of multilateral trade negotiations that includes all goods and services, continues to reform agricultural and food trade policy, promotes global food security through open trade, and increases trade liberalization in agriculture and food. Policy and process objectives should include:

- Conclusion with a single undertaking that encompasses all sectors (i.e., no early harvest).
- Adoption of the Uruguay Round framework for the 1999 agricultural negotiations to ensure that there are no product or policy exceptions.
- Establishment of a three-year goal for the conclusion of the negotiations (by December 2002).
- Elimination of export subsidies and lightening of rules for circumvention of export subsidies.
- Elimination of nontariff barriers to trade.
- Transitioning countries to provide an increasing portion of total domestic support for agriculture in a decoupled form, as the United States has already done under the FAIR Act.
- Commercially meaningful reduction or elimination of tariffs (bound and applied) and mutual elimination of restrictive tariff barriers on an accelerated basis. In addition, the administration of tariff-rate quotas (TRQs) must be improved.
- Elimination of State Trading Enterprises (STEs) or the adoption of disciplines that ensure operational transparency, the end of discriminatory pricing practices, and competition for STEs.
- Maintaining sound science and risk assessment as the foundation of sanitary and phytosanitary measures.
- Ensuring market access for products of biotechnology, with the regulation of these products based solely on sound science.
- Accelerating resolution of trade disputes and prompt enforcement of panel decisions.
- Providing food security for importing nations by avoiding sanctions on food exports combined with a WTO commitment not to restrict or prohibit the export of agricultural products.
- Addressing labor and environment issues in a manner that facilitates rather than restricts trade.
- Establishing WTO rules for developing countries to graduate to full WTO obligations using objective economic criteria.

PREPARED STATEMENT OF MARK VAN PUTTEN

Good afternoon. I thank the Committee for the opportunity to appear here today.

I am Mark Van Putten, President and CEO of the National Wildlife Federation, the nation's largest conservation education and advocacy organization.

For nearly ten years, we have been involved in the development of U. S. trade policy. Our members are America's mainstream and main street conservation advocates who share a commitment to United States leadership in building a global economy that protects the environment while raising living standards for all people throughout the world.

I was in Seattle for the World Trade Organization Ministerial meeting with our National Wildlife Federation team and our colleagues from the public interest community. We were intensely involved in dialogue with trade officials, members of this Committee, and all the participants. In response to the Committee's focus of inquiry

for this hearing, I would like to outline for you the four key lessons that I believe emerged from Seattle and the implications of those lessons for future WTO negotiations.

I. NO TURNING BACK

The first lesson is that the old, exclusive and secretive deal making process of trade negotiations must give way to an inclusive, transparent, and democratic process. The negotiating strategies pursued by the United States and its trading partners must reflect this new reality. At the beginning of the twentieth century, President Wilson denounced secret deals, secretly arrived at. It is past time to follow through with a process that takes fully into account the views of developing as well as developed countries and of citizens and citizen groups as well as those of industry and government officials from all countries. The era of international trade negotiations being insulated from public concerns, including respect for the environment, is over.

II. TRADE LIBERALIZATION AND ENVIRONMENTAL PROTECTION MUST GO HAND-IN-HAND

In Seattle, we used every constructive means available to improve the WTO, not to disparage it. We will continue on that course.

Let me be emphatically clear. To the degree that a stereotype is being created in the public mind that the environmental community wants to "shut down" international trade, we believe that stereotype is false.

Economic globalization is a fact. It is not a policy option. We want the international trading system to succeed.

We also want trade to fulfill its true potential. We want trade to deliver on its promise of improving our quality of life. We want trade to raise living standards, including respect for conservation values throughout the world.

To achieve this goal my written testimony presents the National Wildlife Federation's agenda for environmentally responsible trade. The outlines of that agenda can be stated simply:

- The WTO should recognize legitimate national and international environmental standards. In this vein, the United States should assert international leadership in negotiating and ratifying multilateral environmental agreements, such as the Inter-American Convention for the Protection and Conservation of Sea Turtles.
- New trade agreements should include environmental assessments.
- Individuals and nations should be able to take into account the environmental effects of how imports are produced.
- The WTO should adopt modern standards of openness.

III. GLOBAL CONSENSUS

Seattle's next lesson is that as a consensus driven institution, the WTO must find the common ground that unites the interests of the developed world with those of the developing world.

We recognize that liberalized trade abroad can be vital to securing the means for less developed nations to implement policies for sustainable development and environmental protection. But these results are not a given. They do not occur automatically.

As representatives of the non-governmental community we share a responsibility with you as Members of Congress, and with the Administration, and the business community to reach out to developing countries through capacity-building and other efforts to achieve common ground that removes their reservations.

IV. AMERICAN BUSINESS' SELF-INTEREST

The fourth major lesson from Seattle is that it is in the self-interest of American businesses and traditional trade advocates who remain committed to old approaches to stop resisting the inclusion of democratic values into the international trade system. Progress requires finding common ground, not accentuating differences.

International trade is suffering a crisis of eroding public confidence. In Seattle, we witnessed this crisis first-hand. Increasingly, average citizens simply do not believe that the current rules of international trade respect their values, including their concern for the environment.

To create public confidence, the trade system must respect mainstream values—including democratic values of openness and respect for legitimate environmental concerns.

It is in the interest of everyone who wants trade to succeed to establish public confidence in the institutions and policies governing trade. We look to you as Members of Congress to help provide the leadership in this effort.

In this effort, the National Wildlife Federation is engaged and committed to advancing the cause of conservation in the global economy. I can summarize by saying that we need to recognize for the new international economy what we began to recognize about our own national economy as the 20th century opened—that trade is not an end in itself. It is a tool to achieve human aspirations, to improve standards of living and to enhance the quality of life. Our environment, our wild places and wild things are part of humanity's quality of life.

Thank you.

INTERNATIONAL WILDLIFE

The NWF View

Starting in Seattle

It's a long way from the wild places that fill these pages to the tear-gas-fogged streets and tension-filled sessions that came to symbolize the World Trade Organization (WTO) meetings in Seattle last December. My NWF colleagues and I were in Seattle amid all that turmoil to help save those wild places. We went there to reform trade policies to make them better serve the needs of people everywhere, in part by safeguarding the environment upon which both humans and wildlife depend.

It's unfortunate that images of violence and lawlessness captured so much of the news from Seattle. The vast majority of demonstrations were peaceful and designed to convey a message much like our own: that the rules of trade cannot accommodate only economic interests. They must advance human needs and aspirations as well. That message was heard.

The National Wildlife Federation did its part, not on the streets, but in promoting a reform agenda directly to U.S. and foreign trade officials, even directly to President Clinton. We believed, and still do, that the globalization of trade is both inevitable and potentially a positive development. By detailing how trade decisions affect specific resources, wildlife and environments, we've made the case for U.S. leadership in pressing to achieve that positive potential. My personal meeting with President Clinton provided even more hope, confirming that the President understood our concerns and was moving the American delegation in the right direction. There was even a glimmer of promise that some of our reforms would be reflected in the official WTO plans for future negotiations. But that couldn't happen because the talks broke down.

Our NWF team was disappointed that our reforms had not been formally adopted. But we also realized that a remarkable thing had happened: The exercise of democracy on the streets and in the meetings had launched a new era. Now, with our continued vigilance, the barons of trade are unlikely ever again to deem concerns for protecting the environment as irrelevant.

Still, the road ahead won't be easy. The talks collapsed under the weight of too many issues and conflicting agendas. And none of them will go away. The priorities of prosperous countries will vie with the demands of newly empowered developing nations seeking their own fair slice of the economic pie. NWF will continue to reach out to all sides to help reconcile those interests with protection of the natural resources, rights and freedoms that are precious to all of us.

For all its flash and fury, Seattle was just a beginning, with future opportunities to make trade a tool for serving human aspirations and for safeguarding things we really care about, including those wild places that seem so far away.

Mark Van Patten
President & Chief Executive Officer
National Wildlife Federation



PREPARED STATEMENT OF RICHARD L. TRUMKA

Mr. Chairman, members of the Committee, I thank you for the opportunity to appear here today on behalf of the AFLCIO and our thirteen million members.

It is crucially important that we all understand and appreciate what happened in Seattle, and that we learn the right lessons from the breakdown in negotiations, from the tens of thousands of people in the streets, and from the realities of the current global economy.

We all have a tendency to view these events through our own lens. Many of those who have given testimony here today have stressed the upside of the global economy—rapidly growing trade and investment flows, a booming stock market, and job creation here in the United States.

But I speak to you today on behalf of working families—here in the United States and also across the world. And working families have experienced a different side of the global economy.

From our side of the bargaining table, it appears that the current rules of the global economy have been used to tilt the odds in favor of corporations at the expense of workers, family farmers, the environment, and sometimes small businesses. These rules have freed up corporations to move production around the globe in search of the most vulnerable and disenfranchised workers and the most lax regulation. These rules have pressured governments to cut social spending, to weaken labor laws, and to export their way out of every corner.

We don't experience the global economy described by the so-called free traders—an economy that evenly spreads wealth and opportunity, and that brings prosperity, which in turn improves rights.

We live in a global economy where income inequality is at an all-time high, and growing—both between and within countries. We live in a global economy ravaged by financial crises and speculative booms and busts, where workers pay the high price of adjustment and speculators are bailed out. We live in a global economy where the largest companies in the world, headed by some of the richest people in the world, sell over-priced goods to relatively wealthy consumers, pay their workers too little to buy a quart of milk or a pound of beans for their family, put factories in countries where organizing an independent labor union can be a death sentence, and spend millions of dollars a year fending off union organizing drives.

But at the end of the day, we are all living in the same global economy. Rosy predictions and corporate cheerleading cannot change this face of the global economy. That is our job—yours as members of Congress, mine as Secretary-Treasurer of the AFLCIO—to insist that governments craft rules for this global economy that will deliver better outcomes—to workers, as well as employers, and to small, poor countries, as well as to big, rich ones.

The lesson of Seattle that we all must learn is that there can be no going back. The American people and the U.S. Congress have rejected new trade agreements that simply replicate the old ones. The member countries of the WTO have called for a time-out on further trade talks until we have a better common understanding of the impact of past trade and financial liberalization on income inequality, on development, and on global financial markets. Many diverse voices in Seattle called for institutional reforms to ensure that the WTO operate with more democratic accountability and transparency.

The AFLCIO believes that the WTO must carry out the following reforms if it is to survive as a legitimate and politically viable institution:

- Incorporate enforceable rules on core workers' rights (including the freedom of association, the right to bargain collectively, and prohibitions on child labor, forced labor and discrimination in employment).
- Establish accession criteria requiring that new WTO members are in compliance with core workers' rights.
- Overhaul existing rules to strengthen national safeguard protections in the case of import surges and ensure that trade rules do not override legitimate domestic regulations.
- Develop stricter rules against the mandatory transfer of technology, production, and production techniques.
- Ensure that WTO rules do not create pressure on governments to privatize public services.
- Carry out institutional reforms, enhancing transparency, accountability and access, so that citizens can understand the basis for WTO decisions, as well as provide meaningful input to this process.
- Provide more technical and legal support to developing countries so their participation in negotiations is not hampered by lack of resources or technical expertise.

It is also essential that the U.S. government enforce its existing trade laws effectively and consistently. I am particularly frustrated with the Administration's prolonged inaction on the steel wire rod Section 201 case. A decision was due from the Administration on September 27—now more than four months ago. In the meantime, imports are continuing to grow, and thousands of steelworkers' jobs have been put at risk. The steelworkers played by the rules, and they have waited patiently for a decision, but their patience is wearing thin. They deserve a timely decision and appropriate action.

If we do not do better in the future—if the global system continues to generate growing inequality, environmental destruction and a race to the bottom for working people—then I can assure you, it will generate broad opposition that will make Seattle look tame.

All of us need to think anew. Leaders of the global institutions face a legitimacy crisis that cannot be solved by better public relations and more educational campaigns. Their institutions will become more accountable, or more irrelevant.

Developing nations face a growing inequality of income and hope. They should not be forced into one economic strait-jacket. For they will either find ways to empower workers and protect the environment, or face growing popular resistance.

Heads of global corporations and banks must not be misled by their own rhetoric. They will be held accountable for how they do business—by consumers, by workers, by governments. Leaders of the corporate community must join the effort to establish enforceable laws that put limits on cut-throat competition. It is in the interest of multinational corporations and the governments that regulate them to have rules that are agreed upon by all.

Labor leaders across the world also must change to meet the new challenges. At the AFL-CIO, we know that we have to deepen our own growing internationalism, and develop new sophistication in bargaining and organizing across national lines.

We also recognize that we must join our voices with those in developing countries calling for high-road development strategies. We must work to ensure that developing countries are no longer crippled by crushing debt burdens, and that they have the resources they need to engage in trade negotiations on an equal footing, as well as the technical support to implement and enforce labor and environmental standards.

Seattle marked a crossroads. Now, joined by millions of others across the world, we pledge not to rest, but to continue to press for core workers' rights that are the basis of economic freedom and equitable development.

It is important for you in Congress to recognize that these views are shared by a broad and growing majority—both in the United States, where voters overwhelmingly believe that workers' rights and environmental protections should be enforced in the global economy, and across the world, by working people whose voices too often go unheard.

None of the issues I have raised here today are addressed in the bilateral accession agreement the U.S. government signed with China late last year. The Chinese government's abysmal record of violating its citizens' fundamental human rights to freedom of speech, religion, and association will be harder, not easier, to challenge if Congress grants permanent Normal Trade Relations (NTR). The Chinese government's woeful record of violating the terms of trade agreements it has signed will likely be worsened, not improved, if the United States agrees to grant permanent NTR. If Congress gives up its right to an annual review of China's human rights record and trade compliance, the pressure to reform will be off the Chinese government. It is absolutely essential that Congress take a firm and principled position against permanent NTR, so that we can begin to build a global economy that lives up to its potential and to our expectations.

Here, let us all agree on one thing: that business as usual cannot be the order of the day. This global economy will either be reformed or face ever greater resistance.

I thank you for your attention and I look forward to your questions.

RESPONSES TO QUESTIONS FROM SENATOR BAUCUS

Question: AFL-CIO President John Sweeney's recent Washington Post editorial contained some very useful thoughts. He wrote that, "Leaders of the global institutions face a legitimacy crisis that cannot be solved by better public relations. Their institutions will become more accountable, or more irrelevant." I certainly think that the WTO needs much more transparency and accountability.

He also wrote, "Global non-governmental organizations raise fundamental concerns. Now it is important for the NGO's to go from opposing what is, to proposing what can be." American workers care about maintaining a level international play-

ing field. They support core labor standards for working men and women in all countries. I certainly share those concerns.

What specific things would you like to see occur in U.S. trade policy and U.S. trade negotiations to level the playing field and increase respect for core labor standards? What exactly do you want Ambassador Barshefsky to ask for in trade agreements? What specific changes do you want? And how do we measure the results?

Answer: We want to see the U.S. government consistently and effectively demand the incorporation of enforceable core workers' rights (including the freedom of association, the right to bargain collectively and prohibitions on child labor, forced labor and discrimination in employment) and environmental protections into the core of all new trade and investment agreements—multilateral, regional, bilateral and unilateral. This includes the Free Trade Area of the Americas, extension of NAFTA benefits to the Caribbean and extension of trade preferences to Africa or other regions. We will vigorously oppose any agreements that fall short of this standard.

At the WTO we want to see concrete steps taken to achieve the incorporation of enforceable rules on core workers' rights. The WTO must also:

- Establish accession criteria requiring that new members are in compliance with core workers' rights.
- Overhaul existing rules to strengthen national safeguard protections in the case of import surges and ensure that trade rules do not override legitimate domestic regulations. It is essential that WTO rules not infringe on the ability of national or state governments to use their purchasing power to protect human and workers' rights.
- Carry out institutional reforms, enhancing transparency, accountability and access, so that citizens can understand the basis for WTO decisions, as well as provide meaningful input to this process.

We want Ambassador Barshefsky and the U.S. Trade Representative's office to:

- Incorporate enforceable protections of core workers' rights in the core of all new unilateral grants of preference to trading partners.
- Only participate in bilateral and regional negotiations with countries that are willing to engage in a constructive dialogue and agree to negotiate regarding enforceable core labor standards in the core of trade agreements. The USTR must pursue these commitments from the very beginning of any negotiations process.
- Raise the priority of core workers' rights at the multilateral level, by pressing for concrete steps towards incorporating core labor standards at the WTO. A working group on labor rights would be a small step in the right direction.

Specific changes that will help us measure progress on these issues include:

- New trade agreements and unilateral grants of preference that measure up to the standards outlined above.
- A higher level of priority attached to core labor standards in all trade negotiations, and commitments from our negotiating country partners to engage on the issue.
- Consistent, vigorous monitoring and enforcement of trade agreements that are now in place. This should include strengthening the workers' rights provisions in existing U.S. trade laws and enforcing these provisions aggressively and unambiguously.
- Concrete forward progress in the multilateral arena towards building a consensus on core labor standards and trade.

PREPARED STATEMENT OF SUSAN S. WESTIN

Mr. Chairman and Members of the Committee: I am pleased to be here today to provide some observations about the World Trade Organization's ministerial conference in Seattle that took place in December 1999. Specifically, my testimony will address (1) the outcome of the ministerial conference, (2) the factors contributing to the outcome, and (3) the lessons learned from the meeting.

My observations are based on our past and ongoing work; our review of World Trade Organization and executive branch documents; related literature; discussions with experts on the World Trade Organization and international trade; and U.S. government, World Trade Organization, and foreign government officials from 14 countries. In addition, I along with members of my staff attended the Seattle ministerial conference.

The ministerial conference, composed of the trade ministers of all the WTO member countries, is the highest decision making body in the WTO and is required to meet at least every 2 years. Ministerial conferences are intended to evaluate current

trade agreements and set the agenda for future work with a ministerial declaration that identifies issues for negotiation and specifies how negotiations should proceed.

The Seattle ministerial conference was to be particularly significant because it was expected to launch a major new round of negotiations and it was hosted and chaired by the United States for the first time. The core of the new round was to be negotiations on agriculture and services (such as telecommunications); these negotiations, referred to as the "built-in agenda," were already mandated to begin on January 1, 2000. Ministers intended to decide on what other trade issues, if any, to include in the agenda for a new round. They also expected to review the implementation of past agreements and to address calls from nongovernmental organizations and some WTO members to improve the WTO's openness. In addition, they were to develop a plan to assist least developed countries in several ways, such as providing technical assistance to help them meet their trade obligations.

SUMMARY

WTO member countries failed to meet their goal of launching a new round of multilateral trade negotiations at their biennial ministerial conference last December in Seattle. The conference was suspended without initiating a new round or issuing a ministerial declaration. No one factor, but a combination of circumstances, led to the impasse. However, two themes emerged. First, there was lack of agreement on many issues both among major trading partners and between developed and many developing countries on the eve of the ministerial conference. Disagreement centered on the scope of the round and stemmed from the sensitivity and complexity of the issues being addressed. Second, the Seattle negotiation process had inherent difficulties. For example, the document used as the basis for negotiations was a poor starting point for reaching consensus. It was a lengthy amalgamation of countries' divergent positions rather than a text reflecting members' common objectives. In addition, the negotiating process was hampered by the newness of the WTO leadership team. Further, the process was made difficult by the challenge of accommodating the needs and interests of a large and increasingly diverse WTO membership.

Several lessons can be learned:

- Efforts to launch a new round may have been premature.
- Ministerial conferences are more likely to succeed if they address only a handful of politically difficult decisions, having reached consensus on most issues in advance.
- The WTO needs to find ways to address the institutional challenges posed by increases in the number and diversity of its members.
- Holding high profile WTO meetings in countries that are major trading partners, such as the United States and the EU, may present difficulties.

BACKGROUND

The World Trade Organization (WTO) was established on January 1, 1995, as a result of the Uruguay Round of international trade negotiations. The WTO provides the institutional framework for the multilateral trading system. It administers rules for international trade, provides a mechanism for settling disputes, and provides a forum for conducting trade negotiations. The WTO succeeded the General Agreement on Tariffs and Trade (GATT), which had provided the institutional framework for world commerce since 1948. The 1994 Uruguay Round agreements brought agriculture, services, intellectual property rights, trade-related investment measures, and textiles and apparel under the discipline of multilateral trade rules for the first time and established a stronger dispute settlement process. Two of these agreements also mandated a "built-in agenda" for further negotiations on agriculture and services to commence January 1, 2000.

Membership in the WTO has grown to 135 members, up from about 90 GATT members in September 1986, at the start of the Uruguay Round. Not only has there been an increase in membership, but also increased diversity in WTO members. Roughly 80 percent of the current members are developing countries, although some are at more advanced stages of development than others and thus they do not all have the same needs. According to WTO, virtually all of the 30 countries currently applying for membership are also developing nations or economies in transition. Unlike many other international organizations where decisions are based on a majority of member votes, decision-making in the WTO is largely based on consensus among member governments.

There have been three ministerial conferences since the creation of the WTO: one in Singapore in December 1996, one in Geneva in May 1998, and the third in Seattle in December 1999. The WTO General Council makes major decisions in the

periods between ministerial conferences. The Director General, chosen by members, heads the WTO Secretariat that supports the membership and the institution.

The 1996 Singapore ministerial conference reviewed the implementation of the Uruguay Round agreements and considered proposals for trade issues to be addressed in the future. The ministers in Singapore reaffirmed their commitment to complete the built-in agenda and also addressed several trade issues that were previously outside the scope of detailed trade negotiations. Among other things, they authorized the creation of working groups to study transparency in government procurement, investment and competition, and agreed to continue ongoing analysis of trade and environment issues. The ministers in Singapore rejected attempts led by the United States to establish a working group on trade and labor, stating that this issue was best handled by the International Labor Organization.

The Geneva ministerial conference coincided with the 50th anniversary of the GATT. Ministers agreed to begin preparing an agenda for further trade liberalization. Ministers also accepted President Clinton's offer that the United States host the next ministerial conference. Seattle was selected as the host city in January 1999.

SEATTLE MINISTERIAL DID NOT ACHIEVE ITS OBJECTIVES

The ministerial conference failed to achieve its goal of initiating a new round of multilateral trade negotiations with a ministerial declaration. After 4 days of intensive talks, the conference was suspended on December 3 without agreeing on a round, or issuing a ministerial declaration or any other formal documentation of its deliberations. As a result of the inconclusive nature of the meeting, the status of the ministerial conference remains unclear. For example, members have not decided if and when the conference might reconvene. Even without a new round, negotiations to further liberalize trade in agriculture and services are scheduled to begin in the year 2000 under the Uruguay Round agreements' built-in agenda. Progress on these negotiations, however, may be slow, partly because the agenda lacks a deadline for completion. The negotiating impasse also left several issues unresolved, such as addressing some developing countries' concerns about expiration of certain Uruguay Round agreement deadlines.

In a brief statement at the end of the meeting, the Conference Chair, U.S. Trade Representative (USTR) Charlene Barshefsky, noted that the issues before WTO ministers were complex, and divergences too wide to be bridged rapidly. Ambassador Barshefsky stated that it was the collective judgement of those present that it would be best to, "take a time out, consult with one another, and find creative means to finish the job." She then announced that the ministers had agreed to suspend the work of the ministerial conference. In the interim, the Chair asked WTO Director General Mike Moore to consult with delegations in an effort to bridge differences, develop an improved decision-making process, and prepare for a successful conclusion of the ministerial conference.

The Chair and other delegations emphasized that the progress that was made at Seattle would not be lost. But those assurances were quickly dismissed by other participants, who refused to "freeze" their positions and said that any draft texts of a declaration on the table at Seattle were no longer valid. Even if members were to agree in principle to restart negotiations from where ministers left off at Seattle, no text reflects the state of countries' positions at the end of the day.

One outstanding issue due to the suspension of the Seattle meeting concerns developing countries' efforts to delay their end-of-1999 deadlines for conforming to certain provisions in a number of Uruguay Round agreements, such as those on intellectual property rights and investment measures. The WTO General Council met on December 17 but could not agree on whether to grant extensions for all developing countries, or to consider them on a member-by-member basis. The General Council postponed until early 2000 a decision on how to proceed. In the meantime, WTO members were asked by the General Council Chairman to exercise restraint and understanding in dealing with these deadlines. USTR officials told us that the United States retains the right to bring cases based on the deadlines, which have since passed.

NO ONE FACTOR CONTRIBUTED TO MINISTERIAL OUTCOME

No one factor, but a combination of circumstances, led to the WTO's inability to launch a new round. Nonetheless, seemingly unbridgeable gaps on major issues both among the major trading partners and between developed and many developing countries were at the root of the outcome of the ministerial conference. First, disagreements centered on the scope and direction of a new round. They also stemmed from the increased sensitivity and complexity of the issues on the table. Further,

Seattle negotiators faced inherent difficulties in their negotiation process both in Seattle and Geneva. These included the challenge of accommodating the needs and interests of a large and increasingly diverse WTO membership. In addition, negotiators were working from an unwieldy draft text symptomatic of the lack of agreement among countries in Geneva on the eve of the ministerial meeting. Further, U.S. and foreign officials noted that WTO members' selection of a new Director General earlier in the year had been lengthy and divisive. This experience left members without leadership during a good part of their preparations for Seattle and lingering hard feelings. Adding tension to a difficult situation, protesters marching against the WTO in Seattle during the week disrupted the proceedings.

NO AGREEMENT ON THE SCOPE OF NEGOTIATIONS

U.S. and foreign officials with whom we met said that fundamental differences between the major trading countries contributed greatly to the ministerial conference's ultimate lack of consensus. The United States wanted to pursue a narrow agenda in the new round, while the European Union (EU) and Japan promoted a broad framework for negotiations to bring many new areas under international disciplines. Officials we interviewed generally felt that without agreement among these major players in international trade, it would be impossible to build consensus among the rest of the members.

The United States favored limiting negotiations primarily to address market access concerns and to focus on the areas of agriculture and services as called for under the Uruguay Round agreements. With the backing of the other major agricultural exporting countries, known as the "Cairns Group," the United States insisted that negotiations on agriculture address a number of tough issues, including the elimination of export subsidies and substantial reduction of trade-distorting farm supports. Such far-reaching goals in agriculture were difficult for the EU to accept. According to European officials, they simply could not support language calling for the elimination of agricultural export subsidies as the starting point of negotiations. Instead, the EU viewed the new round as an opportunity to establish international rules in other areas of the global trading system. In addition to agriculture and services, the EU proposed including investment, competition policy, government procurement, and other issues in a broad framework for negotiations. Japan largely supported the EU's position on these issues. Although U.S. negotiators indicated support for continued study of investment and competition policy by WTO working groups, the United States and many other WTO members were unwilling to include these issues in the negotiating agenda.

In addition to differences among the major trading countries, there was also a serious gap between developed and many developing countries on the scope of a new round. Like the United States, developing countries generally backed a narrower scope for negotiations. Although developing countries' positions differed on some issues, many of them called for a reassessment of the commitments of the Uruguay Round agreements. The United States did not want to reopen existing agreements to new negotiations. Some developing countries felt they had received few benefits from the Uruguay Round and had found it difficult to meet their obligations under its agreements. For example, certain developing countries insisted they lacked the financial and technical resources to implement the complex requirements called for under the intellectual property agreement. Developing countries also wanted to renegotiate areas of the Uruguay Round, such as the agreement on textiles that they argued had not given them the benefits they had anticipated. U.S. negotiators indicated they would consider ways of helping developing countries meet their Uruguay Round commitments on a case-by-case basis, but they rejected any attempt to reopen negotiations on the hard-fought agreements.

Finally, officials from some developing countries we interviewed noted that 5 years did not provide enough time for them to cope with the changes mandated under the Uruguay Round. Given the difficulties they were having in implementing the Uruguay Round agreements, many of these countries expressed reservations about undertaking further trade liberalization. One developing country official remarked that in comparison with the situation in 1994 when the Uruguay Round was concluded, starting a new round at this time would be considerably more difficult. In 1994, the ideas of market reforms and trade liberalization were still fresh and held tremendous promise. It was also a time of economic growth in many of the developing countries engaged in the negotiations. The current situation is very different. Much of the developing world is going through a difficult time economically, even though many countries have already undertaken far-reaching market reforms and trade liberalization.

SENSITIVITY AND COMPLEXITY OF ISSUES IMPEDED PROGRESS

The most sensitive and complex area of negotiations between the EU on the one hand and major agricultural exporters including the United States on the other was on agriculture. Although the EU has been reducing subsidies to agriculture since the Uruguay Round, it remains by far the world's largest user of agricultural export subsidies.¹ In the WTO, the United States and other major agricultural exporting nations, such as Australia, Brazil, and Canada, have put increased pressure on the EU to abandon its reliance on export subsidies. Export subsidies, however, are a key mechanism in the EU's Common Agricultural Policy. The Common Agricultural Policy is intended to preserve farm incomes and rural economies by supporting high domestic prices for a wide variety of agricultural commodities and products. EU member states have taken a very strong position on maintaining the Common Agricultural Policy, which is a central element in the EU's institutional system and is regarded as essential to its cohesiveness.

Like the EU and its position on agricultural export subsidies, the United States was virtually isolated on the issue of antidumping regulations in the negotiations. Major trading partners like Japan and Korea, as well as some developing countries, called for reconsideration of the agreement on anti-dumping reached under the Uruguay Round. These countries felt that the current antidumping rules allow countries to use trade remedies to unfairly protect certain sectors. The United States argued that re-opening the complex agreement was premature and risked weakening the strength of the existing U.S. anti-dumping regime. U.S. negotiators said they would consider holding discussions on how WTO members were implementing the agreement's procedural requirements, but this U.S. offer attracted limited support.

Developing countries were very concerned about U.S. and EU initiatives to bring labor into the WTO. They feared that addressing labor standards under the WTO was simply a veiled form of protectionism aimed at undermining one of the few competitive advantages they enjoy as lower-wage producers. At the Singapore ministerial conference, it had been agreed that labor standards were best addressed in the International Labor Organization rather than in the WTO, and many developing countries felt the issue had been put to rest. According to some officials from developing countries, the U.S. insistence on resurfacing the issue of labor in Seattle and the President's remarks potentially linking labor standards to trade sanctions were counterproductive.

SEATTLE NEGOTIATION PROCESS HAD INHERENT DIFFICULTIES

The difficult task of accommodating the needs and interests of a large and increasingly diverse WTO membership hampered progress in Seattle. Efforts to balance efficiency with allowing the maximum participation of all WTO members in negotiations presented a challenge to reaching consensus.

In an effort to give all WTO members the opportunity to take part in the negotiations, Chairperson Barshefsky and Director General Moore set up five large working groups on the major issues including agriculture, market access, implementation, Singapore issues (such as investment), and systemic issues (such as the structure of the WTO). The working groups were open to all WTO member delegations and convened on the second day of the conference. Working group chairs—trade ministers selected in Seattle—were to facilitate consensus and refine the Geneva draft text into a consensus document. Next, working group consensus texts were to be brought together later in the week to produce a complete ministerial declaration to be issued at the end of the conference.

Ultimately however, the working groups were not able to achieve the necessary consensus to avoid the more traditional less inclusive "green room" process.² Chairperson Barshefsky had told ministers at a meeting on Wednesday that she intended to proceed with the large working groups, but if they were unsuccessful she would initiate a green room to facilitate consensus. After 2 days of large working group meetings, the green room process began Friday morning, the last day of the conference.

One difficulty in achieving consensus may have been that the chairpersons of the working group meetings were not in place until Tuesday during the ministerial conference. This may have prevented parts of the leadership team from effectively preparing for their roles—such as developing compromise texts and meeting with key

¹ See *Commitments by the European Union and the United States to Reduce Agricultural Export Subsidies* (GAO/NSIAD-99-198R, June 18, 1999) for more details.

² Traditionally, negotiations have taken place among a smaller number of key WTO members, which would work out privately some of the more difficult compromises. This smaller group negotiation of 20-30 members is known as the "green room" process.

delegations before Seattle—as some have claimed. Officials said that it had been difficult to find chairpersons because trade ministers had to volunteer their time to lead the sessions as opposed to their own country delegations.

The green room had only 1 day to work out compromises across the range of unresolved issues and then gather the support of the rest of the delegation. Furthermore, the green room worked sequentially—issue by issue. Negotiators began in the morning with agriculture and spent until mid-afternoon on this issue. Although many officials said that the green room did make progress in agriculture, others argued that too much time was spent on this issue to the exclusion of others. However, officials expressed mixed views about whether additional time would have resulted in consensus on a round. Some said an additional day would have sufficed with the progress made in agriculture, while others were more pessimistic or said outright that no agreement could have been reached.

Despite efforts to the contrary, some countries still expressed frustration about being left out when the negotiations shifted to the green room. In fact, a group of Latin American and Caribbean countries and a group of African countries stated publicly in Seattle that they would reject the outcome of these smaller sessions. However, some officials noted that a green room process involving a smaller number of countries is necessary to efficiently handle the negotiations. Some said the particular problem with the green room process in Seattle was that countries were selected to participate in an ad hoc, informal manner. They recommended a more formalized or transparent process of determining the members invited to participate in the green room.

A number of officials with whom we spoke said that hosting the Seattle WTO ministerial meeting posed both substantive and procedural challenges for the United States, given its large stake in the world trading system. First, perceptions about the U.S. role as chair may have affected the negotiating dynamic. For example, it may have raised questions about U.S. neutrality in brokering compromise, or raised WTO members' expectations about U.S. willingness to make concessions to ensure the ministerial conference's success. Second, the United States was wearing two hats, that of host and key participant, a difficult job that was made harder by the newness of the WTO team and the number of issues to be resolved at Seattle. Overall, several U.S. and foreign officials said that a major trading nation hosting such meetings inevitably poses problems.

Another major factor affecting the outcome of the Seattle negotiations was the inherent weakness of the draft text used as the basis for negotiations. When WTO ministers arrived in Seattle in late November, the draft declaration officially on the table was some 32 pages long and contained nearly 400 bracketed items indicating disagreement among members. The draft was, in fact, an amalgamation of all the proposals, or position papers, members had submitted to the WTO General Council during their 15-month, pre-Seattle preparatory process. The problems with the draft conveyed the wide differences over substance and philosophical approach that remained at the conclusion of those preparations. Also, one WTO official noted that because the text included many strongly held competing proposals, negotiators had to "build down," or remove text, to reach a consensus document. In his view, this is more difficult to do than "building up," or negotiating to add desired language. Thus, he believed, in Seattle, countries automatically perceived agreeing to remove text as a loss.

Contributing to members' inability to reach consensus before Seattle were the difficulties they had experienced in selecting a new Director General. In Geneva in early 1999, WTO members had had great difficulty reaching consensus on a new Director General, whose 4-year term had expired. There were two final candidates, Mike Moore from New Zealand and Supachai Panitchpakdi from Thailand, from a developed and developing country, respectively. Ultimately, members selected both candidates to serve a split term, with Mike Moore serving first. Many U.S. and foreign officials said that the divisiveness of that experience had dampened the mood for compromise in Seattle.

In addition, the lengthy and contentious selection process left WTO members without leadership for 5 of the 11 months they had available to prepare for Seattle. Mike Moore did not take the helm at the WTO until September, when drafting of a declaration started in earnest. His principal deputies were named less than a month before the WTO ministerial conference. While the WTO is largely a member-driven organization, the WTO Director-General and his deputies can play an important role in facilitating consensus and organizing work so as to ensure maximum progress. The diversity of member interests and lack of institutional leadership meant that fewer informal, consensus-building meetings took place both in Geneva and Seattle.

During the ministerial conference, nongovernmental organizations representing labor, the environment, and other interests demonstrated and marched against the WTO in the vicinity of the Seattle convention center. The protests interfered with the convention by causing delays and dampening the general mood among the delegates but were not a major cause for their ultimate inability to launch a new trade round. The most frequent comment we heard from foreign government officials was that the protests cost them 1 to 2 days of work. Some foreign officials attending the ministerial conference said that limitations on moving safely about the city interfered with delegates' normal ability to resolve differences through informal social contacts. Another foreign embassy official said that, while not a deciding factor, the protests raised questions about the U.S. ability to conduct trade negotiations without being unduly influenced by domestic politics. Overall, however, delegates did not believe that the protesters changed the outcome of the conference.

LESSONS LEARNED

Several lessons can be learned from the experience in Seattle:

- Efforts to launch a new round may have been premature. Countries, for various reasons, may not have been ready to launch a new round. Due to current strong domestic concerns, the EU and United States each found it politically difficult to make concessions and exert leadership. Many developing countries were resistant to calls for the WTO to address new issues such as labor and skeptical about the benefits of the last round.
- Ministerial conferences are more likely to succeed if they address only a handful of politically difficult decisions, having reached consensus on most issues in advance. WTO members had not reached agreement on most issues on the eve of the conference. As a result, ministers in Seattle faced a long list of unresolved items. This left ministers with an overwhelming task to be accomplished within a short time frame. Efforts to sort through and agree upon a manageable number of issues should be made before a ministerial conference takes place.
- The WTO needs to find ways to address the institutional challenges posed by increases in the number and diversity of its members. The Seattle negotiations demonstrated the importance of taking into account the different views of the WTO's large and diverse membership on issues such as the scope and nature of any further trade liberalization. Since the ministerial conference, the WTO Director General has been consulting with WTO member governments on ways to help developing countries engage in world trade and has been examining how the WTO can better gauge and act on its varied members' interests.
- Holding high profile WTO meetings in countries that are major trading partners, such as the United States and the EU, may present difficulties. It is not easy for major trading countries to host ministerial conferences, given their significant interests in international trade and possible concerns about their influence on the negotiating agenda.

Mr. Chairman and members of the Committee, this concludes my prepared remarks. I will be happy to respond to any questions you may have.

COMMUNICATIONS

STATEMENT OF THE AMERICAN APPAREL MANUFACTURERS ASSOCIATION

Thank you for providing the American Apparel Manufacturers Association (AAMA) an opportunity to submit testimony in connection with the Subcommittee's investigation of international trade issues in the aftermath of the failed Seattle Ministerial round in December 1999.

AAMA is the central trade association for US companies that produce clothing. Our members are responsible for about 85 percent of the \$100 billion worth of garments sold at wholesale in this country every year. Our industry employs about 700,000 Americans.

While most of the large apparel manufacturers in the United States are our members, many of our members are relatively small companies. Two-thirds have sales under \$20 million a year. Our members are predominantly domestic manufacturers, but most also manufacture in, and import from, other sources.

AAMA has been a strong advocate of liberalized trade initiatives and was an ardent backer of both the North American Free Trade Area (NAFTA) and the Uruguay Round of the GATT. Our association is at the forefront of efforts to expand trade with the Caribbean Basin and has endorsed regional programs to expand trade through the Free Trade Area of the Americas (FTAA) and the Asia Pacific Economic Council (APEC) processes.

AAMA was sorely disappointed when the Seattle Ministerial failed to launch negotiations for a new multilateral trade round. Simply put, we believe the United States, indeed the entire world, missed an important opportunity to lock in additional commitments for trade and tariff liberalization.

Increasingly, our members rely upon unimpeded flow of commerce between countries to satisfy the needs of their customers and to stay competitive. The globalization of our industry, and the increased competition it has brought, requires our members to engage in flexible sourcing strategies if they are to survive. This means they have to be prepared to supplement their US production base with sourcing arrangements from a variety of countries.

Although our members are most heavily concentrated in this hemisphere, they have increasingly found themselves in virtually every part of the globe. To produce the most competitive garments, our members are often required to import from and export to a variety of countries. Any barriers be they traditional quotas and tariffs or nontraditional fees, investment restrictions, customs procedures, bureaucracy, or corruption—hinder their operations and drive up their costs. If their costs go up or if they are unable to deliver garments on time—because of trade distorting barriers they often lose the business to their competitors.

Accordingly, we believe it is of paramount importance that the United States find a way to put and keep the WTO trade liberalization process back on track. Recognizing that this is an effort partly directed at confidence building—both in the United States and among our trading partners—and partly directed at setting a concrete and meaningful agenda, we would like to make the following recommendations:

First, Congress should declare its unequivocal support for an aggressive and proactive trade agenda. The best way to do this is to complete action quickly on the pending CBI/Africa legislation, reaffirm US membership in the World Trade Organization following the Section 125 report, and, finally, extend permanent normal trade relations with China. Reauthorization of trade negotiating authority for the President, and its accompanying "fast track" procedures, should also be completed at the earliest possible date.

Decisive action by Congress is important because many of the protests in Seattle have their genesis in the perception that the United States has abandoned its orientation toward trade liberalization. Protestors during the week of November 29,

1999—ironically the fifth anniversary of congressional passage of the Uruguay Round of the GATT—were no doubt buoyed by some of the “anti-trade” votes taken by the House earlier in the year and in previous sessions. It is time the Congress swiftly and clearly rejects this perception and reasserts a positive agenda on trade.

Second, we should be careful not to misunderstand the “message” delivered by the Seattle protestors. In fact, there was probably no single message. Several of our staff and members who were in Seattle during the protests witnessed peaceful teach-ins just a few doors down from where a Starbucks store was being looted. Protestors demanding greater labor and environmental enforcement powers for the WTO stood shoulder-to-shoulder with those hoping to strip the WTO of its existing responsibilities. A sign complaining that “global trade was bad” was partly obscured by a sign urging the end of the US trade blockade with Cuba.

If anything, the Seattle protests showed us that few people understand the importance of trade liberalization—to their own well-being, to their own community, and to the world at large. While the WTO is an important arbiter of international trade laws, it is nothing more than a traffic cop. When the American people begin to perceive that the WTO possesses the kind of power that threatens national sovereignty, that is a clear signal that there is something fundamentally wrong with the public understanding of international trade.

Third, we should collectively do a better job explaining the importance of trade liberalization. Policy makers have long argued that not enough “trade education” is done among workers and employees of companies that benefit from trade. This is true and the corporate community should do a better job in the future. But policy makers themselves must also play a key role educating not just the workers at their jobs but also the workers’ families in their communities and schools.

We should begin by discarding the incorrect notion that imports are intrinsically bad. Traditionally, exports are seen as the “good” side of the trade equation while imports are measured only through the dislocation and disruption they may cause. Yet, this only tells half the story. Millions of American workers are employed because they handle or process imports. Hundreds of millions of American consumers benefit from lower prices or greater selections because of the availability of imports. If the American public can begin to perceive that imports are not a threat, the natural flows of international trade should cause them less anxiety.

One way to do this is through the Trade Adjustment Assistance program, which provides retraining assistance for US workers whose jobs are adversely affected by trade. This is an important program that should be sustained. But as we do so, we should recognize that one of its byproducts is that the US Government is steadily certifying that hundreds of thousands of US workers are losing their jobs because of international trade. Yet, at the same time, there is no equivalent program in which the Federal Government actually certifies that US workers, or consumers, are gaining ground because of international trade. If the Federal Government insists upon only telling half the story, who can blame the American public if they remain misinformed?

Fourth, we must encourage the WTO to make its operations and activities more transparent and accountable. Veterans of the 1997 funding battle over the International Monetary Fund (IMF) will recall the complaint that the IMF conducted all its business behind closed doors. Congress eventually cleared funding for the IMF, but only after the IMF agreed to necessary reforms to bring about greater transparency. Similar steps are needed with the WTO. All parties affected by WTO decisions—should be able to present the WTO with their perspectives and witness its decision making and rule-setting activities. This is especially important if we wish to provide least developed countries the opportunity to participate fully in the international trading system.

Fifth, the United States should encourage the WTO to complete its unfinished agenda—namely the reciprocal elimination of tariffs. Our industry faces some of the highest levels of protection around the world. But while US tariff rates on imported apparel are high, they often pale in comparison to those imposed by other countries. The next round of tariff liberalization should begin by requiring other countries to bind their textile and apparel tariffs at US rates and then use that binding as a basis for further negotiation.

A recent case with India clearly dramatizes why this is so important. In recent weeks, the US Government successfully persuaded the Indian Government to abandon a number of quotas and other quantitative restrictions on imports of textile and apparel products. However, some of the gains of this concession may be undermined due to Indian Government plans to raise tariffs on those same products. Because the tariff action will not exceed the Indian Government binding, the action may be

permissible under the WTO. We need to convince the Indian Government to lower these bindings to, at the very least, US levels.

Finally, we need to remain aggressive in ensuring that foreign countries live up to the bargains they strike in international trade deals. Confidence in the entire system falters when US workers, and their elected representatives, perceive that other countries do not have to play by the rules. We should insist that our trading partners live up to their commitments and have "zero tolerance" for those that fail to do so. Similarly, we should lead by example, and refuse to tolerate demands that we abandon our own commitments to satisfy vocal political constituencies.

In the past month, the United States posted a record for the largest sustained economic expansion. This success occurred in no small part because we benefit from an open and liberal trading regime. US firms are able to produce goods and services for export markets while companies and individuals are able to purchase imports for inputs or final consumption. The more we can enhance this system—through multilateral trade negotiations and through unilateral action—the better chance we have of sustaining this economic growth in the years to come.

STATEMENT OF THE AMERICAN FOREST & PAPER ASSOCIATION

(SUBMITTED BY W. HENSON MOORE, PRESIDENT & CEO)

Thank you for this opportunity to submit the views of the U.S. forest products industry regarding the recent WTO Ministerial meeting in Seattle—and to recommend forward steps in U.S. trade policy which can improve U.S. global competitiveness—even while efforts continue to launch a New Round of global trade negotiations. The U.S. forest products industry, which accounts for \$230 billion in annual sales and employs 1.5 million American workers, comprises seven percent of U.S. manufacturing shipments.

Last Fall, appearing before this Committee, Lyn Withey, Vice President, Federal & International Affairs, International Paper Company, identified the WTO Ministerial meeting in Seattle, and the Accelerated Tariff Liberalization (ATL) initiative in forest products, as our industry's best—and perhaps last-opportunity to secure our ability to participate in fast growing global markets from a U.S. manufacturing base.

The reasons for this are a matter of negotiating history and simple economics. The history part goes back to the Uruguay Round. Our industry and the U.S. Trade Representative had identified the elimination of the high tariffs which our competitors maintained on U.S. wood and paper as a priority U.S. objective. This goal was not achieved in the Round and so, in the Uruguay Round Agreements Act, the U.S. Congress gave USTR both the authority and the mandate to try to rectify this imbalance as a priority matter.

The urgency in the Congressional mandate came from the fact that—with each year that this objective was not achieved—foreign supplier encroachment in the wide-open U.S. market has increased, while many of the fastest growing markets for our products have no commitment to eliminate or reduce their trade barriers at any time in the future. That's where the economics comes in. When U.S. companies conclude there is no prospect of getting foreign trade barriers removed, one of two things generally happens: either there is an increased tendency to protect the home market, or production and capacity gradually shift to other countries with a strong resource base. That is essentially where the U.S. forest products industry is today.

PREPARATIONS FOR SEATTLE

In preparation for the WTO Ministerial, our industry undertook an intensive program of industry-to-industry diplomacy—supporting Administration efforts on the government-to-government level. More than two years ago, we began working with our colleagues in the forest products industries of Malaysia, Indonesia and China, with the result that Indonesia co-sponsored—with the U.S., Canada and New Zealand—the original proposal to eliminate wood and paper tariffs in APEC. Japan, of course, remained the outlier, stubbornly insisting on the need to protect its wood products industry. APEC members agreed to open the ATL to broader participation in the WTO.

We continue to believe that European participation is key to transforming ATL from an APEC initiative into a global agreement. When we found our European competitors were unwilling to support tariff cuts which would mean they would have to compete with us on an equal footing, we went directly to our European customers. As a result, the magazine publishers, the newspaper publishers, the directory publishers and the Publishers Council of Europe all went on record as favoring

the elimination of paper tariffs, as did the Timber Trades Federation in the U.K., and the timber trade in Spain and Italy.

Our colleagues in the other ATL sectors did the same, lining up the German electronics industry, the International Council of Chemical Associations, the Toy Industries of Europe, the International Jewelry Confederation, EUROGAS, the European Cosmetic, Toiletry and Perfumery Association, EUCOMED (representing European medical device manufacturers) and ORGALIME (representing the mechanical, electrical, electronic and metalworking industries, or 16% of European GDP).

We also worked through the Trans Atlantic Business Dialogue, which presented the Presidents of the U.S. and the European Commission with its recommendation that the ATL agreement be concluded in Seattle—or as quickly thereafter as possible.

We worked closely with our labor unions, which have been keenly aware of the adverse employment effects of unfair trade barriers. As a result, our delegation in Seattle included representatives of the Paper and Allied Industrial, Chemical and Energy Workers International Union, the United Brotherhood of Carpenters and Joiners of America; the International Association of Machinists, and the Pulp and Paperworkers Resource Council.

We also participated in a rigorous economic and environmental analysis of the implications of trade liberalization in forest products. The resultant joint report by the Office of the USTR and the Council on Environmental Quality concluded there were no significant environmental risks associated with the elimination of wood and paper tariffs. In fact, we believe there are positive environmental benefits from the elimination of trade barriers but, as the first industry sector to go through the process which will henceforth be applied to all prospective U.S. trade agreements, we felt the way was clear for the Administration to pursue ATL in our sector without reservation.

Our industry thus went to Seattle with a number of strong positives: we had successfully addressed labor and environmental concerns in our sector; we enjoyed the substantial support of APEC member countries, especially Canada and New Zealand; we had the backing of a broad spectrum of European industry and the Trans Atlantic Business Dialogue; we understand that some EU member states, including Germany and the UK had told the USTR they were in favor; China had made the whole deal more attractive by agreeing to join the ATL upon its accession to the WTO and, most critically, USTR had clearly designated ATL as a priority deliverable for Seattle.

WHAT WENT WRONG

Notwithstanding these substantial assets, the ATL was a victim of the larger collapse in Seattle.

- The European Commission appears to have viewed the ATL only as a card to be traded for larger issues in the Round. We have been told there was very little internal discussion with the member states regarding the potential benefits of ATL, despite the fact that EU exports (excluding intra-EU trade) covered by the ATL are 40 percent greater than U.S. exports.
- The collaboration between the EU and Japan which served to stymie so many U.S. initiatives was also evident in the ATL discussions.
- Japan's adamant opposition to any trade liberalization measures on the Seattle agenda extended to ATL.

Finally, the centrifugal forces which would ultimately force the adjournment of the Ministerial conference itself were already in full play by the time the Market Access discussions—which included ATL—began in earnest.

IMPACT ON U.S. ECONOMY, JOBS

The ultimate cost of this failure to the U.S. economy is probably a function of how long it takes to get the ATL—or a similar initiative—up and running again. According to the U.S. Department of Commerce, the ATL initiative as a whole covered \$198 billion in U.S. exports, or roughly twice the value of U.S. foreign agricultural sales, and covered a little more than one in four U.S. jobs related to merchandise exports.

For the U.S. forest products industry, the inability to take advantage of growing markets abroad has already had a significant impact. Since 1998, about 3.5 million tons of pulp and paper production capacity has been indefinitely or permanently shuttered. According to government statistics, in 1998 alone, 17,800 jobs were lost in the paper and allied products industry, or 2.6% of the total. These are higher paying jobs than the manufacturing average and are most often located in rural communities that are heavily dependent on the forest products industry.

GOING FORWARD

It is important to emphasize that what happened in Seattle was the failure to launch a New Round of trade negotiations—not a failure of ATL. The link between ATL and a New Round was essentially one of timing—the presumed desire of governments to have deliverables at the Ministerial was thought to give impetus to conclusion of the ATL in Seattle, much as it did the conclusion of the Information Technology Agreement (ITA) in Singapore.

And, in fact, the Ministerial did produce some progress on ATL:

- our negotiators had a number of positive meetings with EU member states that had not previously understood the benefits ATL could bring to their industries;
- forest products industry union support for ATL made a clear statement that fairtrade agreements that dismantle foreign trade barriers are important to U.S. domestic employment
- members of the Congressional delegation—including the Chairman and several distinguished members of this Committee—demonstrated there is strong political support in the U.S. for conclusion of an ATL agreement. .
- Administration representatives got the word out that the elimination of tariffs on forest products would not entail environmental risks.

The fact is that ATL does not require a Round, or a Ministerial meeting, to go forward.

If, as some of our trading partners have asserted, it will not prove possible to resume the launch of a New Round until structural reforms in the WTO are completed and until after the U.S. Presidential election, we believe this hiatus offers the perfect opportunity for governments to move forward with ATL. For the United States, in particular, it makes a lot of sense to pursue an ATL agreement at this time.

- U.S. economy—Delay in achieving ATL tariff cuts entails economic costs affecting industries which account for more than 29% of U.S. exports; for some industries, it would allow foreign competitors to establish a foothold in Asian markets which will have longer term, structural effects.
- U.S. trade policy—Moving forward with ATL would make it clear that Seattle did not paralyze the U.S. trade agenda and that we will continue to work on areas where there are clear U.S. commercial interests to be advanced.
- APEC—Without some indication that ATL is alive and well, the credibility of APEC as an institution is severely damaged: the prospect for making any progress on the additional “back six” sectors is eliminated.

WTO—one of the principal advantages of the WTO over the GATT is the ability to carry forward an agenda of continuous trade liberalization, without depending on cumbersome Rounds.

Moreover, we believe conclusion of an ATL agreement would be consistent with the “confidence building” approach which the WTO General Council has informally endorsed as part of the strategy to establish preconditions for a Round launch in the future. If the WTO cannot provide the forum for going forward with the ATL, one of its principal rationales will be invalidated, a weakness which should be examined in the upcoming Congressional review of U.S. experience in the WTO.

The U.S. forest products industry thus urges the Administration to move without delay to restart negotiations on ATL—built on a strategy which includes the following major elements:

- Offer ATL to our trading partners as a stand alone agreement on the ITA model
- Regroup with our APEC partners, especially New Zealand and Canada. We need an urgent, strong statement of APEC determination to go forward and to push for agreement in Geneva—independent of a New Round.
- Rethink our strategy of engaging countries individually and regionally trade issues generally, and liberalization measures specifically as we see the continued entrenched opposition of European and Japanese bureaucrats to opening their markets. We should identify ATL as an early deliverable for all bilateral and regional trade negotiations, including Chile, and the Free Trade Area of the Americas.

While the focus of our activity in Seattle was certainly the ATL, it is clear that the U.S. forest products industry has an interest in other important issues that will be dealt with in a New Round. Our companies will be significantly impacted by the proposed negotiations on the revision of the Sanitary and Phyto-Sanitary (SPS) agreement, biotechnology agreements and other global trade issues and will be actively engaged with the Administration and the Congress on these issues.

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION

The American Farm Bureau Federation represents over 4.9 million member families in the United States and Puerto Rico that produce every commodity grown in this country. Our members export over one-third of what they produce and have a vested interest in further reform of agricultural trade in the World Trade Organization (WTO).

Farm Bureau had a strong presence in Seattle during the WTO Ministerial Conference and saw first-hand how difficult it will be to overcome the resistance exhibited by key negotiating partners such as the European Union (EU), Japan and Korea to further market openings in agriculture. These countries have a very strong desire to continue trade distorting domestic support payments to their agricultural sectors. Given the urgent need to further open foreign markets for U.S. agriculture, and the intent of some countries to resist such market openings, it will be very tough to continue the agricultural trade reform started in the Uruguay Round. Every ounce of leverage and negotiating muscle will be needed to make the agricultural results from future trade talks commercially meaningful for U.S. farmers and ranchers.

It is well known that there were many causes for the failure of the trade ministers to launch a negotiating round in Seattle. While the reasons are numerous and the issues complex, agriculture was not the cause for the breakdown of the trade talks. In fact, when the talks ended in Seattle, "green room" negotiations on agriculture had concluded and the agricultural text was nearly complete. This is not to say that Farm Bureau endorsed the language in the agricultural text. While we acknowledge that significant ground was broken on key agricultural negotiating objectives, much work remains to be done.

Negotiations on agriculture must be the highest priority for our negotiators as they meet in Geneva in an attempt to restart the trade talks. Not only is agriculture entitled to a new round of negotiations as mandated by the built-in agenda, our sector is also rife with insurmountable trade barriers and trade distorting export subsidies that are not present in other sectors. In order for the WTO to claim that it has truly reformed trade around the globe, it must first achieve market liberalization in agriculture.

The WTO negotiations must provide the basis for continuing the agricultural trade discussions as required under the built-in agenda. Most importantly, the structure developed to restart the talks on agriculture must be linked with the progress of negotiations in other built-in agenda sectors as part of a single package. Restarting the talks quickly, as part of an eventual broad-based round, is crucial in order for U.S. agriculture to maintain its foreign market share and to compete on fair and equal terms with its export competitors.

The U.S. agricultural sector is perhaps the most open market in the world. According to the Agriculture Department, the average tariff for imports of agricultural goods into the United States is 8 percent or less, while our exports face an average tariff of nearly 50 percent. We must address this imbalance in the upcoming negotiations.

What's at stake for agriculture if the WTO talks do not provide meaningful reform? We can expect that our exports will continue to stagnate and that our competitors, especially those that benefit from export subsidies or single desk selling arrangements, will continue to undercut us in foreign markets. U.S. producers are the most efficient producers in the world. We can compete if allowed to meet our competitors head on rather than with one arm tied behind our backs, which is the case now as we compete against foreign treasuries that subsidize our competitors.

There are many important objectives to be accomplished in the WTO negotiations on agriculture and important improvements that need to be made on the Seattle agricultural text once the trade talks resume in Geneva.

OBJECTIVES FOR THE NEXT ROUND

Structure and Framework

The American Farm Bureau Federation supports expediting action to commence broad-based negotiations and trade talks on the built-in agenda items, such as agriculture, in the WTO. We cannot sit by while our competitors trade openly in our market but deny us access to their markets on equal terms. We must begin negotiations on the built-in agenda items and weave these negotiations into a comprehensive round as early as possible to put U.S. agricultural producers on a level playing field with the rest of the world.

First and foremost, the next round of negotiations and progress on the built-in agenda items, should be pursued as a comprehensive, single undertaking. By this

we mean that all aspects of the negotiations should be pursued in parallel and that talks should conclude simultaneously for all sectors in order to get the best results.

Export Subsidies and Export Credits

We must call for the complete elimination of export subsidies by all WTO member countries. Our producers cannot compete against the mountain of spending by our primary competitors, such as the European Union, which spends in excess of eight times the level of domestic and export subsidies spent by the United States. The final version of the agricultural text from the WTO Ministerial in Seattle did not go far enough on export subsidies. We must not settle for anything less than complete elimination of export subsidies. Moreover, the United States should not allow other WTO member countries to link progress on elimination of export subsidies to corresponding action by the United States on export credits or other forms of export assistance.

Regarding export credits, we believe that the negotiations in the Organization for Economic Cooperation and Development holds the best potential to impose disciplines on export credits.

Market Access

U.S. negotiators must comprehensively address high tariffs, trade-distorting subsidies and other restrictive trade practices in the negotiations on agriculture.

The negotiations should result in tariff equalization and increased market access by requiring U.S. trading partners to eliminate tariff barriers within specified time frames. Our producers compete openly in their own domestic market with their foreign competitors but are shut out of export markets due to prohibitively high tariffs. We must correct this imbalance for our farmers and ranchers. All WTO member countries should reduce tariffs, both bound and applied, in a manner that provides commercially meaningful access on an accelerated basis.

In addition, we must end the use of all non-tariff barriers to trade. There are several practices that have been employed by our trading partners to shut out competition in their domestic markets. These practices include, but are not limited to, domestic absorption requirements, discriminatory licensing procedures, price bands, reference prices and the administration of tariff rate quotas that prevent true competition. Provisions to address these and other nontariff barriers should be written into the new agreement on agriculture.

We support a trade round that enacts no product or policy exceptions. Adopting a formula approach that addresses the disparity in global tariffs is the best method for ensuring that all sectors are included in the negotiations. As with the Uruguay Round framework, we recognize the need to address import sensitive products. It is imperative that the new negotiations address not only tariff disparities but also peak tariffs and tariff escalation in a commercially meaningful manner.

Domestic Support

We support transitioning countries to provide an increasing portion of total domestic support for agriculture in a decoupled form as the United States has already done under the FAIR Act of 1996.

In addition, we support elimination of trade distorting domestic support programs now classified under the "blue box" criteria in the WTO. Blue box payments are based on fixed area, yields and number of livestock and are not subject to reduction. The United States does not currently have any domestic support programs that qualify as blue box spending. The European Union, on the other hand, has over \$22 billion in blue box spending and that is projected to increase as a result of the recent CAP reform under Agenda 2000. We must put an end to blue box spending.

SPS and Biotechnology

We believe that the new negotiations must include a recommitment to binding agreements to resolve sanitary and phytosanitary issues based on scientific principles in accordance with the WTO Agreement on Sanitary and Phytosanitary Measures (SPS Agreement). The provisions of the Uruguay Round SPS Agreement are sound and do not need to be reopened. The United States has successfully litigated several SPS cases that underscore the strength of this agreement. Cases have now been tried that set precedents in each of the three areas of the SPS Agreement. For example, the successful U.S. litigation of the EU beef ban strengthens the provisions regarding human health, the Japan varietal testing case underscores aspects regarding plant health, and the Australia salmon case bolsters the animal health text of the SPS Agreement. Any change to the SPS Agreement would expose the sound scientific principles now embedded in its provisions—changes that the EU would relish making to restrict, rather than facilitate, trade.

We must ensure market access for biotechnology products produced from genetically modified organisms (GMOs). Significant delays and a lack of transparency in the regulatory approval process for GMOs in the EU have heightened the need for science based, transparent provisions governing bioengineered products. We cannot continue to be held hostage to the EU's nontransparent, discriminatory procedures that deny market access for our GMO products. All WTO member countries should reaffirm the principles of the WTO SPS Agreement, provisions which we believe cover trade in GMOs.

Multifunctionality

We oppose attempts to disguise protectionist policies as an endorsement of the multifunctional characteristics of agriculture. While we agree that agricultural production holds multifaceted benefits, we disagree that trade distorting subsidies should be allowed to continue to sustain multifunctional endeavors. Government spending for such pursuits should be reasonable and non-trade distorting.

State Trading Enterprises

We must impose disciplines on state trading enterprises (STEs) that distort the flow of trade in world markets. Every effort should be made to craft an agreement that sheds light on the pricing practices of STEs and ends their discriminatory practices. Our producers have lost too many sales in third country markets due to the noncompetitive, nontransparent operations of STEs.

Dispute Settlement Process

Our negotiators must make changes to trading practices that would facilitate and shorten dispute resolution procedures and processes. The process for a WTO dispute settlement case typically runs three years, if the WTO ruling is implemented. We have seen in both the EU banana and EU beef cases that compliance is not always assured. In cases where WTO member countries do not comply with WTO rulings, a carousel retaliation approach should be adopted to bring about compliance.

Our trading partners cannot be allowed to unilaterally weaken the very principles that we negotiated in the Uruguay Round Agreement. The fundamental problem of a dispute settlement procedure that requires too much time and prevents market access for several marketing seasons before a resolution is reached must be corrected.

Environment and Labor

We believe that matters concerning the environment and labor should only be addressed in a manner that facilitates rather than restricts trade. We cannot allow the economic prosperity of our nation, and that of our agricultural producers, to be used as a weapon.

In summary, America's farmers and ranchers are counting on the WTO negotiations to achieve fair access for their exports around the globe. We are the most efficient producers in the world. Access to foreign markets should be based on efficiency, not on protectionist policies. Given the dire economic conditions now being experienced by our producers, opening markets and leveling the playing field is now more important than ever.

We call upon the administration to resume a broad-based negotiating round in the WTO and to link progress on the built-in agenda items to an eventual round. Without such a comprehensive approach, substantial progress on the negotiations in agriculture will not be achieved.

STATEMENT OF THE LABOR/INDUSTRY COALITION FOR INTERNATIONAL TRADE (LICIT)*

LICIT appreciates this opportunity to testify on the outcome of the WTO Seattle Ministerial and some of the important issues that require attention in future negotiations.

Celebrating its 20th anniversary this year, LICIT brings companies and unions together in support of increased and equitable international trade. Among the companies and labor unions currently or recently participating in LICIT are: American Flint Glass Workers; AMT—The Association for Manufacturing Technology; Bethlehem Steel Corp.; Communications Workers of America; Corning Inc.; Dainler Chrysler; International Brotherhood of Electrical Workers; Milacron Inc.; Paper, Allied-Industrial, Chemical & Energy Workers International Union (PACE); Union of

* Members do not necessarily associate themselves with every LICIT report or recommendation.

Needletrades, Industrial and Textile Employees (UNITE); and United Steelworkers of America/United Rubber Workers Conference.

I. INTRODUCTION

The goal of the Seattle Ministerial was to launch and set parameters for a new round of multilateral trade negotiations focused on agriculture, services and intellectual property—a “built-in agenda” that was established during the Uruguay Round. Unfortunately, no progress was made in these areas, and the Ministerial Conference ended in failure. Some critics have sought to blame this failure on the U.S. Government or on the demonstrators who occupied the streets of Seattle, but the reality is that the Ministerial “Members do not necessarily associate themselves with every LICIT report or recommendation. cratered because the world’s two other major trading powers—Japan and the EU—were unwilling to engage in serious discussions on agricultural liberalization.

The U.S. Government expended a very substantial effort to achieve a launch of a new round of trade negotiations. This effort was led by the President and most of his Cabinet. Japan in particular, which benefits so much from the multilateral trading system, failed to take a leadership role. Instead, besides defending agricultural protectionism, denying its trading partners access to its market for these goods, it sought to undermine the international rules governing fair trade—in particular by seeking to re-open the recently negotiated antidumping rules. The U.S. Government held firm, supported broadly by Congress, business and labor. It did not agree to compromise fundamental elements of the WT rulebook such as the rules on injurious dumping and subsidies. For this, it deserves to be commended.

II. THE ANTIDUMPING ISSUE IN SEATTLE

The WT. Members which sought to circumvent the agreed list of negotiating topics and reopen debate over antidumping and anti-subsidy measures touched off a senseless and distracting confrontation with other Members, including the United States, that were focused on moving forward per the built-in agenda rather than on ripping up the Uruguay Round texts and re-fighting that Round’s divisive battles. The tactic of reopening the antidumping rules was embraced by several developing countries whose broader Seattle agenda involved unraveling the Uruguay Round agreements rather than moving ahead with additional liberalization. The idea that side discussions on antidumping were in any way responsible for the failure to launch new talks on agriculture and services is untenable and belied by all of the evidence, anecdotal and otherwise.

The assault on antidumping came from two categories of WT. Members: (1) those looking for a pretext to avoid movement in other areas (the EU on agriculture; the LDCs on meeting their Uruguay Round obligations); and (2) those whose exporters most frequently engage in dumping practices (Japan, Korea, and Hong Kong on behalf of China). It was particularly disappointing that the EU, seeking to shift attention away from its market-distorting agricultural policies, encouraged developing countries to press unfounded claims with respect to antidumping, and to seek unwarranted exemptions from the existing disciplines on trade-distorting subsidies.

LICIT commends the Administration for firmly rejecting these efforts to reopen the WTO’s basic fair trade rules. The Administration rightly recognized that the existing fair trade rules must be kept off the negotiating table if new WTO talks are to enhance the welfare of America’s working men and women. Effective antidumping and anti-subsidy rules are a pillar of the United States’ openmarket policy and of the multilateral trading system. From its inception half a century ago, the GATT has provided that injurious dumping “is to be condemned” and has authorized remedies to offset and deter dumping and trade-distorting subsidies. These rules are designed to ensure a basic level of fairness in international trade and to prevent abuse. Without such rules, past successes in trade liberalization could not have been achieved and future progress on the core WTO agenda would become impossible. Allowing the fair trade rules to be weakened would inevitably lead to abuse of the world’s open markets—particularly that of the United States, the world’s most open market—and would rapidly undermine confidence in the WTO itself.

Regrettably, in the job of defending the trade laws, Seattle was not an end-point but simply a milestone. Much work remains to be done. First, of course, continued vigilance is essential during any further discussions about launching a new Round. The same factors described above will spur continued efforts by certain WTO Members to reopen the antidumping rules, with a view to weakening them. Second, a pattern has emerged of trading partners seeking to accomplish through WTO dispute settlement cases what they could not gain in negotiations: the effective repeal of the U.S. trade laws. We discuss this further below.

III. ISSUES THE NEW WTO TALKS SHOULD ADDRESS

The "built-in agenda" is already a broad and important one, more than enough by itself to occupy the next few years of trade negotiators' attention. The only topics that the U.S. Government should even consider adding to that built-in agenda are those that can be independently justified in terms of (1) likelihood that meaningful progress can be made and (2) where manufacturing is affected, favorable impact on America's manufacturing sector if progress is made. The U.S. proposals regarding industrial market access appear to meet that test. LICIT submits that the same is true of two other issues: reforming the WTO dispute settlement system, and disciplining anticompetitive private practices that impair market access.

DSU Reform: There is an urgent need for reforms to the WTO Dispute Settlement Understanding (DSU). In several important respects, the United States has been badly served by the DSU during its first five years. In cases brought against U.S. measures, particularly challenging the application U.S. trade laws, panels have exceeded their mandate and invented obligations never accepted by the United States at the negotiating table. Meanwhile, cases brought by the United States have frequently failed to generate actual commercial results.

The former category is particularly worrisome, as the willingness of panels to overreach seems to have tempted trading partners into a broad-based attack against America's trade laws. WTO statistics show somewhere between 15 and 20 distinct challenges, involving the U.S. antidumping and CVD laws, our safeguard law, section 301, and now apparently another case against section 337. This flood of cases has as its premise that the United States signed on to a package of agreements in 1994 which it was, and is, comprehensively violating—a premise that is not remotely tenable. These are not legitimate challenges but a brazen effort by other nations to achieve through dispute settlement concessions the United States was and remains, for very good reason, unwilling to make in negotiations.

When panels participate in such an effort by making up rules and obligations, they undermine the legitimacy of the dispute settlement system and of the WTO itself. The United States should place a high priority on these "defensive" concerns in the next phase and all future phases of WTO activity.

The U.S. Government should also seek increased transparency, via DSU amendments that: (1) require Members to submit, promptly after each submission to a panel, a public version sufficient to permit a full understanding of the arguments; (2) require panel and Appellate Body meetings to be opened to all WTO Members and to the public; and (3) allow affected private parties to participate meaningfully in panel proceedings. These changes would enhance the credibility and performance of the system by allowing panels and governments to benefit fully from the expertise of affected private parties who are normally the "real parties in interest" in WTO cases.

Finally, the DSU should also be revised to set clear limits on the WTO Secretariat's role in dispute settlement proceedings. It is inappropriate for Secretariat officials who do not accept or agree with the resulting substantive rules that panels are supposed to enforce to be substantively involved with panel deliberations. The Secretariat does not exist to espouse positions attacking individual articles of the GATT, or to side with particular Members who want to rewrite the Uruguay Round results in particular subject areas. The United States should insist on appropriate firewalls and should be prepared, if necessary, to use its funding of the Secretariat as a lever in that regard.

Private Restraints of Market Access: Private and joint-public-private restraints that impair market access have not received adequate attention at the WTO. This issue has long been an Achilles' heel of the GATT/WTO system. The exchange of "market access" commitments by two countries presupposes that a functioning "market" exists within the territory of each—something that turns out not to be universally true in the case of WTO Members.

The WTO agreements themselves do not directly guarantee access, but rather only discipline discrete categories of government actions that could otherwise limit access. The result is a package of agreements and commitments largely ineffectual in dealing with complex trade problems such as the closure of foreign markets by governments working with private monopolies and cartels. Private actors can close a market just as effectively as government agencies, and in both cases, from the U.S. perspective, the result is the same: bargained-for sales opportunities do not materialize. To make matters worse, since the entry into force of the WTO agreements, the U.S. Government has been unable to confront these barriers directly (outside the WTO system) out of fear that any measures undertaken to open the markets would be met with WTO-sanctioned retaliation.

Moreover, the VVTO's government-focused approach uniquely disadvantages industries located in the United States, a country that vastly outstrips other WTO Members in the rigor of its antitrust enforcement and in general openness to imports.

The current situation, in which market access is regularly promised but frequently not delivered, is corrosive on several levels and requires correction. Political support for multilateral trade liberalization, in the United States and abroad, depends on the degree to which trading partners are seen to have effectively opened their markets and extended meaningful, reciprocal trade benefits. By tolerating or encouraging anticompetitive practices, governments can avoid the adjustments that freer trade would otherwise require. As a result, markets never become truly contestable, and trade patterns do not improve. The WTO system cannot thrive if its putative benefits are undermined in this manner. The most viable long-term solution would be to attach to all WTO market access commitments a "warranty" that sales opportunities will not be undermined by the anticompetitive practices of local monopolies or cartels.

The WTO Working Group on the Interaction between Trade and Competition Policy has been created to explore more modest or immediate solutions, but the dialogue held to date in that Working Group provides little reason for optimism. The primary problem has been too much focus on laws, and not enough on facts. The core concern of the WTO is market access. To achieve improved market access, the focus should be on the naming and removal of particular barriers—one country and sector at a time, if necessary—rather than a study of national legal tools available to promote competition.

IV. CONCLUSION

Although many have viewed the Seattle Ministerial as a failure, it is important to realize that (1) the agenda at Seattle was mainly a procedural one and (2) the results were much less disastrous than they could have been. For the United States, Seattle proved the truth of the adage that sometimes, no agreement is better than a bad agreement. Talks on agriculture and services are set to go forward based on prior agreement, so that the core U.S. interest in moving forward with liberalization in these sectors was not fatally compromised by the failure to launch a "Round." Meanwhile, the United States distinguished itself as the only major trading country that came to the Ministerial ready to move forward on trade liberalization—ready to talk about subjecting the world's vast agriculture and services trade to the WTO rulebook, rather than about re-writing the rulebook with a view to making it more difficult to counter unfair trading practices.

Negotiators interested in providing the structure of a "Round" will eventually pick up where they left off in Seattle, and when they do, the United States must continue to stand firm in its commitment to block reopening of the WTO's basic fair trade rules. At the same time, the U.S. negotiators should redouble their efforts to achieve DSU reforms. At home, legislation should be enacted to discipline privately imposed import barriers so that market access commitments can become something other than hollow promises.

LICIT looks forward to working with the Committee on Ways & Means to ensure that developments in the WTO, including any new multilateral negotiations, yield the maximum possible benefit for the American economy and its industrial sector.

STATEMENT OF MATTEL, INC.

(SUBMITTED BY THOMAS F. ST. MAXENS, ST. MAXENS & CO.)

This statement is submitted on behalf of Mattel, Inc. in connection with the February 10 hearing conducted by the Senate Committee on Finance regarding the implications of the November 1999 WTO Ministerial Conference in Seattle on the U.S. trade agenda. As part of efforts to move forward with the U.S. trade agenda in the aftermath of the Seattle WTO meeting, Mattel strongly supports the initiation of a new round of multilateral trade negotiations under the WTO. Furthermore, in order to achieve immediate benefits under this round, Mattel urges the quickest possible conclusion of the Accelerated Tariff Liberalization (ATL) initiative currently under negotiation in the WTO.

Headquartered in El Segundo, California, Mattel is the world's largest toy company with 1999 sales of \$5.5 billion in over 150 countries. Mattel has 31,000 employees, of whom 7,700 are in the United States.

Mattel and other U.S. manufacturers of toys are among the most competitive in the world, and would stand to reap major benefits from the further dismantling of

global trade barriers through the initiation of a new round of WTO negotiations. Also benefiting directly from a reduction of trade barriers would be the 33,700 U.S. workers employed by the U.S. toy industry.

The U.S. toy industry achieved its position as the world's leader by combining high value added domestic operations, such as product design, engineering and strategic marketing, with substantial production overseas as well as in the United States. As a result, a large portion of U.S. toy companies' product lines are manufactured overseas, but even those toys incorporate important U.S. value. In the case of Mattel, that value includes the critical functions of product conceptualization and design, design and development engineering, and strategic marketing that are performed for the company's worldwide operations by the 2,000 workers at its El Segundo headquarters.

With only 3 percent of the world's children living in the United States, U.S. toy companies must turn increasingly to foreign markets for industry growth. Although the United States has the largest toy market in the world, the growth in domestic sales by U.S. toy companies has been modest in recent years, reaching \$21 billion in 1998. However, sales by U.S. toy companies in foreign markets (including U.S. exports and sales by overseas subsidiaries) have expanded at a rapid pace, totaling an estimated \$5.5 billion in 1998.

While the toy industry has been successful in penetrating overseas markets, that growth frequently has been limited by significant trade barriers. For example, most major developing country markets throughout the world are protected by tariffs of 20 percent or more on toys. These high tariffs will remain in effect even after the full implementation of all concessions from the Uruguay Round of multilateral trade negotiations concluded in 1994.

In addition, while the United States, the European Union, Canada, Japan and Korea agreed to participate in a zero-for-zero agreement on toys under the Uruguay Round, this agreement left much to accomplish. While the United States immediately eliminated its tariffs on all toy categories, the other four countries participating in the zero-for-zero agreement on toys excluded several major toy categories from their tariff elimination commitments, or utilized long phaseout periods for these toy categories. As a result, these developed countries have continued to impose significant tariffs on toys.

In an effort to build on the Uruguay Round zero-for-zero agreement on toys, Mattel and the rest of the U.S. toy industry in 1996 enlisted the aid of the U.S. government to secure the inclusion of toys in the consultations on early voluntary sectoral liberalization (EVSL) conducted under the auspices of the Asian-Pacific Economic Cooperation (APEC) forum. APEC leaders in 1998 then forwarded these EVSL talks, which cover toys and seven other sectors, to the WTO for final agreement as the Accelerated Tariff Liberalization (ATL) initiative.

This ATL proposal calls for the progressive elimination of tariffs on all toys, games and festive articles (HS 9501-9505). Negotiators have pressed hard to ensure that participating countries do not exclude selective product categories, and instead have sought to address import sensitivity problems through the deferred staging of tariff eliminations rather than through product exclusions. Under the most recent "flexibility" proposal, developed countries would be required to eliminate tariffs on most toys no later than 2005 (with final elimination of tariffs on remaining products by 2006), while developing countries would be required to eliminate tariffs on most toy categories by 2006 (with final elimination of tariffs on remaining products by 2007). Many countries have tabled offers calling for them to eliminate most or all of their tariffs on toys in the year 2000.

Given the importance of the ATL initiative to Mattel and the rest of the U.S. toy industry, it is critical that WTO negotiators reach a final ATL agreement as soon as possible. Mattel also supports the initiation of a new round of WTO negotiations to address areas such as electronic commerce, intellectual property protection, and business facilitation (such as customs harmonization and simplification). Furthermore, this new round would provide an opportunity to seek the elimination of any foreign tariffs on toys that remain following the completion of the ATL agreement. These would include tariffs maintained by those countries that did not participate in the ATL agreement (which is expected to include virtually all of Latin America), as well as any exceptions taken by participants in the ATL agreement.

In conclusion, Mattel supports the initiation of a new round of WTO negotiations, and the immediate conclusion of the ATL initiative as part of this round, in order to forward the U.S. trade agenda.

STATEMENT OF THE NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION

(SUBMITTED BY MALCOLM O'HAGAN)

Dear Mr. Chairman: The National Electrical Manufacturers Association (NEMA) asks you to strongly urge the Administration to pursue multilateral tariff elimination for electrical products, be it via the energy sector of the WTO Accelerated Tariff Liberalization (ATL) initiative, or via regional groups and/or other opportunities as they arise. NEMA reaffirms this position despite the failure of the Seattle WTO trade ministers meeting to launch a new WTO negotiating round. Our position is explained more fully in the remainder of this letter, which I request that you add to the record of your February 10 hearing on the Seattle ministerial.

NEMA is the largest trade association representing the interests of U.S. electrical industry manufacturers. Founded in 1926 and headquartered in Rosslyn, Virginia, its more than 500 member companies manufacture products used in the generation, transmission, distribution, control, and use of electricity. These products, by and large unregulated, are used in utility, industrial, commercial, institutional and residential installations. Through the years, electrical products built to standards that both have and continue to achieve international acceptance have effectively served the U.S. electrical infrastructure and maintained domestic electrical safety. Annual shipments total over \$100 billion in value.

Our perspective may be summarized in the following points:

- The US electrical products industry is extremely disappointed in the failure of the Seattle WTO meeting to reach agreement on the basis for a new round of global trade negotiations.
- NEMA's members are particularly disappointed in the failure to reach any agreement on improvement of industrial market access through a multisectoral accelerated tariff liberalization process (ATL) as proposed by the United States and other APEC members. As noted in a Commerce Department document prepared before the Seattle negotiations, the value of US exports in our sector alone that could have been positively affected by such an agreement is \$40 billion annually.
- NEMA urges the US government to expeditiously work with the other APEC ATL sponsors to eliminate tariffs on the products listed in the 1998 APEC Energy Sector Initiative (ESI). Such an agreement should include all products that are used in the generation, transmission and distribution of electricity as defined in ATL's Energy Sector.
- Such agreements could be part of a larger multisectoral package as originally envisioned, or they could be contained in a single, sectoral agreement, such as the recent Information Technology Agreement.
- While NEMA does not propose to limit the geographical coverage of such agreements, in view of the present uncertainty regarding the launching of the new WTO round we would urge that alternative regional agreements again be explored. This would include revival of the APEC ESI and sectoral liberalization within FTAA negotiations. In pursuing such regional arrangements, we would urge that they be expanded to include the European Union. Indeed, any such arrangements should be open-ended, so that additional countries or regional groups could also join.

Thank you for your consideration of these remarks. NEMA has greatly appreciated your leadership on trade matters, and we look forward to continued collaboration on tariff-related initiatives.

STATEMENT OF U.S. INTEGRATED CARBON STEEL PRODUCERS

This statement sets out the views of the five major integrated U.S. producers of carbon steel products—Bethlehem Steel Corp., U.S. Steel Group, a unit of USX Corp., LTV Steel Co., Ispat Inland Inc., and National Steel Corp.—on the need for the Administration to strongly adhere to its position that the WTO Antidumping Agreement will not be subject to future bilateral or multilateral trade negotiations. As the recent steel import crisis has demonstrated, strong, effective and vigorously enforced trade laws are necessary to ensure that American industries and workers are not left defenseless against unfairly traded imports. Moreover, the unfair trade laws are essential to maintaining an open market policy in the U.S., and encouraging the same abroad.

In the months leading up to the WTO Ministerial conference, the Administration's firm position was that the WTO Antidumping Agreement would not be the subject of negotiations. For instance, in its 1997 markup of fast track legislation, the Committee on Finance stated that negotiations should focus on enhancing enforcement

of existing international disciplines against unfair trade practices such as dumping and trade distorting subsidies. The Committee did not intend that U.S. negotiators use their authority to permit the weakening of the ability of U.S. trade laws to deter such practices. The Administration's actions in following through on its commitment to keep the renegotiation of our trade laws off the table is recognized and appreciated. At the same time, it remains vital that this position be re-affirmed and it made clear to our trading partners that the United States will not discuss changes to the trade laws.

REASONS FOR THE OUTCOME OF THE WTO MINISTERIAL

The setbacks resulting from the WTO Ministerial conference in Seattle were caused by many substantive and logistic impediments which made the successful conclusion of negotiations difficult. The positions of our major trading partners, particularly the European Union and Japan, were untenable and a consensus with developing countries on the implementation of existing commitments was not reached. There is a general consensus, however, that the negotiations did not stall because of the American position on the antidumping and anti-subsidy rules. The U.S. position was set forth clearly and did not undermine efforts to begin a round on those issues ripe for negotiation by the WTO.

FURTHER ATTEMPTS TO ERODE AMERICAN TRADE REMEDIES

In the past few years, the U.S. integrated steel industry has been seriously injured by unprecedented surges of unfairly traded imports. In particular, countries which have recently suffered severe economic consequences—Japan, Korea, and Russia—have continued to target the U.S. market with dumped and subsidized imports. Often, these countries also benefit from protected home markets, thus exacerbating the effect of their unfair trade practices. The American industry's last line of defense against these illegal trade practices are the antidumping and anti-subsidy trade laws. Foreign unfair traders realize that the only significant obstacle to unfettered abuse of the U.S. open market is the trade laws. Their goal is to reopen the antidumping and anti-subsidy agreements in order to weaken them. The U.S. government correctly withstood these pressures.

In light of their failed attempts, other countries, particularly Japan and Korea, are now trying to achieve through the WTO dispute settlement system what they could not achieve through multilateral negotiations. For instance, Japan has recently filed a complaint with the WTO concerning American antidumping measures on hot-rolled steel, and has threatened to file further WTO complaints concerning additional trade law cases duly resolved under the U.S. law consistent with our WTO obligations. The long and arduous WTO dispute settlement process has been initiated by the very same parties which have engaged in the unfair trading of steel. Rather than accept the orderly rule of law they seem determined to continue to litigate in defense of their own wrongdoing.

Japan's objective in filing these complaints is to achieve the weakening of U.S. trade laws that they were unable to achieve in the recent WTO Ministerial. The U.S. government must aggressively defend the trade laws enacted by Congress and administered by the Executive Branch and courts against this pernicious assault through the WTO dispute settlement process. Allowing these laws to be weakened only favors those countries that benefit from their closed markets; strong trade laws are necessary to ensure open and fair trade worldwide. Further, re-opening the WTO agreements after our position leading up to Seattle was made clear, and after complicated negotiations were concluded during the Uruguay Round, would only serve to diminish the credibility of U.S. negotiators among our foreign counterparts. The Congress too must re-affirm its position that it will not accept agreements that require changes to the U.S. antidumping laws.

AMERICAN STEEL COMPANIES AND WORKERS NEED STRONG REMEDIES AGAINST UNFAIR TRADE

The American steel industry and steelworkers are seriously injured by unfair trade. American steel companies have invested over \$50 billion to improve their plants and equipment. American steelworkers suffered the loss of over 250,000 jobs as the companies and labor worked together in the 1980's and early 1990's to restructure the industry and make it the most efficient in the world. After having made the necessary investments to modernize the industry, American steel companies and workers are now being seriously injured once again. Since the beginning of the current import crisis, over 10,000 good U.S. steel jobs have been lost. The industry has suffered five bankruptcies since the import crisis began. As confirmed by the International Trade Commission's affirmative findings of injury in the re-

cently filed hot-rolled and cut-to-length plate cases, and the high dumping margins and countervailing duty rates found by the Commerce Department, dumped and subsidized foreign steel are causing this damage.

As a result of the petitions filed by the domestic industry, pursuant to the same antidumping and anti-subsidy laws that our competitors seek to renegotiate, only now are we beginning to see market adjustments as foreign imports must be sold at fair prices. Without the full force and effect of these laws, every indication is that massive foreign dumping and subsidization would persist, and cause greater injury. In short, further erosion of our trade laws would lead to further injury to the domestic steel industry and its workers.

THE GLOBAL TRADING SYSTEM NEEDS STRONG ANTIDUMPING AND ANTI-SUBSIDY LAWS

The antidumping rules are at the very foundation of the WTO and an essential element of the multilateral trading system because illegal trade practices distort the marketplace and do not allow for the benefits of fair and equitable global competition. The original GATT stated in Article VI that "dumping ...is to be condemned if it causes or threatens material injury to an established industry in the territory of a contracting party or materially retards the establishment of a domestic industry." Strong antidumping and anti-subsidy rules are essential if global and regional open market policy objectives are to be achieved and maintained. Maintaining open trade requires the enforcement of fair trade.

For these reasons, the current WTO unfair trade rules were comprehensively negotiated and concluded only after spending substantial effort and resources during the Uruguay Round. These rules were designed to ensure a basic level of fairness and to prevent abuse by countries with closed markets of other countries' open market policies. But these rules have barely been tested and certainly have not proven to be defective. Re-opening negotiations on these laws would only undermine confidence in the WTO system and future negotiations.

CONCLUSION

The United States has consistently made clear that the WTO's antidumping rules would not be subject to negotiation. Congress has also emphatically stated its position that the trade laws shall not be undermined by international negotiations. We commend this continued strong commitment to maintain effective WTO disciplines against unfair trade. American industries, and the global trading system as a whole, will suffer irreparably if the terms of the antidumping rules are renegotiated.

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