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**BODY:**

MS. ESSERMAN: Thank you very much, Stan, for that introduction and for that perspective. It will keep me motivated as I think about the next couple of weeks. And I thank you very much for hosting this important conference today; it really couldn't occur at a better time because in less than two weeks we are going to be in Seattle for the WTO's third ministerial conference.

And as all of you probably know by now, this will be the largest trade event that we have ever had in the United States, bringing thousands of people to Seattle from government, from business, from agriculture, labor and environmental groups and other fields.

We expect at Seattle to launch a new round of international trade negotiations of great potential for growth, for living standards and technological progress in the years ahead. So I am very pleased to be here to talk about our vision for the ministerial and for the round.

But first I thought it would be helpful to offer a perspective about the trading system and America's stake in it.

The WTO today joins 135 economies in agreements covering a wide range of topics -- tariffs, non-tariff barriers, agriculture, services, intellectual property rights, subsidies, dumping, textiles, dispute settlement and many other areas. And, as many of you know, and especially those involved in examining and challenging under these agreements, it's very easy to get lost in the details. But fundamentally these agreements and the WTO as a whole represent a set of principles: the open markets that foster growth, prosperity and a rising standard of living; the rule of law and peaceful settlement of disputes which ensure fair play; the shared interests and mutual benefits that strengthen peace.

In the past 50 years through the GATT and now the WTO, the United States, in partnership with our allies and our trading partners, has worked to build a more open, a more fair and free world economy on the foundation of those principles. And we have done so under ten administrations of both parties and 26 different Congresses. And we have done this because it is manifestly in our national interests. This participation reflects our national economic interests, our support for the advance of peace, freedom and the rule of law, and the interest we share with all our trading partners in creating a more prosperous world for each succeeding generation.

Open markets are good for Americans and good for our trading partners. Producers can sell to wider markets, consumers have greater choice in quality, technological progress accelerates, and businesses become more efficient and competitive. With a strong rules-based trading system that keeps markets open, the rule of law advances and the world has a shield in moments of crisis, as we have recently seen, and

countries trade more with their neighbors, and as they do so they gain an interest in prosperity and stability beyond their borders, strengthening the chances of peace.

For all of us, the progressively freer trading environment of the past 50 years has provided enormous benefits. Most immediately it offers the opportunity to export, and exports are essential to all strong economies. They give farmers broader markets as productivity rises. They offer manufacturers the economies of scale that promote research and development. And economic experience tends to show that export industries support higher-wage jobs.

Open markets also allow us to import, and imports are important. They create the choice price and competition that raise family living standards. This is true for all families, but most especially the poor. And imports give businesses access to inputs, raw materials, parts, business equipment, that reduce overall cost and therefore improve efficiency and competitiveness.

It is of course true that an open economy means competition, and competition means change and adjustment to it. This is true here and it is true abroad. Governments do have a responsibility to accompany an open trade policy with a commitment to education, job training and adjustment. But most of the changes an open economy has brought -- fallen unemployment, rising wages, rising demand for high-skilled workers -- are unambiguously positive.

Our observation of the world beyond our borders offers equally stark lessons. Countries which open their economies to their neighbors and the world -- first Western Europe, more recently Latin America, Southeast Asia and Central Europe -- have seen living standards rise and political tensions diminish. Those which have done less see poverty persist and political instabilities at times intensify. Those which have rejected open markets and freer trade completely, such as North Korea, have encountered disaster.

At home the opening of trade since the founding of the GATT has contributed importantly to American prosperity. As you know, we have held eight negotiating rounds in the last 50 years, helping trade to grow 15-fold worldwide. And it is no coincidence during this period that we have seen the most rapid, the most sustained economic growth ever recorded.

Since 1992 -- since, I'm sorry, 1994, when we created the WTO, we have prospered here in the United States. Our economy has expanded from \$ 7.1 trillion to \$ 8.8 trillion in real terms. During the longest peacetime expansion in our history, expansions of exports totalling over \$ 300 billion have accounted for a third of our growth since -- until the financial crisis. We have created nearly 19 million jobs, and unemployment rates have fallen to historic lows, and over 12 million jobs now depend on our exports. We are more competitive through technological progress and rising rates of investment. As you know, the United States has been rated by impartial observers as the world's most competitive economy for the past five years. And we enjoy higher standards of living with average wages reversing a 20-year decline, and growing by 6 percent in real terms.

And today in this global economy the WTO enables us to maximize the advantages from and manage our interest in a global economy. To ensure that we receive fair treatment in the global economy, we need this framework of clear, transparent and enforceable rules, rules prohibiting discrimination against American products, rules safeguarding Americans against unfair trade, and rules affording commercial predictability.

As the world's largest exporter and importer, we need such a system more than any other country. Consider for a moment the alternative. Non one would suffer more than America's workers, farmers and businesses in a world of closed markets, abusive trade practices and the rising international tensions that trade conflicts can cause in difficult times.

At the foundation of the GATT 50 years ago, we faced the challenge of reviving the Western economies after the war. But this work took place in light of the experience of the 1920s and the 1930s, the tariff hikes and colonial preference schemes, capped by the Smoot-Hawley tariff in the United States. This cut world trade by nearly 70 percent by 1934, transforming the world into something like a series of island economies deepening the depression and intensifying the political tensions of the era.

The founders of the GATT drew obvious lessons. For living standards and growth, trade is not a luxury by a necessity. In strategic terms, trade is an invaluable support to peace.

In the intervening half century, we have worked with Europe, with Latin America, Asia, Africa and the Middle East, each of us with specific interests in mind, but at our best remembering the broader goals that we share to reduce trade barriers and to build a rules-based trading system.

It is especially affirming given this history that the trading system proved its worth during the recent financial crisis. We endured the worst financial crisis of the past half century, with 40 percent of the world in recession, seven major economies contracting by 6 percent or more, and the American trade imbalance at record levels. During this time it is little noticed but very important that binding WTO commitments help countries resist a backwards slide into protectionism of the sort that occurred in the 1920s and the 1930s. Such a cycle of protection and retaliation would have denied affected countries the markets they need to recover, and certainly would have hurt our own companies, farmers and workers.

The contrast to the experience in the 1930s could not be more stark. And if the postwar founders of the system were here to see it, they could be forgiven for having some pride in the work that they began.

So where do we go from here? Certainly there are voices here in the United States and around the world who have forgotten the lessons of our history, or never learned them. These are the voices of modern isolationism which call on us to turn around and retreat toward a more closed world. Isolationists often fear that Americans cannot compete in an open world. But the facts of today's American economy, unemployment at a record low, home ownership at a record high, the longest peacetime expansion in history show that this is entirely wrong.

So in addition to this challenge, at the end of this century we face new challenges that are quite different than the ones we confronted at the inception of the GATT 50 years ago. First, we must pursue evermore open markets, prying open services and agriculture markets and completing the unfinished business in the industrial goods era. Second, we seek to bring into the world trading system formerly communist countries, and also to integrate the least developed nations more fully into the world economy. We seek to ensure that the WTO keeps pace with the challenges and opportunities presented by the scientific and technological revolution areas such as electronic commerce, telecommunications and biotechnology. And we must ensure that the WTO is more open, more accountable and responsive to citizens' concerns, and supportive of core labor standards and sustainable development.

Since the president's call for a round last January, and as host and chair of the ministerial, we have been working toward a round that will meet these fundamental challenges. We have sought an agenda that meets the top priorities of all participating countries, including our industrial trading partners, the advanced and developed countries, the developing countries, and the least developed that yield concrete benefits rapidly and respond to the concerns of many developing countries about the potential burden of implementation. And the result, which we have talked about in detail over the past couple months, is a broad, ambitious, but also a manageable agenda.

Let me just review here today the main points. First, we must continue to build a world economy with greater prospects for growth, jobs and rising living standards. The round's market access negotiations must focus on the reform of agriculture trade, reducing tariff and other barriers, and is a top priority seeking the elimination of agricultural export subsidies. They must continue to open the world services economy further freeing sectors -- the trade in sectors like telecommunications, finance distribution, the professions, and others that are not only high-value field in themselves, but also are essential to the functioning of all modern technologically advanced economies. And we must continue to reduce and eliminate barriers to industrial products.

Second, we should build a more technologically advanced and progressive world economy. We have already laid the groundwork for this through a completion of three significant and ground-breaking multilateral agreements on information technology, basic telecommunications and financial services. We

are now moving on to the electronic commerce and the extension of the moratorium on electronic commerce transactions. And we will begin in the WTO to consider the implications of biotechnology, which has revolutionized medicine and now offers both opportunities and challenges in agriculture.

Third, we will seek institutional reforms and improvements that make the WTO more effective and broaden its base of support, which is critical. We must better ensure that the opening of trade complements and supports the goals of environmental protection, that the trading system is open and transparent to citizens, particularly in the area of dispute settlement; that it does all it should to help smaller and medium-sized businesses take part in trade, and that it contributes to the promotion of internationally recognized core labor standards through closer collaboration with the ILO and a focused working group on trade and labor. And fourth, and very fundamentally, 10 years after the fall of the Berlin Wall we are integrating formerly Communist countries into the world economy. From the Balkans and the Baltic States, through Russia and the former Soviet republics, to China, Vietnam and Laos, a vast group of nations are breaking with Communist planning systems. Their applications to join the WTO completed through commercially meaningful accessions will both help them complete their domestic reforms and strengthen the peace in the next century by more securely integrating them into a prosperous stable world economy.

As you know, on Monday Ambassador Barshefsky concluded our bilateral agreement with China. After 13 years of negotiation, China and the United States have agreed upon a strong, commercially viable WTO agreement for China. It is an historic agreement that is a win for America's export-related jobs, for Chinese economic reform, for our global trading system, and for the long-term U.S.-China relationship.

The agreement's results first are comprehensive. China's market-access commitments cover the range of our concerns in agriculture, industrial goods and services, tariffs, quotas, state trading, sanitary and phytosanitary standards, intellectual property, distribution in trading rights and foreign investment. Its protocol commitments include technology transfer, subsidies, non-market economy dumping, offsets, safeguards, state enterprises and more. The agreement grants no special favors. China, like other new WTO members, will reduce its trade barriers in each area to levels comparable to those of major trading partners, including some industrial countries.

The agreement will have rapid results. On accession to the WTO, China will begin opening its market in virtually every area, and will complete the process within five years in most cases. And the results are enforceable. The commitments that China has made in all areas are specific, and enforceable through our trade laws and WTO dispute settlement and other special mechanisms, including some that will be in the protocol.

And finally, at the same time we must also ensure that developing countries already in the system are more fully integrated into the WTO. The WTO must do all it can to better promote the integration of the least developed into the world economy. At home we will enhance our market access program, and we have already begun to do so beginning with Ambassador Barshefsky's expansion of the duty-free GSP system and the legislation we support to offer greater market access to products from Africa and the Caribbean Basin. And in the new round we will commit to do more.

So, altogether we face extraordinary opportunities and possibilities, and we have set out to meet them with a broad and ambitious agenda that will build upon 50 years of statesmanship and progress, and that will take that work forward in the next century.

Again, the opportunity is great, but full success will only come with the foundation of public support for trade policy. The ministerial is a unique opportunity to build this foundation. You too have a vital role as the ministerial approaches in making sure the public fully appreciates the importance of trade to our prosperity, to our future, to our lives, to the living standards of families, the economic security of farmers, the prospects of workers for better jobs and rising incomes, and for our nation's aspiration to build a stronger peace in the next century. Thank you very much. (Applause.)

MODERATOR: Thank you very much, Ambassador Esserman, for just an outstanding speech. The ambassador has agreed to stay here until 12:45 so she can have her full time with us. And then I'll make

some remarks afterwards about lunch plans.

If we could have questions now, and if -- I'd ask you to wait for the microphone to come down and then identify yourself and your affiliation. And if we could have at most a couple of questions on China. I know everybody's talking about that, but Ambassador Esserman's portfolio is so much broader than that, I don't want us to get sidetracked on just the China issue, as important as it is.

So we'll take a couple of questions on that. But otherwise on the broader range of issues. So go ahead. Bret (ph)

Q Since you brought up the -- it's Bret Smith (ph).

MODERATOR: Bret (ph), could you identify yourself? There are some people who don't recognize you.

Q The other Bret Smith (ph) from the Competitive Enterprise Institute. Since you brought up the sustainable development question, which obviously relates to the shrimp turtle issue, I wonder if you could clarify something.

You know, as a free trade NGO group, CI has been increasingly concerned about the reliance on legalistic language to curb some of the protectionate (sic) passions both, ideological and economic, that seem to threaten free trade here at home and abroad. And that seems to be most evident in the environmental issues -- the shrimp turtle decision particularly.

As I understand the current WTO ruling, it suggests that if we invoke the magical words of "sustainable development" and possibly I guess "precautionary principle," any environmental policy of any nation can be invoked to allow that nation to restrict trade with a nation who doesn't have the same environmental regulations it does.

Are we going to be able to extra-territorialize all of the environmental regulations of the United States under the current arrangements of USTR, or are we going to have a free trade regime?

Do you understand the question, or -- MS. ESSERMAN: I don't fully understand the question, but let me just comment. I think that the shrimp turtle -- let me just comment generally about the area. I think the shrimp turtle case and the basic agreement of the WTO is very consistent with the promotion of open and free trade and the protection of the environment.

The shrimp turtle case is based on Article 20 of the original 1947 GATT, which allowed for exceptions from WTO rules for environmental measures. The WTO also provides that they cannot be -- and this is one of the critical and fundamental aspects of the WTO -- that those measures need to be applied in a non-discriminatory way.

So I think the shrimp turtle decision and the basic elements, the basic rules of the WTO -- transparency, non-discrimination and also exceptions for legitimate environmental measures -- are wholly compatible with both free and open trade and preservation of the environment.

Q Could I just say that, you know, we have 200 multilateral environmental agreements, and we have a situation there where if all of those are extended abroad, then we have got a -- there's not much free trade left if every nation-state can impose its environmental regulations on every other nation-state.

MS. ESSERMAN: Well, let me just say that a number of multilateral environmental agreements don't have trade measures.

Q Peter Whitney (ph), Control Risk Group. On the bananas and beef hormones cases, where the panels affirmed that the U.S. really had slam-dunk arguments, could you comment on why the USTR chose the route of sanctions instead of pushing the EU for compensation, say in terms of liberalization of some of the many other EU trade barriers -- so that we could have used the WTO to increase trade rather than to get

into a match of sanctions?

MS. ESSERMAN: What we sought through these challenges was market access in bananas and in beef. And so, as a result of the European actions, we were forced to the position of having to adopt sanctions. In fact, we had indicated to the Commission that we would be prepared to talk about compensation in the context of providing more access to beef.

But fundamentally, we were left with no choice because no market access was being offered in the areas where we were seeking it -- beef and bananas.

MODERATOR: In the back there.

Q I am Wan Ji (ph) from U.S. Department of Agriculture. So you just mentioned the -- I'm sorry -- because of the U.S. -- (inaudible) -- (integration ?) with China, what are your prediction of China become a former WTO member? And what is your perspective -- of China will play a role in next round of integration in the WTO?

MS. ESSERMAN: First of all, we think the agreement that we have reached with China is historic. Of course, as you know, other countries must conclude their bilateral agreements. And then there must be a consolidating of the schedules and the agreement ultimately approved by the General Council of the WTO.

We are strongly supportive, obviously, of China's accession, and we will work to their full membership. And ultimately upon membership, after all these steps are completed, they will participate fully in the next round of negotiations.

MODERATOR: Also in the back -- first row.

Q Frank Coller (ph) from the Canadian Broadcasting Corporation. I wonder if you could outline what is on the agenda that you have developed for relations with the U.S.'s largest trading partner, which is Canada?

MS. ESSERMAN: Well, I think the United States and Canada have very much in common as we approach a new round of negotiations. We have worked together very closely in the lead-up to the Ministerial. We have worked together closely in the CLOD (ph) and in the APEC. There are many areas -- I think we fundamentally agree about the basic elements of the WTO agenda, with some minor differences. But very similar in agriculture, services, industrial tariffs.

Here, we are looking to broad industrial tariff negotiations, but also seeking early agreements in the accelerated tariff liberalization in the APEC sectors.

Canada and the United States agreed on transparency issues, on institutional issues, making sure the WTO is open and accountable. We have a generally similar view about bringing environment into the WTO in a thoughtful way. We have supported an agreement on government procurement and transparency, on rollover or extension of the moratorium on duty-free treatment of electronic commerce.

Those are just some of the areas where we agree. We have worked very closely and productively with Canada. There are of course some points of differences, as you would expect great nations would have.

Q Anthony Alberto (ph) from the Postal Service. I'm curious how you perceive USTR's role in terms of being a catalyst for change -- that is, for instigating domestic reforms through the process of negotiation with other countries.

MS. ESSERMAN: I'm trying to make sure I understand your question. You're saying as a catalyst for domestic reforms and in other countries?

Q In this country.

MS. ESSERMAN: Oh, in this country. Do you have a specific area in mind?

Q (Off mike.) Telecom for example, as I understand it -- certain changes in domestic laws had to be made in order to comply with the terms of the reference paper. I'm curious about how USTR perceives its role in terms of offering simply the domestic reforms that have already been executed in this country, or does it see itself as an agent for changing the domestic laws in a way that would conform to what the international negotiation would yield?

MS. ESSERMAN: I think that what you saw in telecommunications was a convergence of issues -- that those reforms had been emerging over a period of years, and we pursued internationally very similar kinds of reforms to those which were developing on a domestic basis.

I think that we very much pursue internationally the kinds of reforms about which there is a consensus in the United States, working with the Congress, working with the business community and a wide range of civil society groups.

So I think what I would say is that we would work to reinforce domestic reforms that are under way and about which there is a consensus. And I forgot most fundamentally to say that we would be taking advice from the rest of the administration which has responsibility for these domestic issues.

MODERATOR: I'm told that Ambassador Esserman will have to leave shortly for her next appointment, so we have time for one more question. Yes, down here.

Q I'm wondering what -- Pat Butte (ph), Business Publishers. I'm wondering what the U.S. will be arguing for on the issues of fishing subsidies, agricultural subsidies, genetically modified organisms, labeling and on tariffs on environmental technologies.

MS. ESSERMAN: Okay. Well actually, our position is pretty clear in those areas. We have put forward, in the WTO, an initiative to eliminate fishery subsidies, agricultural export subsidies, the elimination of tariffs on environmental goods and services.

We call these "win-win-win" initiatives: good for the environment, good for trade and good for development. And so we are working very hard to secure support for all these initiatives.

On labeling generally, we believe that labeling -- appropriate labeling -- that is, labeling that is transparent and is not discriminatory, is not inaccurate -- that there is scope for such labeling in the WTO generally. So those are our basic positions on those issues.

MODERATOR: We'll make an announcement in just a minute about lunch, so don't go anywhere. But please join me in thanking Ambassador Esserman for an excellent presentation. (Applause.)

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