

**OUTCOME OF THE WORLD TRADE ORGANIZATION  
MINISTERIAL IN SEATTLE**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON TRADE  
OF THE  
COMMITTEE ON WAYS AND MEANS  
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

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FEBRUARY 8, 2000  
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**Serial 106-50**

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**OUTCOME OF THE WORLD TRADE  
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**TUESDAY, FEBRUARY 8, 2000**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
SUBCOMMITTEE ON TRADE,  
*Washington, DC.*

The Subcommittee met, pursuant to call, at 1 p.m., in room 1100,  
Longworth House Office Building, Hon. Philip M. Crane (Chairman  
of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

# *ADVISORY*

FROM THE COMMITTEE ON WAYS AND MEANS

## SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE

Contact: (202) 225-1721

January 14, 2000

No. TR-18

### **Crane Announces Hearing on the Outcome of the WTO Ministerial in Seattle**

Congressman Philip M. Crane (R-IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on the outcome of the World Trade Organization (WTO) Ministerial held in Seattle. The hearing will take place on Tuesday, February 8, 2000, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 1:00 p.m.

Oral testimony at this hearing will be from both invited and public witnesses. The invited witness will be Ambassador Charlene Barshefsky, United States Trade Representative. Also, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee or for inclusion in the printed record of the hearing. The Subcommittee intends to hold other hearings on the WTO in the future.

#### **BACKGROUND:**

The Uruguay Round was the eighth round or series of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT). The agreements reached at the end of 1994 during the Uruguay Round were noteworthy in that they greatly expanded coverage of GATT rules beyond manufactured goods trade to include agricultural trade, services trade, trade-related investment measures, intellectual property rights, and textiles. One of the most visible accomplishments of the Uruguay Round was to establish the WTO to administer the GATT agreements and to settle disputes among WTO members. The so-called "built-in agenda" of the Uruguay Round Agreements calls for the resumption of negotiations by the year 2000 to further liberalize trade in agriculture and services, as well as the examination of government procurement practices and enforcement of intellectual property rights.

The WTO Ministerial conference that was hosted by the United States in Seattle, Washington, from November 30 through December 4, 1999, was to have formally launched these negotiations. At this meeting representatives of the 135-member countries of the WTO considered the procedures and substance of the "built-in" WTO agenda, as well as other issues including transparency, possible reforms to the dispute settlement system, treatment of electronic commerce, and the accelerated Tariff Liberalization effort for industrial tariffs.

However, in a major setback on December 3, following four days of meetings, Conference Chairperson Charlene Barshefsky announced a suspension of negotiations, saying: "Our collective judgement, shared by the WTO Director General, the Working Group Chairs, and the membership generally, was that it would be best to take a time out, consult with one another, and find creative means to finish the job."

Convening in Geneva on December 17, 1999, the WTO General Council decided to postpone until early 2000 a decision on how to proceed with the "built-in agenda" and other issues outstanding from the Seattle Ministerial Conference. At this meet-

ing, one of the proposals on the table sought delays in the December 31, 1999, deadlines for applying obligations and other provisions of existing WTO agreements -for example, in intellectual property and trade related investment measures.

In announcing the hearing, Chairman Crane said: "The Seattle Ministerial meeting represented a significant lost opportunity for U.S. workers, businesses, and farmers. It is important that Congress investigate the cause of the failed outcome, as well as the adequacy of logistical and other preparations for this meeting of trading nations. We must critically examine where we go from here in a manner that is productive to our trade agenda and our goal of expanding markets abroad for U.S. goods and services."

#### **FOCUS OF THE HEARING:**

The focus of the hearing will be to examine preparations for the Seattle Ministerial Meeting and the course of events leading to a suspension of negotiations without agreement on a Ministerial Declaration. Testimony will be received on: (1) causes of the impasse; (2) the negotiating strategies pursued by the United States and its trading partners; (3) the impact of the failure to launch a new round of WTO negotiations on jobs, wages, economic opportunity, and the future competitiveness of U.S. manufacturers and service providers; (4) how the United States can achieve more forward movement on the "built-in agenda"; (5) prospects for future WTO negotiations, including what issues are ripe for discussion in tandem with negotiations on the "built-in," and the status of, provisions in the Uruguay Round Agreements that may be time-sensitive.

#### **DETAILS FOR SUBMISSIONS OF REQUESTS TO BE HEARD:**

Requests to be heard at the hearing must be made by telephone to Traci Altman or Pete Davila at (202) 225-1721 no later than the close of business, Wednesday, January 25, 2000. The telephone request should be followed by a formal written request to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. The staff of the Subcommittee on Trade will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee on Trade staff at (202) 225-6649.

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. **THE FIVE-MINUTE RULE WILL BE STRICTLY ENFORCED.** The full written statement of each witness will be included in the printed record, in accordance with House Rules.

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Subcommittee are required to submit

200 copies, along with an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, of their prepared statement for review by Members prior to the hearing. Testimony should arrive at the Subcommittee on Trade office, room 1104 Longworth House Office Building, no later than Friday, February 4, 2000. Failure to do so may result in the witness being denied the opportunity to testify in person.

#### **WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:**

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, with their name, address, and hearing date noted on a label, by the close of business, Tuesday, February 22, 2000, to A.L. Singleton, Chief of Staff, Committee on Ways

and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Trade office, room 1104 Longworth House Office Building, by close of business the day before the hearing.

#### **FORMATTING REQUIREMENTS:**

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, typed in single space and may not exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press, and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at "<http://waysandmeanshouse.gov>".

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman CRANE. Good afternoon. This is a meeting of the Ways and Means Trade Subcommittee to evaluate American trade policy and our role in the world trading system after the failed WTO ministerial meeting in Seattle.

Our focus here today is to steer a course for returning America back to its historic position of strong influence and leadership in the trading system. Clearly, the train has jumped the track and must be repaired and redirected if we are to preserve our prosperity and unbeatable success in international markets.

The WTO system has borne huge benefits for U.S. firms, workers, farmers, ranchers, and for all of us as consumers. The breakdown in Seattle represents a direct threat to the WTO system of trade rules. Constructed over 50 years by Presidents from both par-

ties, in close consultation with Congress, the WTO system is fundamentally American-based “rules of the road” for commerce.

Because of the force of U.S. leadership, our trading partners have been willing to accept this structure of fair trade rules. There is absolutely no better strategy for improving living standards than to pry away trade barriers and grow foreign markets for U.S. products. To tear it down or stand by as it is slashed and slandered is to put our prosperity at risk. A compact among 135 governments can always be improved. But to unravel the WTO rules of the road for world trade, with no alternative system in mind, invites chaos, commercial conflicts, and growing poverty in poor countries.

There are, of course, many causes of the problem we faced in Seattle. These include: a lack of agreement on a declaration prior to Seattle, recalcitrance on the part of the European Union to agree to the elimination of agricultural subsidies, Japanese foot-dragging on the ATL initiative, and the U.S. inflexibility on antidumping, to name just a few.

With that, I would like to yield to the Ranking Member of our Subcommittee for his opening remarks, Congressman Sandy Levin.

Mr. LEVIN. Mr. Chairman, we were just discussing here that we would give our full-length statement after these witnesses, our colleagues, so that they could go on to other things. So I will withhold my opening statement so that our three distinguished colleagues can give their statements. I understand that Ambassador Barshefsky will then be here and I will present my opening statement before her testimony.

Chairman CRANE. Very good.

With that then, we shall yield to our first witness panel. Please try and keep your oral testimony to 5 minutes or less. All written statements will be made a part of the permanent record.

I now yield to Hon. John Lewis, our colleague from Georgia.

**STATEMENT OF HON. JOHN LEWIS, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF GEORGIA**

Mr. LEWIS. Thank you, Chairman Crane, Ranking Member Levin, and other Members of the Subcommittee for the opportunity to address this Subcommittee this afternoon.

For a long time I have been saying that people have a right to know. They have a right to know what is in the food they eat, the air they breathe, and the water they drink. They also have a right to know how their tax dollars are spent and what issues come before this Subcommittee and the Congress. The people have a right to know.

I think most of us would agree that as Members of Congress we have a sacred duty to protect this right. We have a duty to make sure that we are, in fact, a government of the people, by the people, and for the people.

And that is what I am here to talk about today—government in the sunshine, shining a little light on trade.

International trade is filled with complex and often divisive issues. This is understandable. When jobs and the economy are at stake, passion and partisanship can sometimes overwhelm debate between reasonable people with honest differences.

Mr. Chairman, we can bridge the divide on trade. But to do so we must build trust, bring people together, and seek common ground. Mr. Chairman, I believe that letting the sun shine in on trade is the best way to begin.

I would like to share an example of how we can improve the process. Under Chapter 11 of the North American Free Trade Agreement, if a Canadian or a Mexican company believes that the United States or a State or local government has unfairly expropriated or taken its investment, that company is entitled to request compensation for its loss from the State or Federal Government.

If a dispute arises over compensation, the company can submit its case to an arbitration panel. NAFTA requires that before a case begins a company must file a notice of intent to arbitrate a dispute. This notice gives the disputing country basic information about the case including the basis for the claim and the approximate damages sought by the company.

The issues that come before NAFTA for arbitration are important. They are important to many people—both inside and outside of government. Despite this fact, current law does not require that the notice of intent to arbitrate or other basic information on these cases be made public. The ideas that things may be going on behind closed doors creates mistrust and hurts the process. We should open those doors and give the American people a view of what is going on the inside.

I propose to accomplish this goal by requiring the United States government to publish in the Federal Register the content of any notice of intent to arbitrate filed against the United States. This will let interested people know that a case may be forthcoming.

I also believe that it is important to give people an opportunity to share their views on trade. We need a process, Mr. Chairman, whereby people and organizations can submit their comments on NAFTA arbitration cases to the government. At the same time, we need an approach that includes people without encroaching on NAFTA.

Finally, a credible process requires that those in power have the trust of the people. We need common sense requirements that guarantee that arbiters in NAFTA cases are fair and impartial.

Again, my approach is a simple one. But in its simplicity lies the seeds of progress. As I said at the beginning of my statement, our democracy is built on the idea that regular people can and should be part of the governing process. I believe that we owe it to all Americans, indeed, we owe it to all citizens of all nations, to demonstrate that democracy works and that regular people can and should participate.

I thank you, Mr. Chairman and Members of the Subcommittee.  
[The prepared statement follows:]

**Statement of Hon. John Lewis, a Representative in Congress from the State of Georgia**

Thank you Mr. Chairman for the opportunity to address your committee this afternoon.

For a long time I've been saying that people have a right to know. They have a right to know what's in the food they eat, the air they breathe and the water they drink. They also have a right to know how their tax dollars are spent and what issues come before this Committee and the Congress. The people have a right to know.

I think most of us would agree that as Members of Congress, we have a sacred duty to protect this right. We have a duty to make sure that we are in fact a government of the people, by the people and for the people.

And that is what I am hear to talk about today: government in the sunshine, shining a little light on trade.

International trade is filled with complex and often divisive issues. This is understandable. When jobs and the economy are at stake, passion and partisanship can sometimes overwhelm debate between reasonable people with honest differences.

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I'd like to share an example of how we can improve the process. Under Chapter 11 of the North American Free Trade Agreement, if a Canadian or Mexican company believes that the United States or a state or local government has unfairly expropriated or "taken" its investment, that company is entitled to request compensation for its loss from the state or federal government.

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Finally, Mr. Chairman, a credible process requires that those in power have the trust of the people. We need common sense requirements that guarantee that arbiters in NAFTA cases are fair and impartial.

Again, my approach is a simple one. But in its simplicity lie the seeds of progress. As I said at the beginning of my statement—our democracy is built on the idea that regular people can and should be part of the governing process. I believe that we owe it to all Americans—indeed we owe it to all citizens of all nations—to demonstrate that democracy works and that regular people can and should participate. Thank you.

Chairman CRANE. Thank you, Congressman Lewis.  
Our next witness, Hon. Jerry Weller from Illinois.

**STATEMENT OF HON. JERRY WELLER, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF ILLINOIS**

Mr. WELLER. Thank you, Mr. Chairman and Members of the Subcommittee. I thank you for the opportunity to testify today. My purpose in being here today is to reintroduce to the Trade Subcommittee an issue that we brought before the Subcommittee and the Full Committee this past year. That is the issue of the loss of 20,000 film and television industry jobs last year from runaway film production. I want to raise this issue again to urge that our domestic film and television industry be given a seat at the table at any future WTO discussions to address the cultural content issue and its relationship to runaway film production.

Some might say that runaway film production is just a Hollywood issue. But it is actually a growing national issue which directly impacts thousands of working Americans from New York to Florida, Washington to California, Illinois to Texas. During last year's Committee discussion on the Financial Freedom Act, we discussed an amendment that I offered to essentially level the playingfield and of course counter the loss of film and television production jobs to Canada.

Remember the film "Coming to America"? Unfortunately, it seems that film making jobs are now running from America. In fact, a one-time presidential candidate once referred to that giant sucking sound of jobs heading south. Well, today that giant sucking sound is really the sound of 20,000 film industry jobs which headed north this past year to Canada.

A recent study commissioned by the Directors Guild of America and the Screen Actors Guild shows that in 1998 over \$10 billion in economic activity was lost to runaway economic film and television production. This is more than five-fold since the beginning of this past decade. In the last 4 years, Texas has seen a 31 percent decrease in direct production revenues, while my home State of Illinois is down nearly 20 percent. This has resulted in a loss of 20,000 jobs nationwide last year alone.

In looking at the small businesses and jobs lost by runaway production, we are not just talking about directors and actors. Rather, we are talking about the small businesses that support the film industry and make America great. Let's also remember that the average film industry worker makes around \$26,000 a year. They include caterers, hotel and motel operators, restaurants and bars, rental equipment businesses, electricians, set construction workers, and many others involved in this important activity. Over the years, film and television production has been a leading exporter and a major contributor to the American economy.

Mr. Chairman, this is a constituent issue which we should take seriously. This is a significant issue for you as well as other Members of the Subcommittee. I come from a district which includes Joliet, Elwood, and Calumet City, the home of Joliet Jake and Elwood Blues. I often refer to the district I have the privilege of representing as the "Blues Brothers" district. Last year my constituents and I were stunned when they decided to make the film "Blues Brothers 2000," they chose to film it in Toronto rather than Chicago. And even more embarrassing was the fact that the Canadian filmmakers were calling the Chicago Film Commission to ask them for best advice on how to make Toronto more Chicago-like.

With my statement, I have included a copy of the Directors Guild and Screen Actors Guild study they completed last year explaining many of the reasons why film and television production is leaving the United States, and they have concluded that one of the main reasons is the generous tax incentives and subsidies offered in countries such as Canada, Australia, and the United Kingdom which we do not have here in the United States. Canada alone offers Federal and provincial tax credits of between 22 and 46 percent of labor costs. These incentives are enough to make any business consider relocating, particularly when savings from filming in Canada can mean a 25 to 30 percent savings overall.

The United States should not be put at a competitive disadvantage by tax incentives offered abroad. Rather, we need to level the playingfield if we are going to keep this important industry in America.

Related to this is the issue of Canadian cultural content. The Canadian government has given certain “cultural industries” special treatment. This policy has been implemented in large part through legislation as well as from trade barriers. These cultural content requirements discriminate against our American film production. Canada uses cultural content more as an industrial policy regarding jobs. Under their definition of cultural content, the film “Bad As I Want To Be: The Dennis Rodman Story” is defined as Canadian culture, not because it is Canadian culture but because it was filmed in Canada using Canadian workers. Clearly, this is unfair.

As you know, toward the end of the WTO round in Seattle the Canadians and Europeans raised the possibility of further cultural exceptions to future trade agreements, including new technologies. I believe that this would go against what many of us are fighting for, which is to keep e-commerce barrier free.

Cultural content and cultural exceptions trade agreements must be addressed in future WTO talks with the backdrop of the issue of the runaway film production. We have a situation in which thousands of U.S. jobs are being lured to Canada and other countries through favorable tax treatment and subsidies. While at the same time, cultural policies established by the Canadians and others discriminate against United States film interests thereby creating a double hit to industries such as domestic film production.

It is an important issue that affects real Americans, Mr. Chairman. I ask this Trade Subcommittee’s interest as well as we make this a priority in future trade negotiations. Thank you, Mr. Chairman.

[The prepared statement follows:]

**Statement of Hon. Jerry Weller, a Representative in Congress from the Illinois**

Mr. Chairman,

Thank you for this opportunity to testify here today. I want to reintroduce to the Subcommittee an issue that I brought before the Subcommittee and the full Committee last year. The issue is the loss of 20,000 American film industry jobs from runaway film production. I want to raise this issue again to urge that our domestic film industry be given a seat at the table at any future WTO talks to address the cultural content issue and its relationship to runaway film production.

The problem with runaway film production is a growing National issue which directly impacts thousands of working Americans from New York to Florida; Washington to California, Illinois to Texas. During the committee discussion on the Financial Freedom Act, I offered an amendment to introduce a wage based tax credit and creative financing tax incentives to counter the loss of film production jobs to Canada.

Remember the film “Coming to America?” Unfortunately, it seems that film making jobs are now running from America. In fact, a one time Presidential candidate once referred to that giant sucking sound of jobs heading south—well that giant sucking sound is really the sound of 20,000 film jobs heading north to Canada.

A recent study commissioned by the Director’s Guild of America and the Screen Actors Guild shows that in 1998 over \$10 billion was lost to runaway economic film and television production. This is more than fivefold since the beginning of the decade. In the last four years, Texas has shown a 31% decrease in direct production revenues, while my state Illinois is down nearly 20%. This has resulted in a loss of 20,000 jobs nationally.

In looking at the small businesses and jobs lost by this phenomena, we are not just talking about directors and actors, rather we are talking about the small busi-

nesses that support the film industry and make America great. This includes: caterers, hotel and motel operators, restaurants and bars, rental equipment businesses, electricians, set construction workers and many others involved in this vitally important and culturally indigenous economic activity. Over the years, this industry has been a leading exporter and driver of small business job creation.

Mr. Chairman this is a constituent issue which we should take seriously. This is a constituent issue for you too. I come from a district which includes Joliet, Elwood and Calumet City, the home of Joliet Jake and Elwood Blues, which I often refer to as the "Blues Brothers" district. Last year, my constituents and I were stunned when they decided to make the film "Blues Brothers 2000," they choose to film it in Toronto rather than Chicago. Embarrassing was the fact that the Canadian filmmakers were calling the Chicago film commission to ask them how to best portray Chicago.

With my statement, I have included the Directors Guild and Screen Actors Guild study explaining the reasons why the film industry is moving out of the country, and they have concluded that one of the main reasons is the tax incentives offered in other countries like Canada, Australia and the U.K. which we do not have in the United States. Canada alone offers federal and provincial tax credits of between 22% and 46% of labor costs. Those incentives are enough to make any business relocate. Particularly when savings from filming in Canada can mean a dollar savings overall.

The United States should not be put at a competitive disadvantage by tax incentives offered abroad. Rather we need to level the playing field for the small businesses impacted by runaway production and create jobs in America, for Americans.

Related to this there is an issue of Canadian cultural content policy. The Canadian Government has given certain "cultural industries" special treatment. This policy has been implemented in large part through Canadian legislation, as well as some foreign trade through tariffs, taxes, foreign investment restrictions and content requirements that discriminate against U.S. cultural industries. Canada has consistently protected its cultural industries.

This has been discussed and negotiated in the past. In fact, during the late hours of the Seattle talks in November, the Canadians and Europeans raised cultural content concerns. They were advocating the implementation of cultural content barriers to new technologies. I believe that this goes against what many of us are fighting for, keeping e-commerce barrier free.

I believe that the cultural content issue must continue to be addressed in future WTO talks with the backdrop of the issue of runaway film production, as well as e-commerce. We have a situation in which thousands of U.S. jobs are being lured to Canada and other countries through favorable tax treatment. While at the same time, cultural policies established by the Canadians and others discriminate against U.S. interests thereby creating a double hit to industries like domestic film production.

Mr. Chairman, even if the problem of runaway production had not become so great, the Canadian insistence on maintaining their cultural content rules and regulations ought to be on the table at future WTO talks. However, simple fairness requires a response by the U.S. to the increasing efforts by Canada to attract production away from the U.S. So long as these efforts continue, the U.S. must address the Canadian cultural content rules. Canada cannot unilaterally decide to invite in our production jobs, but close the door on our productions.

Thank you Mr. Chairman for this opportunity to testify.

Chairman CRANE. Thank you, Mr. Weller.

Our next witness, Hon. Maxine Waters from the State of California.

**STATEMENT OF HON. MAXINE WATERS, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF CALIFORNIA**

Ms. WATERS. Thank you very much, Mr. Chairman. I attended the WTO meeting in Seattle and I am really honored to have the opportunity to come before you today and discuss the results of this watershed event.

I was there really as the Ranking Member of the Subcommittee on Domestic and International Monetary Policy of the Banking and Financial Services Committee. I went there focused on Jubilee 2000, the wonderful debt relief success accomplished by a combination of our government working with other governments and non-government organizations, especially the faith-based communities. While it did not get a lot of coverage in the press, we had wonderful ecumenical services all around the idea that we could help developing countries and poor nations get rid of their debt and be able to feed their citizens.

As you know, thousands of people went to Seattle to protest the WTO and its policies. These protesters were as diverse as they were numerous. They included young people, labor union members, environmentalists, church leaders, small farmers, consumer advocates, and human rights activists. They came from all over the United States and the world. They went to Seattle to express their concerns about the WTO and the impact of its decisions on the world's people.

It seems that the size of these protests and the intensity of the backlash against the WTO took everyone by surprise. Mr. Chairman, they did not take me by surprise at all.

For the last 4 years, I have been working on the problem created when the United States took the case of the European banana regime to the WTO. The European banana regime provides access to the European market for bananas that are produced in Europe's former colonies. This regime is essential to ensure that small Caribbean family farmers have access to the European market to export their bananas.

The countries of the Caribbean Community are predominantly small island democracies, many of which are completely dependent on banana production. In the Windward Islands, which include St. Vincent, St. Lucia, Grenada, and Dominica, along with Eastern Jamaica, the banana industry employs one third of the labor force, provides over 80 percent of the total agricultural exports, and contributes over 12 percent of the Gross Domestic Product. Bananas are ideally suited for the agricultural conditions of the Caribbean. Even after a hurricane, the banana crops are replanted and grow back within approximately 6 months.

Bananas are essential to the stability and prosperity of these island democracies. Banana production in the Caribbean takes place on small family owned farms. These family farmers work hard to grow their bananas and support their families. The people of these countries are very proud people. They do not want foreign aid. They want to support themselves, and the banana industry allows them to do so.

The banana case, interestingly enough, was the very first case that the United States took before the WTO, despite the fact that the United States does not grow or export bananas. Only one company—Chiquita Brands—claimed to have been harmed by the banana regime. It is obvious to me that Carl Lindner, the chief executive officer of Chiquita and a major contributor to both Republican and Democratic campaigns, used his political influence and connections to convince the United States to bring this case before the WTO. The February 7, 2000, issue of *Time* magazine features an

in-depth cover story on the influence of large campaign contributions in this WTO case.

Unfortunately, the WTO ruled in favor of Chiquita and against the Caribbean family farmers. Furthermore, WTO authorized the United States to impose \$191 million in sanctions on a variety of European imports. The sanctions imposed by the United States have also caused irreparable harm to many small businesses in the United States, which import European products affected by the sanctions.

It is ironic that these sanctions and the damage they cause to Caribbean farmers, European producers, and American small businesses alike are the direct result of a WTO decision. The Chiquita banana case has proven that the WTO does not prevent trade wars. It authorizes them.

As the *Time* magazine article said, "When a fruit baron wanted to conquer more of the European market, he got Washington to launch a trade war for him. The victims of the cross fire? A bunch of ordinary Americans who never saw it coming."

The Trade Related Intellectual Property Rights, known as TRIPS, agreement provides another example of a WTO policy that benefits wealthy and powerful special interests. The TRIPS agreement gives patent rights over plants and medicines to wealthy corporations. Corps use their patent rights to force developing countries to pay for the use of the plants and medicines. Now mind you, many of these plants and animals are the indigenous plants and animals of these countries. Yet the big corporations go in and get patent rights on them and then force the people of those countries to pay for the products that they develop from these plants and animals from their own countries, and it is protected right in the WTO. As a result of the TRIPS agreement, many people in developing countries have been denied life-saving medicines because they cannot afford to pay for them.

In 1997, the South African Government proposed new legislation to require compulsory licensing of HIV/AIDS drugs which would allow the drugs to be sold at a fraction of the cost. Unfortunately, the U.S. pharmaceutical industry, with the support of the United States government, is trying to prevent this proposal from being implemented.

In closing, these are precisely the kinds of WTO policies and decisions that outrage both developing countries and nongovernmental organizations worldwide. It should not surprise anyone that the WTO met such strong opposition in Seattle, both inside and outside the meeting room. The WTO promotes market access and investment opportunities for multinational corporations without regard to the rights of workers and farmers, the protection of the environment, or the health and safety of people in the United States and throughout the world. The WTO has developed into an invisible government that makes its decisions in secret for the benefit of a small number of extremely wealthy people.

It is time for the WTO to begin listening to the concerns of developing countries, family farmers, union leaders, church leaders, environmentalists, consumer advocates, and human rights activists from around the world.

We do not need a new round of negotiations that will give even more power to wealthy corporations like Chiquita. What we need is a reevaluation of the existing WTO rules. I urge this Subcommittee to critically examine the impact of the WTO and its decisions on working families in America and throughout the world.

Thank you, Mr. Chairman.

[Applause.]

[The prepared statement follows:]

**Statement of Hon. Maxine Waters, a Representative in Congress from the State of California**

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The banana case was the first case that the United States brought before the WTO—despite the fact that the United States does not export bananas. Only one company—Chiquita Brands—claimed to have been harmed by the banana regime. It is obvious to me that Carl Lindner, the CEO of Chiquita and a major contributor to Republican and Democratic campaigns, used his political influence and connections to convince the United States to bring this case before the WTO. The February 7, 2000, issue of *Time* magazine features a cover story on the influence of large campaign contributions in this WTO case.

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Thank you.

Chairman CRANE. Thank you, Ms. Waters.

Order in the chamber.

[Applause continuing.]

Chairman CRANE. The Committee will be in order, and this is a warning.

Ms. WATERS. Mr. Chairman, let me just say that while I appreciate the enthusiasm, this was not orchestrated. I did not know such enthusiasm was in the room. I do not want you to think that I in some way orchestrated this. Thank you.

Chairman CRANE. Ms. Waters, how come they are all from California?

Ms. WATERS. I do not know. I am proud of Californians wherever they show up. And if they do happen to be from California, that is a plus, but I did not orchestrate it.

Chairman CRANE. Yes. We realize that.

Now I yield to our distinguished colleague from California, Mr. Thomas.

Mr. THOMAS. Ms. Waters, you described a situation in terms of agriculture in general, and specifically the subject of bananas, and painted what amounts to a conspiracy theory for producing the current impasse. Are you aware that there was a dispute resolution panel which decided against the EU and the EU has refused to follow the dispute panel decision?

Ms. WATERS. I am very much aware. I know it in detail, Mr. Thomas.

Mr. THOMAS. Do you believe there is also a conspiracy associated with the beef hormone question and the failure of the EU to move forward on that?

Ms. WATERS. Just a moment, because you have concluded, Mr. Thomas, that you believe it is a conspiracy. I do not believe it is a conspiracy. I believe that Chiquita bought its way into the WTO and used us to advance its cause.

Mr. THOMAS. Do you believe the Cattlemen's Association and the U.S. beef industry has bought themselves into the beef hormone problem?

Ms. WATERS. No, I do not. And I did not testify on that. I testified on bananas because I know it so well.

Mr. THOMAS. Do you believe that the canned fruit industry is also in a conspiracy or they bought their way into the dispute process? Because in that instance as well the European Union had a dispute resolution panel rule against it and the European Union has refused to follow that agreement and that has produced a similar problem for the United States as bananas.

Ms. WATERS. Mr. Thomas, let me say again, it is you who refers to what is happening as a conspiracy. I do not.

Mr. THOMAS. No, you said he bought his way into it.

Ms. WATERS. Yes, he did.

Mr. THOMAS. So I am wondering if you believe the canned fruit industry bought themselves into the same situation since it was exactly the same decision that produced that result.

Ms. WATERS. I cannot testify on anything else but bananas. I have spent 4 years on this. And I agree with the *Time* magazine article about Mr. Lindner and the fact that he bought his way into the WTO and used the United States to start this trade war. I believe that, Mr. Thomas.

Mr. THOMAS. And I think you might spend some time with other Californians who produce specialty agriculture crops—peaches, pears, canned fruit—and meet with them in an unplanned, unorganized meeting so that you can listen to their concerns about the United States not backing up our people when the World Trade Organization and formerly the General Agreement on Tariffs and Trade has a dispute resolution panel rule against the European Union and the European Union refuses to follow the agreement. That is a group of Californians you probably should spend a little bit of time with as well so that you can fully appreciate the problems that have led us to, both in bananas and in canned fruit.

Ms. WATERS. I think it would have a lot more credibility, Mr. Thomas, if the United States had led with a legitimate case. They did not lead—the very first case that was taken to the WTO was Mr. Carl Lindner's banana case, and we do not grow bananas or export bananas in the United States. And as a result of what has happened, now these little countries are reverting to producing drugs, marijuana that will find their way into the United States.

Mr. THOMAS. And one of the last cases under the General Agreements on Tariff and Trade was the canned fruit. There was an attempt to move forward based upon exactly the same arguments that you are presenting. If, in fact, you cannot be first or you cannot be last, and the first and the last failure are exactly the same, then in one sense I will join with you, the WTO is not much progress than we had before. So in that sense, maybe we can join together and decide that it really is not a conspiracy nor is it an attempt to buy your way into the structure, but it is the European Union that has an absolute phalanx against changing and against having its world view mitigated by everybody else.

If we can sit down and talk about that, I think you really need to spend 4 years on the canned fruit controversy so that you can

fully appreciate that this one case does not stand out; there are a series of cases and they all are based on the fact that the European Union refuses to budge from any of its current practices—any of its current practices—whether it be bananas, whether it be beef hormone, or whether it be canned fruit, or a host of other subsidies structures. This is not a unique situation.

Ms. WATERS. I appreciate that, Mr. Thomas. But you also need to focus on the role that money and campaign contributions play with the WTO and who the decisionmakers are, how they make the decision, and who is influencing what.

Mr. THOMAS. And take a look at the canned fruit industry in terms of how small it is and how much it has been maltreated and how the United States has failed to help the downtrodden. Perhaps we can agree that it is not an influential individual with a lot of money, but maybe it is the system that is at fault. And if you look at canned fruit and the bananas, look at canned fruit and the bananas, in fact, it would be an interesting cocktail salad, you could really appreciate the structural flaws which perhaps you have overlooked because you are so enamored with the conspiracy theory.

Thank you, Mr. Chairman.

Ms. WATERS. I have no conspiracy. This is fact.

Chairman CRANE. Mr. Levin.

Mr. LEVIN. Welcome. I think I will refrain from asking questions about the banana dispute. Ambassador Barshefsky is going to be testifying in a few minutes and she may or may not want to comment on it. As I understand it, there is now a proposal pending before all the parties to resolve this issue and to do so to the satisfaction of the countries in the Caribbean plus the countries in other parts of Latin America which have a stake in this. That is pending I think. So let's see if the Ambassador wants to comment on that.

Let me just say a quick word about the reference to the battle against AIDS. All of us have some deep feelings about this and surely I do. We have talked with the administration, as you know, about this matter. I am hopeful that the administration is going to be able to take some important steps to make certain that the drugs that are badly needed are made available. It is not a very simple issue but it is a crucial one. I think our challenge on this issue and a lot of other issues is to realize that crucial issues can be somewhat complex. If we do not recognize that, we do not resolve them. And in this case, it seems to me in this instance, as well as others, we must take steps to resolve the problem and to meet the need.

I will not go on at length. But over the weekend two of my distinguished Democratic colleagues and a number of others of us in the Democratic ranks talked about this at length. And I know there is concern across the aisle. I am very hopeful that we can find an answer. My own judgement is that meeting the issue head on will be more effective than a lot of finger-pointing.

So, Representative Waters, you have been active, as your colleague from Georgia and a lot of us, on this issue. I think we are determined to persevere until there is an answer.

Ms. WATERS. Thank you.

Chairman CRANE. Mr. Watkins.

Mr. WATKINS. Thank you, Mr. Chairman. With respect to this exchange, I want to just make a comment or two because I am quite concerned. Let me say I hope that all my colleagues keep an open mind because this is serious, serious business.

I am a believer in the WTO or in some similar organization. Ms. Waters, we have got to have some organization in this global world that we live in. It is built-in controversy. If you stop and reflect on it and just think about it, it is built in because you are trying to resolve differences; it is going to be a tug of war and it is going to be gnashing of teeth.

But it cannot continue like it is. I have been a supporter of WTO but I feel strongly that there has got to be some changes and there needs to be some movement before that approval resolution comes before Congress, which is up or down, on our participation in the WTO.

My problem is I have been working on something for 10 years, and that is the beef hormone. They knew that by declaring, say, a beef hormone they were not going to allow U.S. beef to be imported into the European Union because 95 percent or more of our beef in the United States uses beef hormone. Every steak that we eat. It is good quality, the highest quality beef, regulated by FDA. The European Union does not have an FDA or anything equivalent to it. But they are sitting with a standard saying we are not going to allow you to ship beef into Europe, and they are not even going to allow non-hormone beef to go into Europe now.

It is an unfair trade barrier. I have been working on this for 10 years. That is when they started saying we are not going to allow United States of America beef into their Union. It is totally wrong. They must change.

Now, over that 10 years, we finally, and I came here pounding that witness table 3 years ago, they finally ruled in our favor. Ms. Waters, in about 31 or so cases out of about 33 presented before the WTO the ruling was in our favor. There have been a couple of things, as Mr. Portman knows, and yes, bananas and beef are two of those first ones out there. We have a situation though where finally the WTO ruled in our favor. The U.S. Trade Representative came up with the fact that after looking at everything our penalty was going to be, and we put on the table, about \$250 million. Let me assure you it is a lot higher than that. But it started out looking at something like \$900 million and they have come down to \$250 million. They finally settled though for about \$116 million.

I am beginning to feel a little concerned about our U.S. Trade Representative and just where we are. Are we willing to stand up and gut it out and fight it out for some of our enterprises in this country? That we do not put beef and bananas on the back of the shelf if we are right, and we are right in beef, I know that factually.

I am concerned about this loop that has drawn out over all these many years, as my friend Mr. Thomas from California said, and he is correct, we have an endless loop—some of us are talking about it as being a carousel, Mr. Portman and I very much, and I am going to be pushing that with my colleague with full force and we need your help and other people's help—a carousel on those pen-

alties. We cannot continue like we have been or we are not going to have an effective trade policy in this country.

I know full well we have got to have global trade. It is part of our great economic expansion. Yes, information technology, but we are opening up markets around the world. So I ask you to join in a constructive way of trying to make sure our U.S. Trade Representative puts some teeth in these things and not back off, that we stand up for the beef cattle people, for the banana people, and others if we are going to have an effective respected trade policy for this country. I ask that of all my colleagues.

Thank you, Mr. Chairman.

Ms. WATERS. If I may just say, I am not opposed to global trade and I believe in fair trade. You say you are concerned about Ms. Barshefsky. I am too. I have been for a long time. I believe that the decisions of the WTO—

Mr. WATKINS. Excuse me, Ms. Waters. I did not use a name. I said I am concerned about the U.S. Trade Representative Office.

Ms. WATERS. Well, I am using a name, Charlene Barshefsky. That is who I am concerned about now. And I was concerned about my friend Mr. Mickey Kantor before her because of this issue that I have spent so many hours on understanding how this issue got to the WTO and how the decisions were made.

I think you and I are saying the same thing. If we are to have trade mediated, negotiated, there must be a fair way of doing it. We must know who the people are, how they operate, and we must have a fair opportunity to be heard. As long as you have organized labor and human rights activists and small developing countries tearing away at these decisions, we are not going to get anywhere. I think we are smart enough to include the voices of many—who do not mind fair trade but will not have trade at any cost—involved in ways that we can resolve the disputes to the interests of this country and other countries. I am committed to working with that. What I am not committed to doing is supporting the WTO even if every decision was in favor of the U.S.A. if, in fact, those decisions are driven by money and power.

Mr. WATKINS. Ms. Waters, we cannot have free trade unless it is fair trade.

Ms. WATERS. We must have fair trade.

Mr. WATKINS. I yield back the balance of my time, Mr. Chairman.

Chairman CRANE. I thank the gentleman for yielding.

I thank our panelists for their presentations. I would simply suggest, Ms. Waters, our next witness that I will call to the dias is Hon. Charlene Barshefsky, our U.S. Trade Representative, and if you want to hang in here, after she has made her presentation you might have questions you want to ask. So, feel free.

Ms. WATERS. Yes. Thank you.

Chairman CRANE. With that, let me welcome to the Subcommittee Hon. Charlene Barshefsky, our outstanding U.S. Trade Representative.

I delivered some opening remarks and some of this that I may say is somewhat repetitive. But one of the concerns, Madam Barshefsky, that we experienced coming out of the Seattle ministerial meeting was the recognition that there was lack of agreement

on a declaration prior to Seattle, and also the EU's failure to agree to the elimination of agriculture subsidies, and the Japanese foot-dragging that I touched upon before, and the U.S. inflexibility on antidumping, to name just a few.

I do, however, want to express my deep regret over the President's comments linking labor standards to trade sanctions imposed by the WTO. This statement was received like a torpedo in the developing world and was taken as bad faith. It undermined our chances of reaching an agreement. Whatever his motivations, I believe the President's comments were off base given the lack of consensus that exists in this country for such an approach. This objective has no chance of becoming American law, and the cost of injecting our domestic controversies over trade policy into an international effort to launch negotiations will be deep.

For many years the United States has possessed the remarkable ability to design world trade rules. By exposing the political divisions in this country on the international stage, the President emboldened new constituencies in this country and abroad who will now fight against our economic success in trade. Don't think for a moment that our foreign competitors won't use these divisions against us. And as we speak, progress on the U.S. trade agenda in Geneva is in serious question.

The President's actions in Seattle as well as his legacy of avoiding the consensus-forging debate needed to pass trade negotiating authority have had serious consequences. If he retreats into retirement, it is this Subcommittee and a new President which must pick up the pieces and shoulder the burden of the repair work. Fortunately, there are key steps that can be taken this year to get us back on track, including early passage of the CBI-Africa legislation with meaningful trade benefits for these developing regions, and permanent normal trade relations for China which will force unprecedented reforms on that vast country. In addition, we should pursue regional trade initiatives including Chile, the FTAA, and the Pacific Region.

Before us also lies a path of dangerous and destabilizing conflict with our largest trade and investment partner, the European Union, including a confrontation over a threat to fundamental elements of the U.S. tax system embodied in the Foreign Sales Corp. This occurs against a background of flagrant noncompliance by the Europeans on the panel reports against them regarding bananas and beef and a push in Congress to ramp up retaliation. As to FSC, I would like to schedule a meeting with you, Madam Ambassador, to consult about the administration's strategy.

Ambassador Barshefsky, we have had our work cut out for us this year. By working to find a way to come together on trade matters, I think that we can turn the picture of Seattle around. I do not want to detract from your personal record of hard work and service as you took us into Seattle. Yet, it is important for us to recognize that our priorities and strategy for the WTO need to be retooled.

Let me just conclude my remarks with a major salute to you for all of the time and energy and work and professionalism you have invested in our common national interest. You have done an outstanding job as our U.S. Trade Representative.

With that, I yield to the Ranking Member of the Subcommittee for his opening remarks.

Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman.

I hope, Ambassador, you will use that professional talent to set the record straight as to what the administration was trying to accomplish at Seattle including on matters of labor and the environment.

In retrospect, it seems clear there was inadequate preparation and time to resolve the issues that loomed large at the WTO meeting in Seattle. Drafting of an agenda for a new round of trade negotiations was very rough going into the ministerial with text on key issues still in brackets. Ministers were confronted with the challenge of both moving forward in traditional areas of trade negotiations such as agriculture and developing approaches to newer areas such as the relationship between trade and core labor standards, the relationship between trade and the environment, and making WTO institutions more open to public view and to public input.

WTO members faced an uphill battle on both the new and the old. Not surprisingly, vocal resistance to particular agenda items came from various corners. The imperative now is to learn from Seattle and to move ahead.

The President undertook just that in his remarks at the Davos World Economic Forum last month. In the first half of his Davos remarks the President vividly described the important role of trade in an era when globalization is on the march. He described what I believe to be true and what I saw in my recent intensive 10 days in China—globalization is here to stay. The question is whether and how to shape it. In the second half of his Davos remarks the President addressed that very question. He stated that we must try to shape globalization including by tackling the new issues. The President said: “The consequences of opening up a dialog and dealing honestly with these issues will show that in the new economy we can have more growth and more trade with better treatment for people in the workplace and more sensible environmental policies.”

As I see it, and I am convinced that many, many of my colleagues believe this, our challenge is how to piece together the two halves of the President’s Davos remarks. To focus on just one or the other, to adopt either a just say yes or a just say no approach to issues of expanded trade in the year 2000 does not meet the challenge. As the President put it at Davos, “Those who heard a wake-up call on the streets of Seattle got the right message. But those who say we should freeze or disband the WTO are dead wrong.”

What is needed I believe is a plan of action for helping to shape globalization. Today’s hearing on the WTO after Seattle and next week’s full Ways and Means Committee hearing on China’s potential accession to the WTO are opportunities to consider components of such a plan of action. Today I will focus on six components of such a plan that apply generally to reforming the WTO and moving it forward. I leave for next week’s hearing a discussion of components relating specifically to China’s potential accession to the WTO.

First, we should open up the WTO to public view and public input. That has already been discussed here today. The U.S. should press for reforms of the WTO, including: Prompt public release of documents, public meetings of panels, acceptance of amicus briefs, and more effective coordination with nongovernmental organizations, labor, and business.

Second, we must continue efforts to bring labor market issues into trade policymaking. Our goals must be to promote greater understanding of the links between trade and labor market issues and ensure the more consistent enforcement of core labor standards as competition grows between evolving economies and largely developed economies. These goals should be pursued at both the multilateral level through the establishment of a WTO working group on trade and labor and the bilateral and regional levels through implementation of adherence to core labor standards as a condition for receipt of trade benefits. It should be made clear that our aim is not to eliminate the comparative advantage of evolving economies but rather to avoid distortions that result when workers are denied core rights and thus denied the benefits of trade.

Third, we should move forward on environmental issues in trade discussions. We should commit resources to the performance of environmental impact assessments in advance of agreement to trade liberalization measures and seek an enhanced role for the WTO's Committee on Trade and the Environment.

Fourth, we should pursue the built-in agenda vigorously. I understand, and this relates to agriculture and services, that the WTO General Council reached agreement yesterday on a framework for negotiations in those areas.

Fifth, we should apply a consistent policy of implementing the other major Uruguay round Agreements and not renegotiate them. They include TRIPS and TRIMS, and others, and the antidumping agreement, and the subsidies agreement. They were thoroughly negotiated during the Uruguay round. These agreements provide vital safeguards and benefits in foreign markets for the United States. Unlike agriculture and services, none of these agreements provides for follow on negotiations and the U.S. should continue to resist attempts to extend deadlines across the board or otherwise weaken these agreements through renegotiation.

Sixth, but importantly, we should work to make developing countries our partners rather than opponents. As we work to make the WTO more open and to bring new subjects within its purview, we need to do so within a framework that fosters greater understanding and partnership with developing countries. This means including them in key agenda-setting and negotiating processes rather than presenting them with done deals. It also means recognizing that neither aid nor a policy of trade not aid is an adequate means of helping developing countries. We need to pursue a coherent policy of trade and aid by relieving the least developed countries of overbearing debt, as we began to do last session, and providing technical assistance and other aid that will enable an increase in living standards.

Some may ask, and I close with these thoughts, why the trade agenda has become more complicated. The answer is over the last fifteen years globalization has truly gone global. It used to be in

this Subcommittee just a decade ago when we talked about trade policy we were referring mainly to relations among the developed nations and to the reductions of tariffs and the dismantling of the more glaring nontariff barriers. That way of thinking plainly is outmoded today. There has been a dramatic increase in trade and competition between our country and evolving economies and the barriers to trade are increasingly complex and decreasingly transparent. I make this plea to all of us: These new trends demand new ways of thinking.

Mr. Chairman, I do not expect for us to agree on everything, as evidenced in our opening statements. But we must face up to these issues and it is vital that we start now. As the changing nature of the world economy brings new challenges, we must be open to implementing new ideas so that we can move beyond the stalemate of the last 5 years. I am ready, with I think most of my colleagues, to work together to meet the challenges before us. Thank you.

Chairman CRANE. Thank you.

Now, we welcome you, Madam Ambassador. Any remarks beyond your oral presentation will be made a part of the permanent record. Proceed when ready, Charlene.

**STATEMENT OF HON. CHARLENE BARSHEFSKY, OFFICE OF  
THE UNITED STATES TRADE REPRESENTATIVE**

Ambassador BARSHEFSKY. Thank you very much, Mr. Chairman, Congressman Levin, and Members of the Subcommittee. It is of course a great pleasure to be here and I know I will see you again next week on the China question. But today we are talking about our agenda at the World Trade Organization for this year and talking a bit about Seattle.

Let me begin with the most immediate point, and 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 in Seattle did not agree on a new negotiating round, and while legitimate criticisms of the trading system deserve a respectful hearing and repair, the WTO is fulfilling its central mission and its central mission is critical. That is, it is opening new markets and new opportunities for Americans across the spectrum; it promotes sustainable economic development, raising living standards, as 50 years of the global system has demonstrated, and strengthening peace as countries realize they have a stake in peace and stability beyond their own borders.

And our continuing leadership in the WTO is of critical importance to Americans and to the world. This is clear in the historic record. Over 5 decades, our development of the trading system has helped to foster what amounts to a 50 year economic boom. Since the fifties, the world economy has grown sixfold, per capita income nearly tripled, and hundreds of millions of families around the world have escaped from poverty.

The completion of the Uruguay round in 1994 took us further, addressing for the first time agriculture as well as services, protecting intellectual property rights, and strengthening our ability to enforce agreements covered by the WTO. And, of course, those negotiations enabled us further to conclude more recent sectoral mul-

tilateral agreements on information technology, basic telecommunications, and financial services.

Worldwide, the WTO, and its forerunner the GATT system, has strengthened the rule of law, opened markets, and during the Asian financial crisis helped countries to avoid a cycle of protection and retaliation similar to that which deepened the Depression in the thirties and exacerbated tensions among the major world powers.

At home, since 1992, the global trading system has helped America's goods and services exports to expand 55 percent. This export growth is particularly important because export-related jobs in the U.S. typically pay between 12 and 15 percent above the national average 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. And 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 the record indicates, development of the trading system over 50 years has been a work of profound importance. And because of that, it has 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 over the last 50 years have had to make politically difficult choices to serve the greater good.

So at times we meet deadlock. The founding of the GATT in 1948 was built on a failure to set up an international trade organization in 1947. The creation of the WTO 5 years ago followed a failed attempt to launch the Uruguay round in 1982, a mid-term breakdown in 1988, a failure to conclude the round in 1990, a failure to conclude the round in 1993. More recent negotiations on financial services and telecom also broke down in 1996 and 1997. And in all cases success followed.

The experience in Seattle was similar to many of these deadlocks. While broadly supportive of a new round, a number of WTO members were reluctant to commit themselves to a negotiating agenda covering difficult issues. The reform of agriculture trade poses a special challenge to the European Union and Japan. Developing countries also have diverse interests which a round must taken into account. And we in the U.S. have sensitivities as well. All of us, every country must be willing to look hard at our agendas and consider ways to accommodate a number of the concerns of our trading partners if we are to move forward.

Of course, the core elements of the negotiating agenda are before us. Yesterday it was agreed in the WTO that negotiations on agriculture and services, as required under the Uruguay round Agreements, would commence. These are of tremendous importance to American farmers, ranchers, and services providers. I am pleased to report that through our efforts and those of others these negotiations will proceed as confirmed. The Council on Trade and Services will meet in special session later this month to formally initiate the negotiating process, and the Committee on Agriculture will do the same in March. We are preparing a Federal Register Notice seek-

ing public comment on the full range of negotiating proposals in agriculture and services and we will consult closely with the Subcommittee as we move forward.

Beyond these mandated negotiations in agriculture and services, we have additional pressing needs particularly in relation to market access. Whether on industrial tariffs and nontariff barriers, electronic commerce, or trade facilitation, there are a number of market access areas that will need to be addressed quite apart from the built-in agenda. And while there are a variety of different options for proceeding with this, of course at the same time, as the President said, we will continue to work toward consensus for a new round. This will not be simple but the outlines can be drawn if WTO members are willing to rethink some of the positions they brought to Seattle, focus more fully on the shared benefits of success, and find a balance that allows us to move ahead. As the President has said, we will keep working toward consensus but success requires flexibility and shared responsibility from all WTO members.

Apart from these negotiations, we have a broad and ongoing agenda at the WTO this year. My written testimony lays these out in detail, but let me just raise a few.

First, the implementation of a set of WTO Agreements covering intellectual property, trade related investment, customs valuation, and other issues. These come into force this year when a number of transitions expire. It is crucial that these agreements be implemented smoothly.

Second, we have action to address the problems and concerns particularly of the least developed countries. This includes both market access, on which we are prepared to proceed unilaterally, as the President stressed in his State of the Union, by securing passage this year of legislation to further open U.S. markets to goods from Africa and the Caribbean, as well as improved technical assistance and capacity-building to ensure that the least developed countries can fully assert their rights and interests at the WTO.

Third, the WTO is considering the accession of 31 new economies, with a number of these negotiations well-advanced. We expect Jordan and Georgia to enter in the very near future. We have completed our bilateral negotiations with China, Taiwan, Albania, and Croatia. We have made significant progress with a number of other countries. As I mentioned earlier, I will be before the Subcommittee next week on China's accession. But let me say just one word on that. China's accession to the WTO has the potential to support reform in China, create opportunities for the United States and China's other trading partners, and ultimately help to further stabilize peace in the Pacific. As part of this process, as you know, the United States must grant China permanent NTR or risk losing the full benefits of the agreement we negotiated.

Finally, let me turn to the question of WTO reform. The protests and criticisms of the WTO were not at the heart of the negotiating impasse in Seattle. But they 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.

This does not mean that all criticism is 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. To begin reversing that work would be irresponsible and damaging in the extreme, including lowering living standards, including putting brakes on the hope of increasing labor and environmental standards, and including broader prospects for political stability.

But the WTO must also be willing to listen to and act upon legitimate criticisms and the WTO must be willing to incorporate new ideas. It can do more to promote environmental protection. It can do more to advance internationally recognized core labor standards. Let me stop on these two issues just for a moment if I may.

I appreciate Congressman Levin's review of the President's speech in Davos which was very well received I think by all parties to the debate, by and large. I think the President's fundamental point is this: That in an era of globalization, it is not possible any longer to claim that areas of concern in the trading regime should not also be integrated. If this is an era of globalization in which trade impacts a series of issues and a series of issues impacts trade, then let us at least take a careful and close look at the full array of issues and attempt to find means to spark dialog about them and to see if we cannot make a series of competing interests mutually compatible instead of mutually destructive. This will require a step-by-step approach.

There is deep suspicion among many nations of the world, in particular in developing countries, of developed country motives in regard to environmental protection and the observance of core labor standards. There are many reasons for this distrust and for the suspicion that the developing countries have on this, including perhaps 30 years of rhetoric on the North-South divide that has in large part helped to poison the atmosphere and as to which all parties are equally responsible. The question is how do we piece together what some view as competing interests of these issues and an open trading regime, but which I believe need not be competing at all but instead can be rather complimentary.

The first step, and what the U.S. is first trying to initiate in the WTO, is discussion, discussion of these issues and acknowledgement that many in the developed world—many in the U.S., many in the European Union, in Canada, Norway, other developed countries—feel quite strongly about these issues. And while there might not be unanimity of view in our own country or within Europe or elsewhere, nonetheless the trading system should begin to listen to the concerns and to attempt to see whether solutions can be provided and are appropriate in the context of the WTO.

It is I think vitally important that we try and come together on these issues. Divisiveness does not serve the interests of the global trading regime nor does it serve the interests of those who would wish to see the regime become somewhat more modern and somewhat more in acknowledgement of the reality of globalization and the fact that many of these issues are now integrated one with another even if it is not often easy to accept that challenge.

Let me also say the global system must address concerns about transparency. These are valid and they can be easily remedied. This is especially important in dispute settlement where the current practice is, for example, to close arguments to the public. If this remains unchanged, public confidence in the system will erode.

As a first step, in our US–EU Summit in December, which followed Seattle, we proposed that we and the EU, as the largest users of dispute settlement, immediately agree to open the arguments in our transatlantic disputes in the WTO. Thus far, to our very deep regret and surprise, the EU has refused. But it is quite clear that this issue of transparency, not only with respect to open hearings but a number of other issues, amicus briefs, for example, must be addressed sooner rather than later.

Likewise, the WTO's internal processes can be improved and updated given the growth and greater diversity of its membership. Director General Moore has begun consultations with WTO members toward this end. But as we address this issue, we must be careful not to alter the principle of consensus for decisionmaking in the WTO, and also ensure that such procedural discussions do not distract us from taking immediate action on core policy issues.

In summary, Mr. Chairman, the WTO faces a number of challenges but also opportunities in the coming year, from its newly inaugurated negotiations on agriculture and services, to implementing prior agreements, bringing in new members, integrating better the least developed countries, internal reform, work toward a new round, and embark upon a serious dialog with respect to a range of issues not traditionally thought of as trade but which have direct impacts. None of these tasks will be easy or simple; but generations before us have shouldered equally difficult tasks in the past.

I believe that the record of the last 50 years should give us a great deal of confidence. The promotion of the rule of law, creating new opportunities worldwide for economic growth, creating opportunities for Americans and for our trading partners, it seems to me that this amply justifies the decision Congress took 5 years ago to support creation of the WTO as a successor to the GATT. And it should remind us of how significant will be the rewards of success as we take up the challenges of this new century.

Thank you very much.

[The prepared statement follows:]

**Statement of Hon. Charlene Barshefsky, United States Trade Representative**

Chairman Crane, Congressman Levin, Members of the Subcommittee:

Thank you very much for this opportunity to testify before the Subcommittee on our agenda at the World Trade Organization over the coming year. 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 organiza-

tion. 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 Depression 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 benefitting 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 pro-

perity 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 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 non-discriminatory 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 work-forces. 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.

Yesterday, 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 full-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.

Chairman CRANE. Thank you, Madam Ambassador.

When that Seattle meeting became deadlocked, did you consider offering a fallback position in the form of a ministerial declaration that would have identified a few areas of common ground and commitment to keep the talk going?

Ambassador BARSHEFSKY. No. And the reason is severalfold. Countries, and most countries did, that expressed flexibility before Seattle became increasingly inflexible at Seattle and were not willing to take the political leap necessary. This was first apparent and most radically apparent actually in the agriculture negotiations, where after 6½ hours of word-by-word negotiations on a text, the European Union, Japan, and Korea said at the end of that they could not accept the text and would reserve their rights not to accept the text. This was a startling development and ultimately there was no agriculture text agreed upon.

As far as a smaller declaration went, that was really not in the cards. I felt it most prudent at that point that rather than countries feel they would need to yet further harden their negotiating positions, that countries instead take a pause, a time out, regroup, rethink where they were, what their positions were in the hopes of

coming back to the table at an appropriate time. And we of course would hope that appropriate time would be sooner rather than later, but it will require further flexibility on the part of all countries.

An abbreviated declaration or a partial declaration was never in the cards, would not have been accepted by the trading partners, but I think would have had the effect of a further hardening of positions, making it impossible to reach consensus even after a pause. And we wanted to avoid that further hardening of positions.

Chairman CRANE. I gather that you do favor launching a new round.

Ambassador BARSHEFSKY. Yes, very much so.

Chairman CRANE. When do you think it is likely to occur?

Ambassador BARSHEFSKY. I think it depends very much on a review by all countries of the positions taken in Seattle, that will also require a review by the United States of positions taken into Seattle, to see if each country could move a little bit. And if each country could move a little bit, we may well be able to get there.

There are a number of international remarks to the effect that countries would like to see the launch of a round this year. I think many countries see a substantial danger in waiting, particularly in the run-up to French elections where Europe's agricultural position will harden even further. But the rhetoric has to be matched by reality. And if countries in fact are not willing to move some, then there will be no round whether this year or in the future. Countries, all countries, will need to take careful evaluation and careful stock of their positions and determine whether, in light of the Seattle activities and negotiations and discussions that took place, they can move forward.

Chairman CRANE. What in your estimation are the prospects for real progress especially given the EU's reluctance to further liberalize agriculture without a comprehensive round?

Ambassador BARSHEFSKY. I do think, certainly in the early stages, moving forward now on agriculture and services negotiations will be very productive. Because in any negotiation, even in the context of a round there is quite a bit of underbrush that needs to be cleared away before you get to the array of political decisions that will have to be taken. I do think, at a minimum, over the course of this year we will be well positioned in the process in Geneva in agriculture and services to begin to clear away a lot of that underbrush so that at the point at which a round is launched a substantial amount of work has already been done particularly at the technical level.

Chairman CRANE. One of the concerns I heard while we were out in Seattle with you is the feeling on the part of many of the less developed countries that they were being excluded from the process. I know 135 countries cannot participate all at once in negotiations, but is there a better way that we could keep the member countries informed of key developments as they are proceeding?

Ambassador BARSHEFSKY. I think that the process used in Seattle was actually much more inclusive than anything that had been previously utilized. Four working groups were created, all countries could participate in all groups, those groups were each a series of negotiating sessions in which all countries participated.

Where I think the criticism comes into play is the fact that in the last day and a half or so negotiations were narrowed further to a smaller group of countries. And that is the product of a realization that 135 countries cannot all be in the room at once.

I think that there does have to be a better means for the Director General of the WTO to inform the body as a whole of developments as they proceed. But there is also a responsibility on the part of countries that are regional and subregional leaders to keep their neighbors informed of progress. And there were many participants in these sessions who claimed to be representatives of a group of nations but who then did not report back to those nations as they should have done with respect to progress.

So I think both the overall process needs to be looked at, particularly as one gets to the endpoint of a negotiation, as well as the role of countries that claim to be regional or subregional representatives of a variety of countries and their responsibilities to those countries to the extent report of progress is appropriate. We have asked Mike Moore, the Director General of the WTO, to look at this full range of issues on internal reform. He will be doing that, hopefully to report back to the body as a whole in the coming months.

Chairman CRANE. If Congress approves a more generous CBI–Africa trade bill, will this help build political support for expanding the trade system among developing countries in your estimation?

Ambassador BARSHEFSKY. I think that the Africa and CBI bills are absolutely critical. I think it will send a signal to our trading partners that the United States intends to remain fully engaged. I do believe, and many countries have said this to me, that our completion of the bilateral agreement with China was an extremely important marker for many countries with respect to U.S. leadership and U.S. engagement.

But I think the CBI and Africa pieces of legislation ought to be passed by the Congress in whatever form the House and Senate can agree upon and we ought to get programs expanded for these two critical regions of the world, which is what each of the bills would do.

Chairman CRANE. I could not agree with you more. As you are well aware, the EU has gone forward in a free trade agreement with Mexico.

Ambassador BARSHEFSKY. Yes.

Chairman CRANE. And are negotiating with Chile. We cannot be caught in the wings.

With that, I yield to our distinguished Ranking Minority Member, Mr. Levin.

Mr. LEVIN. Thank you, Mr. Crane.

I was going to ask you, Ambassador, as I said in my opening statement, to put in perspective the President's comments at Seattle. But I think you have already done that. And you did so in part by referring to his speech at Davos. We were both privileged to be there for his speech. I wasn't there before or after except for the reception where there were some interesting comments by ministers and people in the business world and Mr. Sweeney about his speech. It essentially said trade needed to be expanded and so did our perspectives on what trade is. It seems to me that sums up the challenge. I think especially your extemporaneous remarks about

labor market issues and environmental issues should give everybody here some thought.

We have been stalemated for 5 years on trade legislation in this institution, in good measure because of disagreement over the role of labor market and environmental issues in the trade equation. No one would say in the domestic economic equation that labor market and environmental issues are irrelevant. We fight over them all the time in part because they are relevant to the economics of the whole country and of one section or another. So I do not think it should surprise us that these issues, as competition grows between different economic structures, would become relevant and contentious.

I think all of us need to work on it. As I have said to the administration, have everybody in the administration take the talk of the President and talk that talk and try to walk the walk and actually implement both parts of his speech.

Let me just say a word about transparency from my experience at Seattle. Several of us met with the Mexican Trade Minister and he was opposed to any opening up of the processes within the WTO. We asked him whether within his country they would tolerate the same processes used in a civil or criminal trial that are utilized in the WTO, which isn't exactly the same but it is a quasi-judicial process and you do not know what documents are going in, which ones are the base of decision, and what exactly comes out of it. And if there is going to be finality, and I voted for it in the Uruguay round, there has to be transparency.

And so I think it is a step forward to see you as passionate about the new issues as the old issues. Because if we do not resolve or confront both of them, I think we are going to continue to be stalemated here. And as you know, I urged the same in terms of issues like core labor standards in the CBI Agreement.

So I guess I do not really have a question to ask you. I just want to express my belief that your presentation here gives some indication that the ball is moving forward. I think you have answered the Chairman's comments about the President in Seattle by referring to what the President said at Davos. This is not mainly a politically motivated issue within this country. It is an issue that has been coming to the surface now for 5 years, these new issues. If we are not passionate in pursuing them, we are going to have deep divisions abroad and deep divisions here at home.

Ambassador BARSHEFSKY. I know that was not a question, but if I might just respond to a couple of points.

Mr. LEVIN. Please.

Ambassador BARSHEFSKY. First of all on transparency, I think a lot of countries' hesitations on opening up the dispute settlement process really stem from an earlier era under the old GATT system, where a dispute settlement was largely a forum in which one might negotiate a settlement but was never genuinely a litigation forum as it were.

Under the new system, this is very much a litigation forum. You make formal submissions on the record, you have oral argument before the panel, a record is maintained, there is an appellate body to which you can appeal again based on a record, based on formal submissions and oral argument as well as additional submissions.

This takes on the character of more traditional administrative litigation as in the United States and Europe and elsewhere. And just as those kinds of proceedings are in most countries open at least to some degree, and in the developed world virtually entirely open as to submissions, the availability to sit in the back of the room and watch an oral argument, the ability to know who the parties are, what the record of the proceeding is, and so on, so too these same steps and processes should be available now in dispute settlement given its litigation oriented nature.

Hopefully, over time some attitudes will change. But it has been somewhat surprising to us how entrenched the attitudes are on the question of opening up dispute settlement, including by Europe, for example, which does not want to see panel proceedings open to the public. I find this shocking.

Mr. LEVIN. Inexcusable.

Ambassador BARSHEFSKY. Second, with respect to the issue of core labor standards, I would make only one observation. I think we have paid too little attention to very genuine sensitivities of the developing world on this issue. By that, I mean I do not think that our rhetoric is perhaps calibrated in the most effective way internationally. Many developing countries take a U.S. or European focus on core labor standards as harboring an implied rebuke to the way in which they have conducted their economy or the way in which they treat their workers. Many of these countries come to us and say, "Do you think we don't want to see living standards increased?" "Do you think we don't want to see our workers moved to higher value-added occupations?" They look at remarks made by developed countries as containing an implied rebuke of their handling of the economy. And certainly the comments are not intended in that way.

I think we have to think through carefully how better to get across the point that these are issues in which both developing and developed countries have a common stake, and that these are issues that one needs to discuss, to work through, to think through jointly so that we are sure the benefits of a global trading regime can be more evenly shared and can lead to the goals that both developing countries and developed countries want to see for their own people. I feel that we have never really gotten our own rhetoric quite right in this area, which has helped to fuel the kind of suspicion and a resistance, a very deep resistance on the part of many countries to even discussing or embarking upon a discussion of these issues.

I think as we proceed into this year we will want to work with the Subcommittee because we do want to get the message out in the most effective way possible. Because at the end of the day, trade, labor issues, environmental issues should be mutually supportive. One can easily see ways in which they would be mutually supportive and mutually constructive in increasing trade while you increase environmental protection, as we have in this country, increasing trade while you increase labor standards, as we have done in this country, and at the same time, as the President points out, not in any way detract from economic growth overall. So there are logically ways in which these issues should be able to be fit together in a very mutually supportive way.

But the first step, which may be the hardest, is persuading countries to entertain a dialog on these issues in the WTO. And in that regard, I feel that we, Europe, the other developed countries need to work on a more effective means of communicating the aims, the goals of these discussions lest the developing countries especially believe this is simply a guise for increased protectionism, that instead of using tariffs as the basis, using labor/environment as the excuse. That is surely not the intention.

Mr. LEVIN. It isn't. And when we talk about core labor standards, and I will close, we are talking about core labor standards that almost all of them have agreed to in ILO documents and talking about embedding them within trade agreements.

Ambassador BARSHEFSKY. Right.

Mr. LEVIN. Thanks very much.

Ambassador BARSHEFSKY. Thank you.

Chairman CRANE. Thank you, Mr. Levin.

Mr. Thomas.

Mr. THOMAS. Thank you very much, Mr. Chairman.

Thank you, Charlene. Nice to have you with us and I assume we will have some repeat engagements.

In listening to your opening statement, I have been on the Trade Subcommittee now for more than a decade, I was in Seattle, but I will certainly defer to your more detailed knowledge of world trade history when you indicated that Seattle was similar to earlier breakdowns. Which of those earlier breakdowns provided a video war of pitched battles that produced a victory for antitrade forces?

Ambassador BARSHEFSKY. Certainly, Seattle was characterized by protests; no question about that. And certainly there was substantial coverage of it. And certainly, as the President said, there is something of a wakeup call at work here. But that is not what led to a negotiating impasse.

If you look at earlier impasses, they typically were followed—

Mr. THOMAS. No. I have a question on that. But I just think we have to realize that the context, where it occurred, how it occurred, and the new format of visibility produced, I think, a result that was far more disastrous than earlier breakdowns which were in closed rooms and backroom restaurants in Geneva and in other areas of the world. If you will concede that, we can—

Ambassador BARSHEFSKY. I do not think I would concede that it was disastrous in the same way. I look at it actually rather differently. That is to say, I reject much of the radical criticism made of the global trading system. But I do accept that there are ways in which the trading regime can and should be updated. And to the extent the protests went to that point—

Mr. THOMAS. Then let me ask a question a different way so I can understand and focus it. Did the events in Seattle further the Clinton administration's trade policies?

Ambassador BARSHEFSKY. I think any breakdown of a round does not. In other words, clearly, we would have preferred a round to be launched. Clearly also, it was not going to be launched without the key litmus test being passed, and that is on agriculture. And that was not passed. So did it further the trade regime or the trade record? Certainly not. That is obvious.

Mr. THOMAS. Then with hindsight, with the failure of the governments to narrow their differences, with a total lack of prior agreement on most elements of a text for the declaration, especially agriculture, in your opinion would it have been better to postpone the Seattle ministerial rather than take the consequences that occurred?

Ambassador BARSHEFSKY. Well, I think most countries felt going into Seattle it might be possible to construct a round. And most countries with whom we had dealt bilaterally, that is, one-on-one, gave us certainly every indication that result would be achievable at Seattle.

But what happened there happened in 1982, in 1989, 1990, and 1993, and it is this. You never know for sure before you go in the room whether the deal is going to be there or not. If I had taken that approach on China, I never would have returned to China.

Mr. THOMAS. I have a very short period of time. And you once again alluded to the similarity between the Seattle breakdown and, for example, 1982, when in fact in 1982, because it did not have that visual and dramatic and physical disruption, we were actually able to come back and salvage it fairly quickly. But we will discuss the similarity or differences in the history of this particular event.

I happen to think that in hindsight, based upon our failure to have a clear understanding of where we were going, we probably damaged ourselves more significantly than we thought we were going to. And that since we did not have a wedge that we could deliver, that the downside outweighed any potential upside. And then, of course, in my opinion, and I think of many other observers, the fact that the President came in and made the presentation that he did pretty well guaranteed, given your description of the concern and fear and miscommunication of various phrases, and I do think sanctions is one that can create fear, that perhaps produced some miscommunication, but which is a word that in the international trade community is clearly understood.

So my question is this. What is the administration's current position on labor issues? Are you still saying that you would accept a study group to examine labor issues in the context of expanded trade, or is there now some commitment to sanctions?

Ambassador BARSHEFSKY. No. The proposal we have made in the WTO is very clear. This is a working group to review the intersection between trade and labor policies. That is what it is intended to do, with participation by the ILO, the Bank, the fund, and so on.

Can I make one other point though since you have raised the President in this, as did Mr. Crane. First off, the President has talked about these issues since he began campaigning for President in 1991. Second of all, I think his Davos speech articulated really quite beautifully his own views on this subject. That is to say that these issues have to be made to be mutually supportive. Third, his statements in Seattle, which were rather off-the-cuff, did not alter any country's position on this issue. There is no country on the fence on these issues. Those that believe that labor and environmental issues should be considered in the context of the WTO believed it before the President spoke and believed it after, and those

that believe they have no place in the WTO took that position before he spoke and took that position after he spoke.

Mr. THOMAS. Just let me tell you, ma'am, that very often perception is reality. There were a number of forces, those who stood up here, and unfortunately a number of them left prior to engaging in what I consider to be an educational dialog, who were here for a different reason than education.

Republicans offered policies on labor and the environment in the Fast Track discussions, on paper, concrete. I think it might be useful if we begin talking about what the Clinton administration's positions are on labor and the environment, on paper, concrete, so that as you are reaching out to try to build a consensus across countries and across the equator that we could work together since I think it is in our mutual interest to come up with a policy that, as we do with Fast Track, is in somewhat pre-approval condition.

Here is a quote from Director General Mike Moore: "We need to hear more of the 'F' word—flexibility—before I can say with any great confidence there has been enough movement from all sides." Now, flexibility is important, but in response to a question by the Chairman about the difficulty in launching a new round, you brought up the argument that the Europeans will harden fast because of the French elections. What time this year are the French elections?

Ambassador BARSHEFSKY. The French elections will be toward the end of next year.

Mr. THOMAS. Oh, so not even this year in 2000?

Ambassador BARSHEFSKY No. But the French—

Mr. THOMAS. They are in 2001?

Ambassador BARSHEFSKY [continuing]. But the French view prevailed among the member states in Seattle now.

Mr. THOMAS. Do you think there is any possibility that elections that are going to be occurring this year, not next year, might be a reason for a reluctance to launch a new round; i.e., the U.S. elections?

Ambassador BARSHEFSKY. I do not think so. Because if you look at the areas of U.S. sensitivity, and you all know what they are—dumping and textiles, those are 30-year issues. Those are issues on which most members have very distinct views.

Mr. THOMAS. No. I think, ma'am, that what happened in Seattle was the core arguments; those who were wearing the circle with the stripe across the WTO are looking at labor and the environment. And I would submit to you that the elections that are going to occur this year are not a climate in which this administration or candidates running for President want to engage in a responsible discussion of labor and the environment in the context of world trade.

Ambassador BARSHEFSKY. I disagree with that conclusion.

Mr. THOMAS. Last question. In the interest of getting a new round launched, what is your reaction to the U.S. being a bit more flexible on some of our issues? If we pull our sensitive issues off the table and then require other folk to talk about their sensitive issues, that might also heighten the concern about motives. Where are we? And if you don't want to talk about it, I understand that, I am going to give you a list of written questions so I can have you

respond to me. But can't we maybe talk about investment, competition policy, antidumping policy, even someone like me, accelerated phase-out of textile quotas just to kind of show good faith and trust our people such as you, and our negotiating capabilities, and not create a front-loaded barrier to discussing issues that are sensitive to others if we were to discuss issues that were sensitive to us as well?

Ambassador BARSHEFSKY. Right. I do not think that we created front-loaded barriers. On investment and competition, for example, we offered the EU a variety of approaches on those issues which I believe the EU should have accepted. They did not. But that showed flexibility on our part. We did that because, to be frank, these two issues are very important to the global trading system and in the longer run we are going to need to also find ways of dealing with them.

With respect to the issue of textile quotas, there was very little raised by developing countries on textile quotas. Think about it from their point of view. They are phased out 4 years from now in any event. Why would they pay in a negotiation to get a phase out 6 months earlier by the time the next round ended? There is very little discussion at all about textile quotas.

And with respect to antidumping, as with our trade laws, certainly I do not think Congress would want to see us weaken our trade laws in a negotiation. On the other hand, we also have to recognize other countries are using these laws more and more in a rather abusive fashion. So there will need to be some dialog on them, but certainly I think we must reject any dialog that would lead to a weakening of our trade laws. And my guess is that is probably the congressional view as well.

Mr. THOMAS. And perhaps we ought to ask our trading partners if they view your analysis of their position to be their position. And that may be one of the problems that you indicated in terms of our ability to listen and understand. I think the integration of some of those issues is a real concern and that perhaps we ought not to dismiss them out of hand by placing ourselves in their conceptual framework and providing the answer we believe they would have provided instead of having them provide it in the first place.

Mr. Chairman, I would ask that I could submit these questions. They are wide-ranging. Obviously, we did not spend any time on agriculture, and I am very concerned about the continued subsidies of agriculture in Europe, in fact, the concentration of certain of them in areas that I think are very detrimental to the United States.

Chairman CRANE. Without objection.

Mr. THOMAS. And I look forward once again to your very thoughtful answers, Ambassador, as you have provided in the past.

Mr. Chairman, thank you very much for the liberal use of the 5 minute rule.

[Questions, and their respective answers, submitted by Representative Thomas for Ambassador Barshefsky follow:]

**Questions submitted for the record by Congressman Bill Thomas for  
Ambassador Charlene Barshefsky**

1. ON WHAT ISSUES DID THE U.S. ENCOUNTER THE MOST RESISTENCE FROM TRADING PARTNERS?

*Answer 1:*

At the May 1998 WTO Ministerial, WTO Members authorized a process to prepare for the 3rd Ministerial Conference and the possible launch of a broad-based multilateral trade negotiation, recognizing that a new phase of negotiations was already mandated to begin at the end of 1999/beginning of 2000 for the agriculture and services agreements concluded in the Uruguay Round. In the course of this preparatory process, WTO Members affirmed the need to proceed with these mandated negotiations. Most also agreed that the time frame for completing negotiations needed to be relatively short, and that the scope of the negotiations should be broadened beyond the "built-in agenda" of agriculture and services. Members were near consensus on the proper treatment of electronic commerce, the agenda for negotiations on services, and several issues relating to trade and the environment.

Major points of disagreement included:

1. *Agriculture:* The EU, Japan and Korea resisted a commitment to thorough reform of agricultural trade. The built-in agenda negotiations envisioned further reductions in export subsidies, strengthened rules on domestic support, reductions in tariffs and the expansion of market access opportunities for products subject to tariff-rate quotas.

2. *Implementation of Existing Agreements:* A number of developing countries, including some of the most advanced, requested broad exemptions from previous commitments. Likewise, certain of our trading partners sought to use the debate on implementation to reopen agreements like textiles, confusing in some cases the problems with implementation with a more basic dissatisfaction over the results of the Uruguay Round. Antidumping, in particular, was one agreement where many WTO Members sought new negotiations, which the United States resisted as being premature, at best.

3. *Market Access:* Questions here centered on the comprehensiveness of the negotiations, whether they could be supplemented with early provisional results as was suggested by the APEC sectoral initiatives in the industrial sector, and to what extent industrial market access would result in improvements in current or existing market access.

4. *Investment and Competition Policy:* The EU and Japan in particular argued for negotiation of broad and binding rules in the areas of investment and competition policy, but found relatively little support.

5. *Labor:* Extensive consultations were held at the Ministerial on various ways to address the relationship between trade and adherence to core labor standards in the WTO's work program. In keeping with the mandate of the Uruguay Round Agreements Act of 1994, the United States called for establishment of a Working Group in the WTO, with ILO involvement; others proposed a broader forum outside the WTO context, having minimal if any WTO involvement.

6. *Environment:* Broad agreement emerged to confirm sustainable development as a guiding principle for the negotiations, to pursue trade liberalization and disciplines in areas that hold particular promise for yielding both trade and environmental benefits and to use the Committee on Trade and Environment to identify and consider the environmental implications of the negotiations. Differences emerged, however, regarding the specifics of proposals to address subsidies that contribute to over-fishing, and other proposals aimed at modifying WTO rules.

2. WHAT STEPS ARE BEING TAKEN TO ADVANCE THE "BUILT IN" NEGOTIATIONS ON AGRICULTURE? WHEN WILL TALKS START AND HOW WILL YOU PROCEED WITHOUT A MINISTERIAL DECLARATION FRAMING THE ISSUES?

*Answer 2:*

We view the agriculture negotiations as an important tool to expand markets for American farmers and ranchers and want to take full advantage of the opportunity.

Domestically, we are continuing our internal work identifying priorities and assessing different approaches for eliminating export subsidies, reducing tariffs, expanding market access opportunities for products subject to tariff rate quotas, including better disciplines on the administration of those TRQs; reducing trade-distorting domestic support levels and ensuring greater transparency and fairness in

the operation of agricultural state trading entities. We also are reviewing approaches for dealing with biotechnology in the WTO in addition to our bilateral efforts in Europe and elsewhere.

At the WTO, we have set up a process for conducting substantive negotiations on agricultural reform. At the first negotiating session on 23–24 March countries agreed to a meeting schedule and work program for the next twelve months and set timeframes for submitting negotiating proposals.

Negotiations will be conducted under the terms of Article 20 of the Agreement on Agriculture, which calls for fundamental reform. Under this mandate we have the scope to address all of our negotiating objectives. We are also working with other countries to establish the basis for a broader negotiating Round.

3. WHAT IS THE ADMINISTRATION'S POSITION ON LABOR SANCTIONS NOW? IF SANCTIONS ARE NOT BEING PROPOSED, HOW IS THE ADMINISTRATION GOING ABOUT CONVINCING DEVELOPING NATIONS THAT ITS INTEREST IN LABOR STANDARDS IS NOT A STALKING HORSE FOR IMPOSING RULES ON THEIR ECONOMIES?

*Answer 3:*

Our proposal for a Working Group on Trade and Labor is for study and discussion on the important relationships between trade and labor. This is not being done now by the international community. Therefore, it is premature to propose remedies to problems that have not been analyzed fully, nor is it possible yet to define the appropriate role, if any, for the WTO in addressing these problems. Of course, our trade preference programs already provide statutory authority for the suspension of duty free treatment if beneficiaries are not taking steps to afford internationally recognized worker rights.

4. CAN THE U.S. GET AGREEMENT TO LAUNCH A NEW ROUND WITHOUT BEING WILLING TO DISCUSS OUR DUMPING LAWS OR "COMPETITION POLICY"?

*Answer 4:*

The United States is more than prepared to discuss both topics; the only major issue has been whether it is appropriate to initiate full negotiations in either area. On that, the United States is not alone in its opposition.

As regards antidumping, we have taken the view that it is premature to embark upon the negotiation of new rules given the changes still being implemented as a result of the Uruguay Round negotiations. The provisions of the Antidumping Agreement are among the most complex of any WTO Agreement. Their complexity is driven, in part, by the need to ensure that all Members respect the transparency and due process requirements that have for some time been features of our own law. Moreover, to ensure impartiality and that the circumstances affecting a fair comparison of prices are appropriately taken into account, the methodologies are necessarily complicated. Insofar as a negotiation would likely lead to even more complex rules which would be difficult for many countries to apply in a WTO-consistent fashion, we believe the first step must be to review the existing rules and the adequacy of their implementation. This would include looking in particular at the provisions affecting developing countries, and considering how to improve the coordination of technical assistance for new users of the antidumping remedy so that the current rules are adequately respected. This is critical to ensuring that U.S. exporters get fair treatment in foreign markets, while also providing an effective remedy against unfair trade in the U.S. market.

On the issue of competition policy, the United States has been one of the most active participants in the working group established at the 1996 WTO Ministerial to study this issue. While the EU, Japan and some others have been anxious to move on to the negotiation of a broad set of binding rules in the WTO, many developing countries either oppose the basic requirements of any such rules (e.g., the need to have an antitrust law) or believe that the matter is not yet ripe for negotiation. What's clear is that more work is needed to encourage and guide other countries in the development of a competition culture and the infrastructure necessary to administer sound competition laws and policies. We also think there needs to be further analysis leading to a better understanding of and consensus about how to address anti-competitive practices that affect international market access. We are, therefore, working with our WTO partners to find the best means for advancing work on competition issues.

5. EUROPEAN UNION DOMESTIC SUBSIDIES OF FRUITS AND VEGETABLES ARE DISTORTING THE PRICE OF PRODUCTS LIKE CANNED FRUIT AND OLIVES BY AS MUCH AS \$3 PER CASE. HOW DOES THE U.S. PLAN TO DEAL WITH THESE TRADE-DISTORTING DOMESTIC SUBSIDIES IN THE "BUILT-IN" AGRICULTURAL NEGOTIATIONS?

*Answer 5:*

We have identified reductions in trade distorting domestic support as a priority negotiating objective for the agriculture negotiations. We are working closely with the fruit and vegetable industry to identify the best approach to address these EU subsidy programs as we develop our agriculture negotiating proposal.

6. ARE YOU PREPARING TO PURSUE BILATERAL AGREEMENTS AS A MEANS OF ADVANCING THE WTO DISCUSSIONS?

*Answer 6:*

The United States makes full use of its bilateral relationships to advance work in the WTO. We have met on numerous occasions over the past several months with a wide variety of our trading partners in order to explore their concerns or reservations on the launch of a new Round, and try to find ways to narrow any differences. We have devoted considerable time and energy to "confidence-building" steps, ranging from ways to improve market access and technical assistance for the least-developed countries to improvements in the transparency and functioning of the WTO itself. We have made clear our openness to working with those having difficulty implementing their transitional WTO obligations on a timely basis, to ensure both adherence to WTO commitments and the most practical and expeditious means of securing compliance. We have cooperated with our APEC partners to build support for early market access results in the WTO, and have worked well with our FTAA partners in the Western Hemisphere to advance shared positions, such as the ultimate elimination of agricultural export subsidies. The United States will not shrink from any opportunity to use bilateral agreements and cooperation in order to make progress on the multilateral agenda.

7. AS YOU KNOW, THE EUROPEAN UNION HAS NOT APPROVED ANY AGRICULTURE BIOTECH PRODUCTS SINCE THE SPRING OF 1998. THIS HAS LED TO U.S. CORN FARMERS LOSING \$200 MILLION FOR EACH OF THE LAST TWO YEARS DUE TO THE EU'S UNWILLINGNESS TO ADDRESS APPROVALS OF NEW AGRICULTURAL BIOTECH PRODUCTS. MORE RECENTLY, THE EU HAS THREATENED TO LIMIT IMPORTS OF OTHER U.S. CORN BASED PRODUCTS, SUCH AS CORN GLUTEN FEED WHICH TOTAL \$800 MILLION A YEAR, BECAUSE THEY MAY CONTAIN GENETICALLY MODIFIED ORGANISM VARIETIES UNAPPROVED IN EUROPE. DOES THE ADMINISTRATION HAVE A SHORT TERM GAME PLAN TO RESOLVE THIS ISSUE?

*Answer 7:*

Yes. The Administration is pursuing several approaches to address this problem. We have made biotechnology a priority in our dealings with the EU.

Presidents Clinton and Prodi agreed to form a high-level dialogue to address the full range of problems facing agri-biotechnology, including market access. Senior EU and U.S. officials met last December to begin work under this dialogue. They met again in February and March, with another possible meeting in May. During each meeting, U.S. officials press for EU action to resolve its regulatory process for agri-biotechnology products.

We are also using the Transatlantic Economic Partnership (TEP) Biotech Group to explore in detail some alternative ways to resolve this issue. This group met in December shortly after the meeting of senior officials and plan to meet again in May.

We also have been using U.S. Embassies in the EU to urge Member State support for ending the moratorium on approvals of new varieties, which would facilitate resolution of trade problems. We are trying to find ways to address concerns Member States might have, particularly for those varieties that have already undergone scientific review in the EU.

8. HOW MANY PRODUCTS HAVE BEEN HELD UP IN THE EU APPROVAL PROCESS FOR POLITICAL REASONS? WOULD YOU SAY THAT THERE HAS BEEN UNDUE DELAY IN APPROVING CERTAIN PRODUCTS DEVELOPED IN THE U.S.?

*Answer 8:*

The main problem we have with the EU approval process is that decisions appear to be driven by politics and not by science. This political influence is best demonstrated by the decision of some Member States to enforce a *de facto* moratorium on approvals of new agri-biotech varieties, regardless of whether there is a scientific basis. The EU has not approved any new varieties since April 1998. We have received reports that the EU's moratorium could remain in effect until the EU finalizes new approval procedures, which not might be for another two years. We are working with the EU see if there are ways new approvals could proceed before completion of new EU regulations.

9. WHAT SPECIFIC STEPS ARE BEING TAKEN BY THE ADMINISTRATION TO ENCOURAGE THE EU TO PROCEED WITH FINAL CLEARANCE OF OUTSTANDING APPROVALS? HAS THIS BEEN A TOPIC OF DISCUSSION IN BILATERAL MEETINGS WITH MR. LAMY AND PRESIDENT PRODI AND, IF SO, WHAT HAS BEEN OUR POSITION?

*Answer 9:*

As indicated above, we are also using the Transatlantic Economic Partnership (TEP) Biotech Group to explore in detail some alternative ways to resolve this issue. We also have been using U.S. Embassies in the EU to urge Member State support for ending the moratorium on approvals of new varieties, which would facilitate resolution of trade problems. President Clinton raised U.S. concerns about the adverse effect the EU's regulatory system is having on U.S. exports and gained President Prodi's consent to a high-level effort to try to overcome these problems.

QUESTION 10. WHAT ARE THE PROSPECTS OF RESOLVING DISPUTES ON CORN AND SOY-BEAN VARIETIES PRIOR TO NEXT FALL'S HARVEST? IF THE EU IS NOT WILLING TO ACT ON BIOTECH PRODUCTS THAT HAVE BEEN SUBMITTED FOR APPROVAL, HOW WILL THE ADMINISTRATION RESPOND?

*Answer 10:*

We would not want to speculate about what our next steps might be. The U.S. goal is to work with the EU to get agri-biotech products approved and entered into the EU, if possible before next fall's harvest.

Chairman CRANE. Mr. Houghton.

Mr. HOUGHTON. Thank you, Mr. Chairman.

Madam Ambassador, great to have you here. I always thought your job was difficult. Now, after Seattle, I know it is difficult. But I just wanted to say also that Representative Maxine Waters is here and was part of another panel and she is listening in on this whole procedure.

Look, I just have four basic questions. The first is about anti-dumping. I really applaud you for standing up tall on this thing. I remember being part of an industry that almost went on its knees after 150 years in business because of the unfair labor and unfair dumping laws that took place. I hope you are going to stick with that.

Point number two is on the FSC. I go back so far I remember the DSC. I thought that was all solved. I thought that everyone thought that was a great idea. And now this thing rears its ugly head and I just have a feeling that it could lead to some really unfortunate consequences, maybe an international trade war, which is wrong.

But I think that maybe the two most important things I wanted to talk about are these. You mentioned transparency. But if I understand correctly, in terms of the dispute settlement panel which you are opening up, the Europeans do not want it. Here, you are

offering something, it obviously came out of Seattle that we ought to have a more transparent situation, and the very people who it would help are against it. I really don't understand that.

And the last issue, and you may want to comment, is sort of the issue of the green room, that obviously things can't be solved by everybody in a huge open forum. But sometimes I think in taking a look at the procedures we get involved in that rather than in the substance and what is happening. And you may want to make a comment on those.

Ambassador BARSHEFSKY. Sure. I think with respect to transparency and Europe, I have never understood the European position on transparency in terms of opening up dispute settlement panels to public observation, or the filing of amicus briefs which the EU has also opposed. I do not understand it. It is so contrary to an extraordinary legal tradition in the EU, a tradition that we have adopted from Europe over the course of 200 years. And so this has always been something of a mystery.

Generally, when the EU speaks about the issue they raise a concern about the government-to-government nature of proceedings, and they are government-to-government, and the fact that opening these processes up would detract from the government-to-government character of the proceedings. But that certainly is not the EU's position in, for example, the International Court of Justice which are government-to-government proceedings. So I have never quite understood the argument that is raised.

I would hope that we could continue to work with Europe to get progress on transparency. They have been quite forthcoming in some areas, like the further derestriction of documents, making many more documents presumptively open to the public rather than the reverse presumption which pertains now, and in some other key transparency areas where the EU has been forthcoming. But in this area of dispute settlement they have not been. And, of course, this hurts us with other countries because if the EU with its legal tradition does not want to move in this direction, other countries take note and decide they don't have to move either. So we have something of a bit of a vicious cycle there.

With respect to the green room and process, I think ultimately there should be ways of better accommodating the needs of all 135 members. We have a quite different situation now than at the start of the Uruguay round. The WTO membership now is 50 percent larger than it was at the start of the Uruguay round. And even the start of the Uruguay round was hampered in 1982 by countries claiming they were not involved, they were not involved. And now you have a membership that is 50 percent greater in size.

There ought to be ways of reconciling how to deal with the bigger group but how to also get the work done. One of the things we have asked Mike Moore is to consult with a variety of countries on this issue. The British have put in a suggestion on convening an "eminent persons" group to look at the internal issues with respect to the WTO and make recommendations. We are looking at the British proposal now. There may be many other ways of proceeding. But I think it is critical that the WTO take a careful look at its internal procedures to avoid the kinds of problems that have plagued us in the past and at Seattle.

Mr. HOUGHTON. Yes, but at the same time not getting in the way of some of the substantive things you have to do.

Ambassador BARSHEFSKY. Exactly.

Mr. HOUGHTON. Because it is always easier talking about the mechanics than it is looking at the gut issues.

Ambassador BARSHEFSKY. Absolutely. We have made it very clear in Geneva that we view the issue of internal reform as one to be handled in parallel with, not sequentially, in parallel with the ongoing work of the WTO, including moving on the built-in agenda, as we are going to do.

Mr. HOUGHTON. Thanks very much.

Chairman CRANE. Mr. McDermott.

Mr. MCDERMOTT. Thank you, Mr. Chairman, for letting me ask a question.

Chairman CRANE. First, Mr. McDermott, if you will yield?

Mr. MCDERMOTT. Yes.

Chairman CRANE. We want to thank you for all that gracious hospitality in Seattle. [Laughter.]

Mr. MCDERMOTT. Well, it is about that that I wanted to raise an issue with the Ambassador.

It seems to me after our experience in Seattle the Congress has to rethink something, and I would like your comments on it. When the United States government decided they wanted to have this meeting in the United States, cities began to compete for it—Denver, Detroit, San Diego, Seattle, Honolulu, and many others were eliminated in the first round and wound up with five, and Seattle won the prize. [Laughter.]

Mr. MCDERMOTT. I was in San Diego and saw a newspaper that said thank God we didn't win. And I sat in from the very start on the planning for this meeting on the Seattle Host organization meetings and was there, Jennifer Dunn had representatives, and our Senators did and so forth. We were there a year almost in advance trying to put it together and so forth.

It has become clear to me after seeing what happened that the funding of these kinds of meetings needs to be rethought. That saying that a city can go out and raise the money for a meeting like this, and that somehow the Federal Government gets the benefit of having the meeting in the United States in some city without footing a very significant part of the bill is going to be unacceptable to any city in these United States if they anticipate anything close to what happened at the Seattle meeting.

The biggest problem was that the business community went out and started trying to solicit money from their conferrers around the country, and of course when you offer the opportunity to contribute people wonder what they are getting for contributing. Some people saw the attendance at meetings and other things as selling influence, and such an uproar developed over that that they could not raise money. That was one of the big problems—raising money.

The second thing that happened was we put in a specific appropriation into the State Department for security and other things, much of which has not yet been released to Seattle.

I would like to hear your comments about the likelihood of having another meeting that comes to the United States in this way. And I say that because I was in Germany in January and the Ger-

man bankers said to us if there was a meeting in Europe we would have had the same thing that you had in Seattle, so don't feel bad because we would have had 100,000 people there about beef hormones, genetically modified, and so forth. And it was just our chance to be in the sun. It turned out the sun was a little hotter than we had anticipated.

But I would like to hear your thoughts about how you have a meeting like this and have it successfully carried off.

Ambassador BARSHEFSKY. Well, I think you raise an issue that I would probably have to give quite a bit of thought to. Certainly, the protocol, if you will, used for the Seattle meeting was followed by the U.S. Government in meetings of this sort over many, many years, where you have a host organization, you have some funding by the Federal Government, some funding by the State or city, and so on and so forth. And you may be right that that whole model needs to be reviewed in light of what happened in Seattle.

I know that the city is now in discussions with the State Department on the question of certain funds. We are not a party to those negotiations but I do know that they are going on at the present time.

I think you certainly raise a critical issue and I think that this is an issue in general the administration ought to look at because it may be that the way in which these conferences have been put together in the past simply will not suffice for the future.

Mr. MCDERMOTT. The question really is, if you were to say let's have another meeting of the World Trade Organization in the United States in the next 2 years, what city would put their name up there wanting it? And on what basis would they want it?

Ambassador BARSHEFSKY. Right.

Mr. MCDERMOTT. I think it is the old Machiavellian business of hang somebody in the square and everybody walks by and says "Thank God it isn't me." But the next time you have a meeting you are going to run into, I think, some real serious problems around this whole issue.

May I just ask one other question, and that is I understand the President put \$25 million additional money in his budget to monitor and enforce trade agreements. Tell me how you anticipate using that money.

Ambassador BARSHEFSKY. Much of that money is contemplated being divided among USDA, USTR, and some other agencies, although I think our portion of that will be relatively small. I think a good part of the funding will go out to Commerce Department field office which can be extremely helpful on enforcement issues but do not at this point have the capability at the local levels at which they operate, do not have the resources to be of as much help as they could be. These are people who are on the ground whether in relevant cities or overseas that can really help us on enforcement issues.

So, much of the funding is directed toward that, some toward USDA enforcement, some toward USTR enforcement since we do all of the litigation on WTO dispute settlement as well as much of the monitoring of the trade agreements, as well as some other agencies. I would be happy to get a dollar breakdown of that if you would like, if that would be helpful to you.

Mr. MCDERMOTT. I ask that question really because it strikes me that there was a good deal of I guess surprise around here about what happened in steel. It is hard for me not to think that we could have had the capability of knowing that was happening long before the wave got to the level that it did to require us to be out here passing resolutions on the floor.

Ambassador BARSHEFSKY. I think steel was an issue that also, to some extent, took the American producers by surprise. That is, I think they did not anticipate this crushing wave of imports from Japan, Russia, Korea, and elsewhere as came in so rapidly, so very rapidly, and certainly the U.S. Government did not anticipate it. I confess to that fully. I do not think there was anyone who fully appreciated what was headed toward the United States in such a concentrated period of time toward the end of 1997 and through 1998.

I think if we had more folks on the ground, it may well be, and you are right, it may well be that this would have been known more in advance and perhaps there would have been some preventative action or precautionary action that could have been taken; at a minimum, being able to engage our trading partners who were sending us this stuff at a much earlier point in time than we actually did. And that would have been very much to the U.S. advantage to have had those resources in place at the time to be able to handle an issue before it became so huge and so destructive of U.S. steel producers here that we really had quite a job on our hands.

Mr. LEVIN. Would the gentleman yield for ten seconds?

Mr. MCDERMOTT. Surely.

Mr. LEVIN. I very much favor the added enforcement effort. But in the steel case there actually were warnings quite a few months before. I think we also need to take a look at section 201 because it has certain barriers to prompt action, even when the data are very clear.

Mr. MCDERMOTT. Thank you, Mr. Chairman, for your indulgence.

Chairman CRANE. One thing in response to a question that you raised about what city would want to serve as host next time. I have heard that since you have gotten through your practice game out there in Seattle that you are ready now for the real affair, that you are number one.

Mr. MCDERMOTT. I heard Chicago had practice.

Chairman CRANE. Chicago remembers 1968 still. We have got a long memory.

Congressman Camp I think would like to ask a question.

Mr. CAMP. Thank you, Mr. Chairman.

Ambassador Barshefsky, I just want to shift gears and make a brief statement, and I realize this is not directly on WTO and Seattle, regarding NAFTA and our trade policies with Mexico, particularly with regard to the dry bean industry and the problems we had last year with the permitting process, and the lack of announcement by the Mexican Government for the 1999 auction period and the devastating effect that had on markets. The uncertainty that the Mexican Government created caused our markets to plunge. And second, the cost of the permits themselves. Since the implementation of NAFTA the imports of dry beans to Mexico have been subject to many changes in the auction rate. I would just at some point like you to comment on what the administration is

doing to ensure that Mexico changes that permit system. I realize that this is not something that you are prepared to testify about today.

But regarding today's testimony, we are about 2 weeks away from a ruling on WTO regarding the FSC issue. I wondered what the administration's strategy was for dealing with the EU on this issue should the findings of the appellate body go against us, and particularly what steps the administration has taken to ensure that the United States and our employers are not put at a competitive disadvantage regarding the European competition with regard to tax treatment of Foreign Source Income and especially with regard to export transactions.

Ambassador BARSHEFSKY. If I could respond in the case of dry beans, we are working with the Mexican Government to fix it. You are quite right, what they did on the permitting process in terms of the auction period was very disruptive. The cost of the permits is an additional problem. I am happy to provide you with more detail on that.

Mr. CAMP. Thank you.

Ambassador BARSHEFSKY. On the question of FSC, as you know, this case is in litigation. We did not prevail at the panel stage. But the case is on appeal. Oral argument was held, I guess, about 2 weeks ago or so. The appellate body should issue a decision sometime. I would say at the end of this month or early March. But because the appellate body is actively considering the panel report, which we believe to be substantively and factually incorrect and unsupported, I do not think it is appropriate for me to comment further on U.S. plans. Our plan is to do everything we can to get the panel report overturned.

Chairman CRANE. And now our co-host to the exciting Seattle ministerial, Ms. Jennifer Dunn.

Ms. DUNN. Oh, heck, I will give all the credit to Mr. McDermott. [Laughter.]

It is good to see you, Ambassador, still in one piece. We are sorry we didn't give you a better welcome in Seattle.

Ambassador BARSHEFSKY. That is a great city.

Ms. DUNN. Yes, it is. I would like to see it glow once again, not with the fires that we saw while we were there but with the natural beauty that our lovely city does show off most of the time.

I wanted to add my interest to that of Mr. Camp and Mr. Houghton on the FSC situation. I think in the long run it is in our best interest to be looking for a settlement with the European Union. I am very concerned about what is going to happen otherwise. I do not want to see trade wars breaking out or anything like that. So I hope that you and the rest of the folks on the negotiating team are proactively working with the European Union on the FSC issue. That is just a statement not a question.

I am concerned about some of the things I am beginning to hear. We have always realized that on the NTR vote, the permanent NTR vote with China that we would be able to move into that as soon as the other bilaterals are completed. Now we are beginning to hear some of the advocacy groups say that it is not necessary for us to enjoy the relationship with China under the WTO for us

to have a vote on permanent NTR. You mentioned this in your opening statement.

Ambassador BARSHEFSKY. The view of the administration obviously is that the benefits of the agreement we negotiated will be put at risk if Congress does not pass permanent NTR for China. That is to say there is a substantial risk that our bilateral agreement will have opened up the Chinese economy to the rest of the world but not for us, which would be a remarkable irony, indeed. And that risk comes about to the extent Congress does not pass permanent NTR.

So, as you know, the administration, the President are very committed to achieving permanent NTR for China this year at such point as the contours of the final package become known. That is to say there are other countries that need to close out bilaterally with China, most notably the European Union, but there are others beyond the European Union. In addition, there will be an additional rules negotiation in Geneva which will also have to be completed or largely completed so that the final contours of the entire WTO accession for China will be fully known. And at that point, of course, the administration would want to proceed to a very rapid vote.

Ms. DUNN. Do you have any sense now of the timing of all of that?

Ambassador BARSHEFSKY. It is a little hard to gage, but I do think we are hopeful for a vote in spring.

Ms. DUNN. Good. And I was delighted to hear the President's speech in Davos. I think it was a good speech and his effort to put his shoulder to the wheel on that permanent NTR vote is very welcome by those of us who have been working to make this happen.

Ambassador BARSHEFSKY. If I might say, I think that the timing on NTR is a little bit uncertain because, of course, it depends on how quickly our trading partners move. That is obviously an area over which we have very little control. But I think we do hope to see that process proceed apace. And if it does, then a vote sometime in the spring or late spring should be doable.

Ms. DUNN. Good. That is good. That is very hopeful.

Let me ask you a question on TRIPS. You mentioned that you believe sticking to these agreements is crucial to upholding the lines that we lay down under the Uruguay round. Could you bring us up to date on what is happening with TRIPS. How are the WTO countries doing on compliance? Are the least developed countries still pressing for an extension of the deadline? Are you planning to bring action against any country that does not meet the deadline? What is happening on TRIPS?

Ambassador BARSHEFSKY. Well, in December of last year I ordered my staff to undertake a review of compliance by all of the developing countries; that is, by any country whose transition expires January 1, 2000. That review is underway now so I do not want to talk about any one particular case.

But by and large, we see, generally speaking, either compliance with the requirements or countries having put themselves in a position to comply, or countries that are desperately trying to comply but need some additional technical assistance, and we are pleased to work with them on that, and we have seen some, but relatively

few, countries that simply appear to have no intention whatever to comply. Those are obviously the ones on which I think we need to focus first because these are countries for whom issues of technical assistance are not pertinent but who simply regret the commitment they made in the Uruguay round and do not intend to comply. That I think then merits a fairly strong response by the United States.

For those countries that have tried to comply, that need a little more technical assistance, a little more help, sometimes able to be provided, frankly, by our industry, those countries obviously we want to work with. The object is not litigation, it is compliance. If we can work out a timely compliance plan, which we do for many, many countries including developed countries around the world, that probably brings us to where we will want to be over the coming months.

And then, of course, for those countries that have undertaken very substantial and successful efforts to ready themselves for compliance, we see very good efforts having been made and we feel fairly comfortable about that group that compliance problems will not be a particular issue.

Ms. DUNN. Thank you very much, Madam Ambassador.

Mr. Chairman, I think it might be very useful to us, since the report of the bilateral agreement between the United States and China is classified, that we could have an executive session with the Ambassador maybe even between now and our hearing next week.

Chairman CRANE. I agree with you. I think it would be very valuable. We will try and work on it.

Ambassador BARSHEFSKY. I would be delighted.

Chairman CRANE. Mr. Nussle.

Mr. NUSSLE. Thank you, Mr. Chairman.

Madam Ambassador, can you tell us how many products have been held up in the European Union approval process for political reasons or, in other words, because products that have passed scientific reviews have failed to gain approval from the EU Council. Can you tell us about how many products there are currently?

Ambassador BARSHEFSKY. I cannot give you the number except to say that the EU has not approved a GMO variety since April 1998.

Mr. NUSSLE. And this is after it has passed scientific review?

Ambassador BARSHEFSKY. Yes. In other words, the issue in Europe has never been scientific review of those products for which GMO approval has been requested, whether corn varieties, or additional soybean varieties, some other more specialized varieties that are on tap now. The issue has never been scientific review because European scientists are generally in accord with our scientists that these foods provide no health risk. The issue has been a political issue in Europe.

Mr. NUSSLE. Could you give us a brief description on your strategy, the administration strategy for dealing with this approval problem before the coming planting season.

Ambassador BARSHEFSKY. We have for a number of months now engaged the Europeans on this. President Clinton and President Proti have agreed to set up a high level group on the issue of product approvals, that group having met once already, with the hope

that the EU can get its approval process back on track and functioning so that we can have greater assurance for our farmers that the EU process will in fact approve the varieties that have passed scientific scrutiny.

Mr. NUSSLE. Will those assurances be ready before the planting season?

Ambassador BARSHEFSKY. We are pushing very, very hard at this juncture. The EU is aware of the concern about the planting season and the disruptive impact that their failed approval process has had on U.S. farmers. We will continue to push them very, very hard both in the context of this high level group as well as in the context of an additional biotech working group that we have.

We also have in the U.S. an interagency process that involves all of our relevant agencies including the science-based agencies, for example, FDA, as a means further to make sure the U.S. Government approach and position is well coordinated on these issues. So we are pushing very, very hard, particularly on the varieties that are pending now for clearance by the EU.

Mr. NUSSLE. If that cannot be accomplished in the next few months, is a WTO case being contemplated?

Ambassador BARSHEFSKY. We will look at all of our options. The issue here is access on the basis of sound science and approvals on the basis of sound science. We believe that test has been met, European scientists believe that test has been met. The U.K. just issued a report, as you may know, in the case of beef hormones, for example, but also with respect to GMOs. The science is not an issue here. This is political. And so we will undertake a full review of all of our options and hopefully choose that option that will be most effective to get this process back on track.

Mr. NUSSLE. I will tell you, and I will let the farm organizations speak for themselves because they obviously represent a diverse number of farmers and producers across the country, I will just speak for the folks that I have spoken to in my district, if this cannot be resolved, this is big.

Ambassador BARSHEFSKY. Yes, I understand that.

Mr. NUSSLE. No, I want you to understand even more than what you may understand. And that is that this is going to erode, totally and completely erode, in my very humble opinion from one district in Iowa, the agricultural support that we need in order to maintain the support in Congress and across this country for fair trade and free trade in this world. I do not know how I can say it any stronger than I have just said it. And if a resolution on this matter cannot be achieved prior to planting, we are in trouble. We were just talking about the President on NTR with China. I mean, Katie bar the door when it comes to trade legislation if in fact there is erosion on the part of agriculture. And it won't just be the guys in the ties that represent the organizations here in Washington. It is going to be the guys on the combines that are going to be making that decision. And right now their support is a mile wide and an inch deep. It is not very strong.

Finally, I would just give you the opportunity to respond to an accusation made here today by a very senior Democrat in the House of Representatives basically accusing you and the administration of pursuing the Chiquita banana case in the WTO because

of an exchange of campaign contributions. If it had been made by a protester at the WTO, I would have maybe taken it a little bit differently than I would if it were a senior policymaker in this House of Representatives. The fact that it is from the Party that the administration represents is even more surprising. But it was a very direct and appeared to be somewhat factual accusation. I would just give you the opportunity to respond.

Ambassador BARSHEFSKY. I do not know what the accusation was, but I will tell you—

Mr. NUSSLE. Well, the accusation was we are pursuing the Chiquita banana case because the administration took campaign contributions, period.

Ambassador BARSHEFSKY. The Chiquita banana case arises from a 301 petition filed by Chiquita, supported by Dole and the Hawaiian banana growers. We take 90 percent of the 301 petitions filed. That is to say we turn away very few and only on the basis that the petitions did not meet the requirements of the statute or of the regulations, or that the petition itself was so ill-conceived it would surely lead to a loss at the end of the day and we give people an opportunity to withdraw their petitions when they realize that the petitions are completely inadequate for whatever reason. But other than that, USTR's history is we take about 90 percent, a little over 90 percent of all of the petitions filed.

Chiquita's petition was in good shape. It followed on two refusals by Europe to comply with two previous panel rulings which found their regime illegal under international standards. Now if we are not taking that case, what case is it that we are taking?

So this is a substantive issue, as the panel recognized in the appellate body where we won again two more times. How many times do we have to win this case again and again and again? As the appellate body found, the European Union's policies were discriminatory, they violated Europe's WTO obligations, they violated international norms. And that is certainly proof positive that this was a case fought on the basis of the merits, and obviously the panels, now all four of them, decided on the basis of the merits.

Mr. NUSSLE. Thank you. That was a very good response. I appreciate that. I wanted to give you that opportunity because I have heard you give that response before and I happen to agree with it. I am not aware of what campaign contributions she may be speaking of, but I will take that for whatever it is worth.

Finally, I would just suggest that this may be indicative of what we are up against. That the opponents of trade will use both legitimate and illegitimate ways to try and forward their case. But I will suggest that there are some legitimate concerns, as you have outlined them today. And I only wanted to make you aware of the concerns of my constituents in Iowa about agriculture, in particular, the foods enhanced through biotechnology, and I appreciate your response.

Thank you, Mr. Chairman.

Chairman CRANE. Thank you.

Mr. Becerra.

Mr. BECERRA. Thank you, Mr. Chairman.

Ambassador, it is a pleasure to have you here. Thank you for being so patient in answering all the questions. Before I ask any

questions, I would like to just say that I appreciate your response that was made to some of the comments made by my colleague Mr. Levin earlier with regard to core labor standards and the environmental issues that you confront. I, too, believe that there is a way to try to resolve this if people talk, and I think you made a very valid point about using the right language. Sometimes we do send messages that hurt more than help. And I think the developing countries in a sense do have some claim for concern, but ultimately I think we all want to do the right thing and they understand that as well, that we are not trying to impose on them some type of condition that makes it difficult for them to compete.

Let me ask you a little bit about FSC. I know you said the case is pending, you expect to hear fairly soon what the appellate body will rule, how it will rule. And to the degree that you can comment, because I know you said you were restricted in what you can say, give us a sense if the appellate body of WTO does rule erroneously, as I believe you are correct that it was an erroneous decision, if they uphold that erroneous decision. If, in fact, that is the case, and if, indeed, you are not able to resolve this through some type of settlement with the EU anytime between now and then, what is in the offing? Won't this lead to a general deterioration of our trade relations with the EU, and won't this make Congress somewhat suspicious of the WTO and how we proceed forward with it? I have a difficult time seeing how something as big and as important as FSC is to us can be allowed to just fester.

Ambassador BARSHEFSKY. Let me say as a general matter that because the appellate body is considering the case now, I am very reluctant to suppose or assume, even hypothetically so, that we might lose. We should win this case. That does not necessarily mean we will or we won't, but we should win the case on the basis that we believe firmly that the panel below erred both substantively and with respect to the background and facts of the case. So let me just start by saying that.

Certainly, we have engaged the European Union on this case, we have from the beginning, because it is a large and important case. We take the view that the U.S. must comply with panel rulings. We have done so in all cases, even those that are politically sensitive. But recognizing how large this case is, we engaged the EU early on it by way of general discussion and we have continued to do that really all through the pendency of the action.

I think certainly Europe is waiting for the appellate body ruling in the hopes that the panel will be affirmed. We are waiting for the appellate body ruling in the hope that the panel below will be reversed. And that is really the current status right now.

Mr. BECERRA. I see the temperature rising on bananas, on beef—

Ambassador BARSHEFSKY. Oh, this would dwarf that, there is no question about it.

Mr. BECERRA. Yes, it would. And for that reason, it would put us at an even more disadvantage competitively to some of our European counterparts in the corporate community. And if something is not done quickly, (1) I think you are going to see a deterioration of support for the WTO in Congress, and (2) I think you are going

to find that it is going to be very difficult to deal in the future with the European Union.

Is there something that you can tell us that leads you to believe that the Europeans are going to try to help us resolve this, given that in fact they must have accepted it back when in 1981–82 the changes were made that gave us FSC and it seemed that for the longest time they were accepting of it. Now I guess maybe because they lost in bananas and beef they are saying we will give you one back.

Ambassador BARSHEFSKY. Certainly I think Europe needs to be cautious because, depending on the ruling and the range of the ruling, many of Europe's own tax programs will be directly at risk. I do not think Europe necessarily thought this throughout as carefully as they should have before this action was brought.

In addition, as you know, FSC arose from a settlement of the DSC dispute, a settlement which existed for 15 years. And so Europe having brought this action, we felt it was largely not just unexpected but that one had to question the motives and whether this was an attempt to try and balance the litigation scorecard. I obviously have no way of knowing. And, of course, there are many European companies that benefit directly from the FSC as well.

Mr. BECERRA. It almost seems an abrogation of the agreement we had when we went from DSC to FSC because they were a party to that.

Ambassador BARSHEFSKY. Yes. Certainly part of the argumentation before the panel in the appellate body is that this was a settlement entered into and essentially brought into the Uruguay round, and that as a settlement of a prior dispute agreed to by the parties to that dispute FSC does not constitute a subsidy that is prohibited under the rules or any other action that would be proscribed by WTO rules. And that is certainly one of the basic arguments that we made to the panel and that we have reaffirmed with the appellate body.

And as I said, we will continue to talk to the Europeans on this issue. As you may know, following a dispute settlement case, the party that loses, which could be Europe in this case or the U.S., does have time within which to think about it. In the case of a losing party, one has a number of months in which to consider options related to compliance or settlement or some other means. And so this will not be a decision that comes into effect immediately in any event. But as I said, we are very focused on doing everything we can to see that the panel ruling below is overturned, as we believe it should be.

Mr. BECERRA. We urge a very vigorous defense and certainly a vigorous—

Ambassador BARSHEFSKY. Extremely vigorous defense, yes.

Mr. BECERRA [continuing]. And a vigorous search for any solution outside of that as well, because I think all of us are concerned about where this may lead. Thank you, Ambassador.

Thank you, Mr. Chairman.

Chairman CRANE. Thank you.

Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman. And Mr. Chairman, I want to thank you for the opportunity to participate in today's hearing.

Welcome, Ambassador. I want to congratulate you as a participant in Seattle on what the Chairman felicitously referred to as the U.S. inflexibility on antidumping negotiations. I believe that our delegation took the right position. I believe that strong antidumping laws are essential to police our market in a way that allows Americans to support open trading laws. I believe this has been a settled issue negotiated and with concessions in the past in the WTO, and I want to congratulate you for resisting the drive by some of our trading partners, particularly the Japanese, to use this negotiation to weaken our trading laws.

I was privy to a recent meeting which included Commissioner Lemee, and in that meeting the argument was advanced that reopening the antidumping code was necessary as a concession to the developing countries to get them to play in the WTO negotiations. It has been my impression that the narrow disciplined agenda that we put forward in Seattle included many things that were attractive to the developing world. Would you care to comment on whether reopening the antidumping code is really necessary to get those countries to join us?

Ambassador BARSHEFSKY. I think for most developing countries the issue is not U.S. antidumping law, the issue is agricultural market opening where many of these countries believe they have or can achieve comparative advantage in agricultural production but cannot possibly compete globally with heavy EU export subsidies on the very products they wish to grow or have grown but then cannot sell in world markets. This is the issue for most developing countries and most rank that as by far and away their top priority, absolutely their top priority.

Certainly, on the question of dumping, we have some concerns and we do need to find a means of dialog with the way in which dumping laws are being handled in many other countries which do not have the procedural requirements we have or due process requirements. But the notion that we would in any way undertake any action that could weaken our trade laws I think is well understood around the world to be completely impossible, particularly as one looks at the relative openness of this market and the fact that, as the WTO concluded, we take in about 22 percent of the world's goods. Europe, which is 15 countries, takes in about 19 or 20 percent. Japan takes in 6 percent.

The Japanese of course have focused on this issue and have demanded in the past a very extensive negotiation on dumping, largely we believe at the behest of their steel industry. I would suggest to Japan that restructuring their steel industry might be more in order than claiming that U.S. trade laws has in any way created a real problem for their industrial base.

Mr. ENGLISH. And my understanding is the implementation of the WTO antidumping code still allows us to have discussions with some of our trading partners that might lead to some refinements. In other words, don't we still have some wiggle room on that point?

Ambassador BARSHEFSKY. Yes, certainly. And certainly we want that kind of room. There are concerns on the part of some countries

with respect to our implementation. We have to be willing to discuss that and address it. We have a range of concerns with respect to other country implementation and we would hope they would listen to our concerns and attempt to address those concerns. So in that regard, certainly a give and take can proceed, hopefully very productively so.

We have made clear to our trading partners that we would not only be amendable to, but, indeed, would be very interested in such a give and take because there are an array of implementation problems we have faced. And in that spirit, we need also to take a look at implementation problems called to our attention.

Mr. ENGLISH. Thank you, Ambassador.

Thank you, Mr. Chairman.

Chairman CRANE. Thank you.

Mr. Watkins.

Mr. WATKINS. Thank you, Mr. Chairman.

Madam Ambassador—

Ambassador BARSHEFSKY. Let me first of all say—

[Brief sound system malfunction.]

Mr. WATKINS. I appreciate that. I want to say that we need to move rapidly, because I know this priority resolution is going to be coming to the Floor.

Ambassador BARSHEFSKY. Yes.

Mr. WATKINS. And a lot of my people feel like that a lot of foreign countries are being treated a lot better than they are, especially a lot of my cattle people. And I want you to know I'm, I want to invite you to come to Oklahoma one of these days. I think you might make a favorable impression on some of them that you are really working out there to try to do something about this unfairness and this unfair trade barrier there.

Mr. Chairman, I appreciate the time, and your allowing me to be here and express this on behalf of all my constituents.

Chairman CRANE. Well, thank you, Madam Ambassador. And one quick question before you leave.

The Interagency Council, when do you anticipate it will have completed its work?

Ambassador BARSHEFSKY. I don't want to put a date on it. I've just told my people that their instruction in this meeting is to get this process moving quickly and to come back to me in a rapid manner with specific recommendations.

Chairman CRANE. All right. Well, we thank you always for your participation and we look forward later in the week to participating further with you.

Ambassador BARSHEFSKY. Good. Thank you. Thanks so much, Mr. Chairman.

[Questions, and their respective answers, submitted by Representative Dunn for Ambassador Barshefsky follow:]

**Questions Submitted for the record by Congresswoman Jennifer Dunn for Ambassador Charlene Barshefsky**

BACKGROUND:

Since a separate WTO Working Party was formed in 1992 to review Taiwan's accession, there has been an understanding that Taiwan may accede to the WTO, but only after China's accession. Taiwan believes that they should be judged on the merits of their case for WTO membership, independent of other factors. Taiwan is our

seventh largest trading partner and purchases twice as many goods from the U.S. than China right now. Clearly, their accession will be good for the U.S. and the rest of the world community.

QUESTION FOR BARSHEFSKY: I HAVE USED THE TERM "SIMULTANEOUS ACCESSION" OF CHINA AND TAIWAN, WHICH HAS DRAWN OPPOSITION FROM CHINA'S FOREIGN MINISTRY. WHAT I MEAN BY THAT IS THE WTO GENERAL COUNCIL SHOULD CONSIDER TAIWAN'S ACCESSION IMMEDIATELY FOLLOWING THE CONSIDERATION OF CHINA'S ACCESSION DURING THE SAME DAY'S BUSINESS. WILL THE CLINTON ADMINISTRATION PUSH FOR SUCH A TIMETABLE ?

*Answer:*

We have worked intensively with both Taiwan and China to achieve membership in the World Trade Organization (WTO) on strong commercial terms. This objective has driven the timing of our work in both accession negotiations. The United States has completed all of its negotiations with Taiwan for it to accede to the WTO. Other countries have also resolved their substantive issues with Taiwan. Some technical issues need to be resolved and final verification and approval of Taiwan's accession package remain to be done. While China's accession negotiations are not yet completed, China has recently reached bilateral agreements with most members of the Working Party. We are prepared to work intensively with China and other WTO Members to conclude the accession negotiations as quickly as possible. We anticipate that when the Working Parties on Taiwan and China's accession reach a consensus on their respective accession packages, the WTO General Council will approve both accession packages and invite them to become WTO members at the same meeting of the General Council. China has consistently stated that it has no objection to Taiwan's membership in the WTO and no intention to block its accession. Their primary concern is that China be admitted first. This is not a problem for Taiwan and can be accommodated by the procedure set forth above. Our objective is to have both of these important trading powers in the WTO and we do not believe that delaying either accession advances that objective.

#### BACKGROUND:

APEC has been pursuing a trade initiative known as *Accelerated Tariff Liberalization, or ATL*. This initiative identifies eight sectors for tariff liberalization and, since it involves wood and paper products, is very important to the Pacific Northwest. Last year, APEC was unable to reach a final conclusion on ATL since Japan was unwilling to liberalize on another of the ATL's sectors: fish products. The final solution was a joint statement by all APEC nations that the ATL negotiations would be pursued in the next trade round.

QUESTION FOR BARSHEFSKY: BOTH THE U.S. GOVERNMENT AND MANY U.S. COMPANIES HAVE INVESTED SIGNIFICANT TIME AND RESOURCES IN PURSUING THE ATL INITIATIVE. CAN YOU BRIEFLY DESCRIBE THE NEGOTIATIONS IN SEATTLE WITH RESPECT TO ATL? WHAT IS BEING DONE TO ENSURE THAT THESE NEGOTIATIONS CONTINUE TO MOVE FORWARD?

*Answer:*

We are very appreciative of all the efforts made by U.S. industry to push the ATL initiative, initially with our APEC partners and in Europe last year. As a result of these efforts, it is evident that EU industry is quite interested in the ATL and recognizes the benefits of liberalization in these sectors. In the WTO preparatory process last year and at Seattle, we worked very closely with a number of our colleagues, including colleagues from APEC, Canada, New Zealand, Australia, Singapore and Hong Kong, to make early provisional implementation of the ATL initiative a part of more general market access negotiations on non-agricultural products as part of a new Round. The European Commission held the view that sectoral liberalization initiatives could only take place in the context of broader WTO market access negotiations, and expressed concerns (undefined) about the ATL coverage.

We are continuing to consult closely with our private sector, and the ATL Coalition in particular, on next steps for ATL products and launching broader market access negotiations as part of a new Round. We have issued a *Federal Register* notice to obtain private sector views on broader market access negotiations in the WTO. Finally, we are continuing to press forward with the APEC non-tariff work programs in the ATL sectors as a way of maintaining APEC interest in the ATL sectors. This non-tariff work in APEC will help us to prepare for the broader non-

tariff measures negotiations that will be part of the WTO market access negotiations.

Chairman CRANE. You're more than welcome.

And now I want to invite Susan Westin, the Associate Director of the International Relations and Trade, U.S. General Accounting Office, to come to the witness stand.

Welcome, Ms. Westin. Your printed remarks, if your oral testimony exceeds roughly 5 minutes, will be made a part of the permanent record. So you may proceed when ready.

**STATEMENT OF SUSAN S. WESTIN, ASSOCIATE DIRECTOR, INTERNATIONAL RELATIONS AND TRADE ISSUES, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, U.S. GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY BETH SIROIS, ASSISTANT DIRECTOR, AND NINA PFEIFFER, SENIOR EVALUATOR**

Ms. WESTIN. Mr. Chairman, Members of the Subcommittee, we are pleased to be here this afternoon 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.

With me this afternoon are two of my colleagues, Beth Sirois and Nina Pfeiffer. In addition to attending the Ministerial, we have had discussions with U.S. and foreign government officials and other WTO experts. 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 negotiations. Notwithstanding the outcome, there are several lessons to be learned from the Seattle experience.

Let me speak first to what happened. After 4 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 in fact, the announcement just came out that it looks more positive they're going to start right away, 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 difference 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 ad-

dition, 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 low-wage producers. According to some officials from developing countries, the U.S. insistence on resurfacing the 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 and negotiations presented a challenge to reaching consensus. In an effort to include all WTO members, the Ministerial co-chairs set up five large working groups on the major issues. 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 wasn't enough time to work sequentially through the unresolved issues.

We identified several factors that contributed to the 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 could 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 of and diversity of its members. And 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. We will be happy to respond to any questions you may have or, given time considerations, we are willing to respond to any written questions from you or Members of the Subcommittee.

[The prepared statement follows:]

**Statement of Susan S. Westin, Associate Director, International Relations and Trade Issues, National Security and International Affairs Division, U.S. General Accounting Office; accompanied by Beth Sirois, Assistant Director, and Nina Pfeiffer, Senior Evaluator**

Mr. Chairman and Members of the Subcommittee:

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 cer-

tain 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 indi-

cated 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 re-open 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.<sup>1</sup> 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

<sup>1</sup> 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.

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.<sup>2</sup> 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 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

<sup>2</sup>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.

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.

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Mr. Chairman and members of the subcommittee, this concludes my prepared remarks. I will be happy to respond to any questions you may have.

#### *Contacts and Acknowledgement*

For future contacts regarding this testimony, please call Susan Westin or Beth Sirois at (202) 512-4128. Individuals making key contributions to this testimony in-

cluded Nina Pfeiffer, Howard Cott, Kim Frankena, Juan Gobel, Richard Seldin, and Tim Wedding.

Chairman CRANE. Thank you very much, Ms. Westin.

Let me put a quick question to you, and that is, how isolated do you think the U.S. is in its insistence that dumping with the exception of the agreement's procedural requirements be off the negotiating table in the new round?

Ms. WESTIN. Well, from our experience in Seattle, and we attended many of the working groups and some of the press conferences where they talked about what was going on with the negotiations, our experience was that the United States was completely isolated. I think in one instance it was referred to 134 to 1 on this issue.

Chairman CRANE. And on what basis did the USTR believe that developing countries would be willing to launch a new round of trade negotiations?

Ms. WESTIN. In the ministerial conference in Geneva in May, 1998, many countries, most countries had expressed their willingness to launch a new round. But the developing countries definitely wanted on the agenda a re-examination of their implementation of the existing commitments under the Uruguay round. And I think that in addition to some of the market access issues, particularly on agriculture for them, as the Ambassador referred to, I think there was some interest in launching a round, but it was clear that that was one of the things they wanted on the agenda.

Chairman CRANE. Well, with regard to developing countries and negotiations, the Uruguay round on textiles, they, as I understand it, believe the United States has not given them the benefits that they anticipated and how much liberalization has taken place in that sector?

Ms. SIROIS. I believe some liberalization has occurred. I think more is, I think more textile quotas that the U.S. has imposed are due to be eliminated in January 2002. However, most U.S. quotas will not be eliminated until 2005.

Chairman CRANE. Mr. Levin.

Mr. LEVIN. Well, I wasn't going to ask any questions. Our other panelists have been waiting patiently.

I just want to say to you, though, I was at Seattle from beginning to end. And I was there most of the hours. And I must say, I think your perspective on the attitude of the countries toward antidumping are not what I heard. If you ask the countries to rank their priorities, and maybe you would agree with this, I think all but a few would have ranked opening up antidumping rather low.

The Japanese had it quite high, very high, maybe the highest. But other than the Japanese and a few other countries, I can't think of any other nation that would have ranked it very high. Can you?

Mr. WESTIN. No, I don't disagree with you, Mr. Levin, in terms of ranking it as a priority. But I understood Mr. Crane's question to be where countries fell on the position. I think that's a slightly different question.

But I agree, I didn't hear it as a particular priority issue.

Mr. LEVIN. So to say we were isolated, I think, this is the intensity level of other nations. They weren't, except for a few. And my reaction to the Japanese on dumping, those who dump don't like our antidumping laws. And they dumped steel, and I say this as someone who did not vote for the quota bill, because it violated our WTO obligations. But Lord, it's clear they dumped. And we had to do something, and we finally did, under antidumping laws, though it was quite late.

And a few other countries that dump don't like it. Some of them aren't in the WTO. And that's why we had to have, negotiate some major antidumping provisions, for example, with China, which also dumped steel here in a dramatic sense. And in terms of textiles, there's been a major change in that area, and I don't think anyone should ignore the fact that we're facing increased competition. And the question is what we do about it and where it comes from.

But I think the worst way to handle problems is to ignore that certain dynamics exist, and that the quotas are going off, as we all know. So anyway, I'm glad for your response in terms of antidumping. Because somehow the notion is that a country that protects itself against an unfair trade practice of another country is protectionist. The protectionist one is the one that violates fair rules. And the WTO specifically permits U.S. antidumping laws. In fact, we could strengthen 201 further within WTO structures.

Thanks very much.

Chairman CRANE. Thank you.

Mr. Becerra.

Well, you get off the hook easy then, Ms. Westin. But we're sorry for the duration and the disappearance of some of our colleagues here. It's been a longer day thus far than we anticipated. But we thank you so much for your participation.

Ms. WESTIN. Thank you.

Chairman CRANE. And with that, I next would like to call our panel one, Gary Hufbauer, Reginald Jones Senior Fellow, Institute for International Economics; Dale Hathaway, Executive Director, National Center for Food and Agricultural Policy, and Chairman of the Agriculture Policy Advisory Committee; Thomas M.T. Niles, President, United States Council for International Business; Lori Wallach, Director, Public Citizen's Global Trade Watch; and Frank Kittredge, President, National Foreign Trade Council.

We have someone also that is substituting for John Sweeney, President of the AFL-CIO, who did not make it. Do we have your name, sir?

Mr. TRUMKA. Richard Trumka, Secretary-Treasurer of the AFL-CIO.

Chairman CRANE. Rich Trumka. And do we have a—very good.

So we will proceed in the order that I presented you, and please try and keep your oral testimony to 5 minutes or less, and all written testimony will be made a part of the permanent record. And with that, we yield to Mr. Hufbauer.

**STATEMENT OF GARY CLYDE HUFBAUER, REGINALD JONES  
SENIOR FELLOW, INSTITUTE FOR INTERNATIONAL ECO-  
NOMICS**

Mr. HUFBAUER. Thank you very much, Mr. Chairman.

The WTO is blocked, and the overriding reason is simple. The Congress and the country are deeply divided on the way to shape the competing force of globalization.

For the United States, the open economy ranks as one of our three great engines of growth. The other two are the flexible economy and information technology. These three engines have brought us a remarkable period of low inflation, very low unemployment and rising productivity, even after 8 years into the boom.

But a prosperous and dynamic economy has losers as well as winners. Moreover, our trading partners do not necessarily embrace values that are deeply held in the United States concerning environment and labor standards. These two issues, more than any others, in my opinion divide the Congress and the America people on WTO, on NAFTA, on China and on other trade agreements.

Today, I'd like to spend my few minutes on urging solutions to these two critical issues. Both solutions can be made in America. They do not require fresh international negotiations. They only require agreement by the Congress and the President.

The first solution, I commend to you, is degressive wage insurance, namely, a make-up payment lasting 3 years for a portion of FICA wages lost by all dislocated workers. The make-up would start at 75 percent and gradually diminish to 25 percent in the third year. This wage insurance would be the same whatever the reason for dislocation—technology, restructuring, or trade.

Statistics indicate that dislocated workers today lose under 5 percent of their income when they move to a new job. That's much lower than it was 10 years ago, and the reason is our very strong economy.

Let me turn now to environmental and labor standards. I argue that we should move the central debate out of the WTO and into a U.S. commission. The commission would be charged with developing appropriate environmental and labor labels and the underlying standards for their use. With appropriate labeling, household consumers and industrial buyers could make an informed choice between goods and services that were produced anywhere in the world in full accordance with the standards, or not in accordance with the standards.

This approach would represent a generalization of the approach recently adopted in the biosafety protocol. A similar approach has already been used for tuna, apparel, athletic shoes, lumber products and others. It would not be designed to afford protection against imports.

The commission I envisage would be an independent commission with distinguished members. It would categorize goods and services in a simple two-by-two matrix. One dimension is whether the good or service requires a voluntary label or a mandatory label. The other dimension is whether the label can be provided by one or more of the private labeling services which already exist—such as Underwriters Lab and many, many others—or whether a new government label is required.

In creating labels and in specifying the underlying standards, the commission would hold hearings open to all interested parties. There would be a very, very sharp differences, very honest differences. The AFL-CIO might take a position on labor standards that should

be embodied in the label that differed sharply from the position rendered by, for example, by apparel importers.

But it would be a domestic debate. And I think this debate can and should take place in a domestic forum. And it can be a debate that is settled by a U.S. commission.

If we have a solution along these lines, I think the way would be clear for us to go forward in the WTO and in other trade agreements. Thank you very much.

[The prepared statement follows:]

**Statement of Gary Clyde Hufbauer, Reginald Jones Senior Fellow, Institute for International Economics**

WORLD TRADE AFTER SEATTLE: IMPLICATIONS FOR THE UNITED STATES

Seattle leaves a huge question mark over the U.S. role in world trade policy. Faulty preparation and flawed tactics were abundant—both in the street and between the delegations. The Battle of Seattle may acquire the same instructive value for future diplomats as Pearl Harbor has for military officers.

But this Policy Brief is not about preparation and tactics. The Seattle outcome might have been far different—if the U.S. Trade Representative had not swept concessions off the table months before the ministerial conference. Or if the police had cordoned downtown Seattle on Monday. Or if President Clinton had left the phrase “trade sanctions” out of his Tuesday interview. Or if France had agreed on Friday to the eventual elimination of agricultural export subsidies. But this Policy Brief is not about “might have beens.”

Instead, this Policy Brief is an attempt to size up the direction of world trade policy after Seattle. In particular, it focuses on strategies that open market forces might adopt to regain the initiative.

WORLD TRADE GAME SCORE (SINCE WTO 1994): BACKLASH 7, OPEN MARKET 3

By my score, the global Backlash forces, in the United States and elsewhere, have enjoyed seven victories since the WTO agreement was reached in Marrakesh in 1994. They defeated renewal of U.S. “fast-track” negotiating authority twice (scored only once in my count). In addition, the Backlash forces have stalled the Free Trade Agreement of the Americas (FTAA) in the Western Hemisphere and have slowed European Union enlargement. Kindred forces in Japan defeated the “Early Voluntary Sectoral Liberalization” proposals in the Asia Pacific Economic Cooperation forum (APEC) at the Kuala Lumpur meeting in November 1998. Together with the French (concerned about U.S. cultural imperialism), the nongovernmental organizations killed the Multilateral Agreement on Investment (MAI) in December 1998. Meanwhile, the U.S. Congress has stalled a twin vote on NAFTA parity for the Caribbean Basin countries (Caribbean Basin Initiative [CBI] Parity) and the Africa Growth and Opportunity Act (AGOA). From a media exposure standpoint, their crowning glory was Seattle.

Against this count, the Open Market forces have achieved three important victories since the WTO was established in 1994. They signed off on the Information Technology Agreement at Singapore in December 1996. They crafted the Basic Telecommunications Agreement in February 1997. And they adopted the Financial Services Agreement in December 1997. These were all solid achievements—even if they were not media spectaculars.

*A Rest Stop Or a Turning Point?*

Ten years from now, Seattle could be seen as only one more pause in the long march toward open markets. The march that began in 1947 with the establishment of the GATT has been interrupted many times. Europe had a difficult time negotiating current account convertibility in the 1950s. Oil shocks in the 1970s threatened the world trading system. Agriculture was particularly tough in the Uruguay Round. Yet on each occasion, progress resumed.

On the other hand, ten years from now, Seattle could be seen as the turning point—the event that marked the end of the policy-driven open markets agenda for much of the world. If this is the outcome, many countries could build new barriers, especially in areas not already covered by international rules (such as financial services and e-commerce). Three points are worth making in handicapping “rest stop” versus “turning point.”

First, the Backlashers have not yet succeeded in rolling back liberalization. NAFTA stands and prospers. Mercosur has so far survived Brazil's currency devaluation. In the aftermath of the Asian crisis, none of the ASEAN members nor Korea has reversed its trade commitments. In the tax arena, more legislators are worried about "runaway headquarters" (Chrysler/Daimler Benz) than "runaway plants." The Tobin tax and its kissing cousins remain academic toys.

But in the aftermath of Seattle, the Backlashers can claim three achievements. They enlisted sympathizers who want the WTO to encompass moral values, not just economic virtues. In the process, they turned trade and investment talks into a political "third rail" (to borrow Marc Noland's phrase). And they probably added years to the life expectancy of stratospheric agricultural barriers, sky-high textile and apparel tariffs, the U.S. antidumping laws, and other formidable barriers.

Make no mistake: rollback is their goal. Hard-core labor Backlashers (fortified by sympathy from Clinton) want wide latitude to impose trade sanctions against offensive production processes. They want to extend textile and clothing quotas well beyond the 2005 phase-out date. They want tougher antidumping laws, and easier access to normal safeguards. They welcome capital controls. In time, they will resurrect the Burke-Hartke concept (dating from the early 1970s) of imposing import quotas and heavier taxes on the foreign operations of multinational firms. The "new" Backlashers want to put new trade agreements in peril until social issues are addressed. Both Backlash camps would dearly love to rewrite or even dissolve NAFTA.

Unless the Open Market forces regroup and adopt a winning strategy, "turning point" seems more plausible than a "rest stop."

#### *Next Battle: China*

China is the next battle and it could prove decisive. It is hard to know how China and the WTO intersected in the minds of top administration officials, but three scenarios are plausible.

- First scenario: Clinton may have cut an implicit behind-the-scenes deal with AFL-CIO leaders: I'll trash Seattle and you don't trash China. A deal along these lines would give something dear to business (better access to Chinese markets) and something dear to the AFL-CIO (no new trade talks without labor sanctions). From what we know about the sequence of events, this scenario seems far more plausible as an after-the-fact rationale for hopeless fumbling in Seattle than a Machiavellian before-the-fact game plan. It is not at all clear that the AFL-CIO leaders will sign on to their part of the "bargain," namely, stopping short of a "take no prisoners" battle against China.

- Second scenario: In vintage Clinton style, the "technical" talks over the details of China's accession to the WTO could be strung out and the normal trade relations (NTR) vote pushed forward to 2001, when a new president is sitting in the White House. This would deny Clinton an important legacy, but it might reduce the "China factor" in the U.S. presidential election and avoid embarrassing demonstrations in Washington.

- Third scenario: Clinton has simply lost control of trade and investment policy. Evidence for this scenario is a string of events since 1996: The loss of fast track in 1997. The MAI burial in 1998. The China fiasco in April 1999. Haphazard preparations for Seattle. Finally, Clinton's "trade sanctions" interview, which eliminated all prospects of reaching an accord with developing countries on labor issues. Under this scenario (favored by Marc Noland), China will be Clinton's last trade debacle—a big effort, but not big enough to round up the votes for permanent NTR. In the end, Congress votes the usual one-year extension.

#### *Can the Open Market Forces Regroup? Lots of Generals, Not Many Soldiers*

Missing from the ranks in the battle for open markets are business firms and consumer groups. The most energetic soldiers are economists. As Stalin famously remarked, "How many divisions does the pope command?" That said, many strategic concepts have been offered for regrouping the Open Market forces and sparking public enthusiasm for globalization. Everyone wants business and government leaders to speak out more forcefully in favor of free trade and investment. Beyond that common theme, strategies differ. For brevity, I will summarize the ideas of leading strategists in caricature.

#### *Jagdish Bhagwati and Daniel Tarullo:*

"Back to basics." Focus the WTO on border barriers. Reconsider the TRIPs agreement (as T. N. Srinivasan has urged). Bhagwati goes further: forget about regional groups—they're a nuisance at best, and more likely harmful. In other words, get the

WTO out of difficult national sovereignty questions, and don't burden commerce with a spaghetti of FTAA, APEC, Pacific-5, and other new regional arrangements.

- Problems: Where do you put the "social issues"? Will U.S. and European business firms push for new trade agreements that can be easily nullified behind the border? As a practical matter, several regional groups now seem healthier than the WTO—debilitated as it is by the splits within the Quad and between the United States and developing countries. In the regional arena the European Union is rapidly moving ahead on new deals with Mexico, Mercosur, and the Lomé; Convention countries.

*Robert Samuelson:*

"Let the markets work." With dramatic cuts in transportation and communications costs, the ascendancy of multinational corporations, the rise of e-commerce, plenty of globalization will occur even if trade ministers take a 10-year holiday. Moreover, thanks to the overwhelming success of the U.S. economy, sensible countries will enthusiastically sign on to the Washington consensus and Anglo-Saxon capitalism, without another USTR or IMF mission abroad.

- Problems: Mercantilism has dominated commercial policy for 350 years (today it's called "reciprocity"). Who hears the death rattle of this enduring ideology? What about growing underbrush that threatens to choke e-commerce and other new realms? C. Fred Bergsten's "bicycle theory" worked well at explaining past swings between liberalization and protection. Has this piece of political economy now vanished?

*Larry Summers:*

"Go with the Living Ism." In 1991, before he became a senior U.S. official, Larry Summers famously proclaimed his love for all the "isms"—bilateralism, regionalism, multilateralism. Now that the WTO has run into difficulties, this strategy would call for deepening NAFTA (especially with Canada), the Pacific-5 (Australia, New Zealand, Singapore, the United States, and Chile), working on bilateral issues, and doing a few sectoral deals. Just be pragmatic.

- Problems: The NGOs killed the MAI, and some see a threat in the CBI and Africa. Will they pass up the next bilateral or regional deal? Indeed, in the regional context, won't they insist on a heavier loading of social issues? The same virus that hit Seattle could easily spread.

*I. M. Destler and Peter Balint:*

"Bring in the social issues." These are the natural next step in the long GATT/WTO journey from tariffs, to quotas, to services, to intellectual property rights, to phytosanitary standards. Go with the flow. Reasonable people can find reasonable solutions that both improve production conditions worldwide and respect national sovereignty.

- Problems: India, Brazil, and China have an automatic response: "Not on your life." Will the United States and Europe put their own miserable treatment of illegal immigrants on the table? What about state environmental standards and layoff laws? Finally, what concessions will the United States and Europe make to get social clauses? Will they accelerate the elimination of Multifiber Agreement (MFA) quotas, slash textile and apparel tariffs, and reform their antidumping laws? Will they liberalize stratospheric restrictions on sugar, dairy, peanut, tobacco, and other specialty agriculture imports?

*Dani Rodrik and Robert Litan:*

"Buy off labor." This strategy sees the United States (not Europe) as the main stumbling block to open markets, and identifies organized labor as the key opponent. Hence the prescription. Enlarge the U.S. social safety net across the board, as Rodrik advocates. Or, in Litan's formulation, provide for a realistic, but degressive (e.g., lasting 2 to 3 years), make-up payment for a portion of the wages lost (e.g., starting at 75 percent of the loss) by all dislocated workers who find new jobs. Ensure that dislocated workers have health care and moving allowances.

- Problems: Who will spend the necessary money for a wide social safety net? Gore is already attacking Bradley for wanting to increase the health care budget. My estimate for degressive wage make-up costs across the board is about \$15 billion annually. Wage insurance limited to trade-impacted workers would come cheap, about \$500 million annually. But labor has disdained all forms of Trade Adjustment Assistance (TAA) for 15 years. Why would it love this wrinkle? Besides, there is no meaningful distinction between workers displaced by technology or restructuring and workers displaced by trade. If labor alone is bought off, will other social causes be satisfied?

*President Clinton:*

“Y’all come.” The central problem is process, not substance. Invite responsible NGOs into the negotiations. Allow them to bring disputes in the WTO. Broadcast the proceedings live on television and the Internet. A more open party will be a better party.

- Problem: No one believes this solution. Probably not even Clinton.

*Sizing Up the Problems*

If the next U.S. president wants to restart the trade engine, he will need to commit the same level of political resources as he might devote to major tax, budget, or labor legislation. Gone are the days when important policy-driven progress toward open markets can be achieved without bitter political battles. There is no low-cost-lunch strategy.

If the new “third rail” proves too hot for the next U.S. president and his G-7 counterparts, then the open markets agenda will depend on the two forces inherent in Robert Samuelson’s analysis: the technology revolution in transportation and communications, and the winning appeal of Anglo-Saxon capitalism. In a pre-Seattle trip to Asian capitals, Fred Bergsten found considerable enthusiasm for new regional institutions ranging from trade to money. Asian leaders are tired of dancing to Washington’s economic tune. They want to write their own songs. Seattle can only reinforce these sentiments. If Washington and Brussels falter, the future trade agenda could be led by an Asian renaissance.

If the “third rail” turns out to be a Washington problem—and not so serious in Brussels, Tokyo, and Ottawa—the other G-7 powers might well pursue their own regional initiatives. The European Union might negotiate free trade arrangements with Mercosur and the Lomé Convention nations, adding to its extensive free trade network with Eastern Europe, North Africa, and Mexico. Japan could surprise everyone by negotiating a free trade agreement with Korea. And Canada might join the Northeast Asian party. A burst of regional energy along any of these lines would disadvantage U.S. exporters.

*The U.S. Trade Calendar in 2000*

Multiple trade issues loom on the congressional calendar. In the wake of Seattle, these issues present inviting targets for Backlash demonstrations, attracting new financial support and more media attention. Accordingly, a few thoughtful Open Market protagonists think that the best strategy—in an election year—would “cool down” trade and put off issues until 2001. Here is how “third rail” countertactics might play.

- String out the technical talks on China’s accession to the WTO, and simply go for a one-year renewal of NTR in July 2000. (Clinton’s “second scenario” for dealing with China.)

- Don’t even mention “fast track.” At most, hold quiet consultations with Ways and Means and Senate Finance Committee leaders on possible new formulations and new labels.

- Hold off on CBI Parity and AGOA.

- Keep FTAA, APEC, and Pacific-5 talks at a strictly technical level.

- Avoid a media event of the House and Senate votes on continued U.S. membership in the WTO. (Under the 1994 legislation that ratified the Uruguay Round agreements, upon the request of a single member, the House and the Senate each vote up or down on continued U.S. membership in the WTO every five years.)

- Downplay a possible adverse decision by the WTO appeals panel in the Foreign Sales Corporation case. (In a case brought by the European Union, a WTO panel found that this U.S. tax provision, designed to promote exports, violates the Uruguay Round Code on Subsidies and Countervailing Measures. The WTO appeals panel will issue its decision by March 2000.)

*“Firewall” in 2000?*

A different strategy for Open Market forces next year is to stand and fight. In this strategy, an all-out battle would be waged to welcome China in the WTO with permanent NTR legislation. Likewise, CBI Parity and AGOA would be the next priority.

The argument for this strategy is simple. Unless the Open Market forces build a firewall, the Backlash forces will gain momentum and financial support. If trade policy is stalled in 2000, it will be that much harder to restart the engine in 2001.

*A New Strategy for 2001*

*Fact One.* Steven Kull's polls show broad-based moral concern in the United States about labor and environmental conditions abroad (even if better conditions abroad translate into higher consumer costs at home). His polls also show that the American public is worried about U.S. job dislocation, even when workers can find new jobs at the same or better pay, and even when a flexible economy means lower prices at the local shopping mall.

*Fact Two.* Americans sharply disagree on the benefits of free trade, polarizing by income level. According to a Wall Street Journal poll, only about 32 percent of all U.S. adults think that the United States has been hurt by free trade agreements. (By contrast, 35 percent think the United States has been helped, and 24 percent think that trade agreements haven't made much difference.) However, 54 percent of adults with income under \$20,000 think that the United States has been hurt by free trade agreements, while naysayers drop to 25 percent among households with income over \$50,000.

*Fact Three.* Meanwhile, developing countries violently oppose a working group on labor in the WTO, and they were enraged by Clinton's mention of trade sanctions. Developing countries hold a well-grounded fear that the concerns and worries of ordinary Americans will be hijacked by the AFL-CIO and extreme Backlash groups—and turned into formidable trade barriers.

Putting these three facts together, the time has come to address labor and environmental concerns, but with a strategy that

- would not entail new WTO rules;
- would be accepted by the U.S. business community;
- and would broaden the base of U.S. public support for freer trade.

If this strategy can be crafted, then the way would be clearer for Congress to grant the next president authority to conduct trade and investment negotiations. No plausible strategy can avoid a political battle. The right strategy could improve the chances of an Open Market victory.

*Six Linked Concepts of the New Strategy*

- *First*, create a permanent independent U.S. commission, insulated from daily political life, to create and authorize labels certifying that imported and domestic products and services are made in ways that meet core labor and environmental standards. The labels would be optional, not mandatory, both for importers and domestic producers. For producers, the labels should become a "badge of honor," enabling concerned consumers (business or household) to purchase certified products, at a premium price if necessary. The Global Reporting Initiative ([www.globalreporting.org](http://www.globalreporting.org)) has already published its suggestions for an appropriate framework.

- *Second*, dedicate a portion of capital gains taxes to creating a fund for degressive wage insurance (and health care and moving allowances) for all dislocated workers, as Robert Litan has urged. Individual capital gains taxes are running above \$50 billion annually; hence earmarking 30 percent for degressive wage insurance and associated benefits should prove adequate. The basic rationale is that globalization and technology are shifting part of national income to capital; some of these gains are in turn captured by the capital gains tax. It is only fair that a slice of the rewards generated by the new economy be returned to those shaken up by its dislocations. Earmarking would foster harmony between winners and losers. For earmarking to have meaning, however, less money would be dedicated to the fund in years when capital gains plunge and tax receipts drop.

- *Third*, replace the antiquated and inefficient U.S. system for taxing the worldwide income of U.S. multinationals (a system that raises very little revenue) with a new system that allows a broad exemption for income earned abroad. However, the broad exemption would be conditioned on certification that the U.S. parent corporation, all its foreign subsidiaries, and its principal suppliers exceed core labor and environmental standards in their operations and appropriately disclose their labor and environmental performance. Again, an independent commission (not the IRS), drawing on the work of the Global Reporting Initiative, would set certification and disclosure standards.

- *Fourth*, in parallel with domestic initiatives on labor and the environment, the administration should launch negotiations in the International Labor Organization (ILO) to establish a worldwide system for certifying observance of core labor standards, by both firms and countries. Likewise, as Daniel Esty has proposed, the administration should enlist international support for creating a Global Environmental Organization (GEO). Among its tasks, the GEO would certify the observance of recognized environmental standards. Both the ILO and the GEO would issue periodic

“report cards” on national performance, just as the IMF and the WTO do on trade and macroeconomic policy.

- *Fifth*, authorize the president to negotiate new trade and investment agreements to reduce barriers. Congress would vote these up or down on a “no amendments” basis, within the life of the Congress (if submitted during its first session). In other words, new authorizing legislation should call for enabling legislation on a “slow track,” not a “fast track.”

- *Sixth*, the authorizing legislation should give the president authority to pursue trade and investment negotiations in various forums—WTO, APEC, FTAA, Pacific-5—after giving advance notice, plus a list of specific objectives, to Congress. (After receiving notice, each house of Congress should have a 60-day window to disapprove the launch of negotiations—a variant of the “narrow track” idea floated by Representative Phil English.) The president should be permitted, but not required, to seek agreement on plurilateral or multilateral measures (in the ILO and the GEO as well as in trade organizations) that would reinforce the labor and environmental provisions already adopted by the United States (as outlined above). Broad presidential authority would enhance America’s ability to achieve its goals—since the president would be tied neither to a single forum nor to unattainable objectives.

The views expressed in this publication are those of the author. This publication is part of the overall program of the Institute, as endorsed by its Board of Directors, but does not necessarily reflect the views of individual members of the Board or the Advisory Committee.

Mr. HOUGHTON [presiding]. Thank you, Mr. Hufbauer.  
Mr. Hathaway.

**STATEMENT OF DALE E. HATHAWAY, PH.D., EXECUTIVE DIRECTOR, NATIONAL CENTER FOR FOOD AND AGRICULTURAL POLICY, AND CHAIRMAN, AGRICULTURE POLICY ADVISORY COMMITTEE**

Mr. HATHAWAY. Thank you, Mr. Chairman.

I appreciate the opportunity to present my views on these issues. I don’t think that either the street theater or the agricultural negotiations caused the breakdown in Seattle. I believe the breakdown was inherent in things that preceded that by quite some time.

Basically, I think it was a function of a lack of political will on both the U.S. and the European sides. On the U.S. side, it was clearly evident by the inability of the Congress and administration to get trade negotiating authority for the President. On the European side, it was equally apparent in their inability to even make modest adjustments in their agricultural policies. It appeared as part of the impasse over the director general which in turn led to inadequate preparations and an almost inevitable failure at the time.

This is behind us. It is now time for us to move ahead. And it seems to me that the U.S. again can provide some leadership and has begun to.

First, I am pleased to see that the general counsel, in part at the prodding of the U.S., has agreed to move ahead in the committee on agriculture to do, as Ambassador Barshefsky calls it, clear the underbrush. After a Ministerial in 1982 failed to launch a new round, the committee on agriculture, chaired by Aart de Zeeuw of the Netherlands, met from 1982 to 1986. That committee was very largely responsible for laying out a framework that made the Uruguay round negotiation in agriculture possible.

One final caveat in that regard. The agricultural community is much concerned about a comprehensive undertaking in the negotia-

tion. The committee on agriculture will not provide that. Therefore, it is important that the U.S. insist that any activities that occur in the committee on agriculture be folded back into a broader negotiation when it is possible to restart those negotiations.

Finally, I think that, as everyone has suggested, we need to pay substantially more attention to the concerns of the developing countries. I think it became obvious when the developing countries decided they no longer were willing to let Europe and the U.S. decide who the next director general was going to be that this is a different WTO and one in which we need those countries on our side.

I think that is especially important in agriculture, where those countries suffer as much as or more than anyone in terms of the trade practices that we want to have removed. Therefore, I think we should spend less time in agriculture negotiations and in arm wrestling with the European Union, and more time in gathering broad based allies that move to reduce the trade distorting practices in agriculture.

Thank you very much, Mr. Chairman.  
[The prepared statement follows:]

**Statement of Dale E. Hathaway, Ph.D., Executive Director, National Center for Food and Agriculture Policy, and Chairman, Agriculture Policy Advisory Committee**

#### SUMMARY AND OVERVIEW

A number of factors contributed to the failure of the World Trade Organization (WTO) Ministerial in Seattle. These included: insufficient political will and a lack of consensus in Europe and the United States, inadequate preparation and agreement on the agenda prior to the Seattle meeting, decision-making procedures used before and during the Ministerial that are inadequate to the much larger WTO, and a failure to comprehend the depth and nature of the discontent among the developing countries.

At this point it is counterproductive to lay blame and point fingers as to who is responsible for the failure. We should concentrate on how we can repair the damage, remove the obstacles, and move ahead with the needed changes in both our own positions and in the WTO as an organization.

I do not believe that the street theater of the rioters and marchers was a significant factor in the failure. Nor do I believe the difficulties in arriving at an agreed framework for the agricultural negotiations was the crucial element that caused the breakdown. If all other elements of the negotiations had been in place, I believe that the difference on the agricultural issues could have been bridged.

The first task should be to move ahead with the built-in agenda in a way that will help overcome the difficulties encountered in Seattle. In the case of agriculture this can best be done by activating the Committee on Agriculture of the WTO, finding a new dynamic chairman for that Committee and charging the Committee to develop an agreed-upon approach for carrying out the mandate to continue the agricultural reforms started in the Uruguay Round.

Second, I believe we should broaden the base of our interest in the agricultural negotiations and move off our excessive focus on the European Union (EU). In Seattle, most of the discussions on the agricultural text appeared to focus on achieving language that would predetermine the outcome of the negotiations. It appeared to be a contest between the EU and its allies and the US and its Cairns Group allies. Rather than adhering to this narrow focus, we must enlist the broad support of developing countries in our efforts to reduce and remove trade-distorting agricultural subsidies. This shift will require a change in the attitude of many agricultural groups as well as that of our officials and members of Congress.

Third, we also should do more to deal with the concerns of developing countries that make up the majority membership of the WTO. We and others promised technical assistance at the end of the Uruguay Round to help countries implement their Uruguay Round obligations, and that assistance has not been forthcoming. Many countries lack the trained personnel to mount a negotiation and lack the expertise

to analyze the potential benefits of different proposals. As a result they join blocs led by countries claiming to know what is best for them or they ask for special exemptions from new trade rules. They are frustrated by feeling excluded from the key decision-making groups and by the fact that their concerns are largely ignored. It is in our long-run interest to help these countries become better informed participants in the process.

In all likelihood it will be at least a year before the Ministerial can be resumed. We have much to do in that time, including the developing of a new political consensus to support our trade policy. In the absence of such consensus the US cannot resume its position as the world leader in international economic policy.

#### INTRODUCTION

As chairman of Agricultural Policy Advisory Committee (APAC) I was a part of the official US delegation to the Seattle Ministerial of the World Trade Organization (WTO) held November 30 to December 3, 1999. The APAC met with senior administration officials in late October before the Seattle meeting and had discussed the US positions on issues related to agriculture at that meeting and at the two prior APAC meetings. My observations are based on discussions and conversations during and after those meetings, briefings provided during the Seattle meetings for the Delegation and for the APAC; as well as, my experience as the senior agricultural negotiator in the Tokyo Round.

There were two events taking place simultaneously in Seattle, one on the streets where protesters attempted to disrupt the Ministerial meeting, and one in the Convention Center where official representatives of governments were dealing with the business of the Ministerial and attempting to launch a new round of trade negotiations. The protesters consisted of two groups, one dedicated to disrupting the activities of the WTO and other international institutions, and a group of labor representatives and environmental groups that are skeptical about further trade liberalization and want it accompanied by international rules regarding labor rights and protection of the environment. A great deal of attention has been paid to the activities in the street, and many persons, including the President, have discussed the need to accommodate the concerns of the labor and environmental groups in our trade negotiations.

I believe that the protests outside the Convention Center had little or nothing to do with the failure of the Ministerial. The effect of the protesters was and will be related to their ability to bring political pressure on some WTO member governments to adopt the positions and issues they espouse. As I shall point out later, the greater the success of these protest groups, the more difficult it will be to move toward more liberalized trade in the WTO of the 21st century.

#### *Factors Contributing to Failure*

In my view more attention needs to be paid to the activities inside the Convention Center, and the reasons underlying the failure of those negotiations to launch successfully a new round of trade negotiations. One factor leading to the failure of the Seattle Ministerial was the lack of attention paid to developing countries' opposition to the agenda. Finding a common ground with the developing country members of the WTO should become a priority in subsequent negotiations.

The danger signs of a possible failure in Seattle were clear for all to see. They first appeared as an impasse over the choice of a new Director-General of the WTO. Developing countries, that now make up the majority of the WTO members, were no longer content to have the Europeans and the US choose another European Director-General as they have since the founding of GATT in 1947. Developing countries put forth their own well-qualified candidate and hung tough on the choice until the US and Europe were willing to compromise on a split term for the two leading candidates. This impasse resulted in a Director-General who clearly was not the first choice of many countries and, more importantly, came to the position late and had inadequate time to lead the preparations for a successful Ministerial.

Second, a successful trade negotiation requires significant political leadership by the leaders of major trading countries, most especially the United States and Europe. It is clear to the world that there is no political consensus for an new trade negotiation in the US. The Congress has refused to provide trade negotiating authority to the President, and the attention of the White House was diverted for most of 1998 and early 1999 by investigations and impeachment hearings. Many of the strongest Administration supporters are strongly opposed to new trade negotiations and have insisted on adding labor rights and environmental issues to the agenda if any negotiations are to take place. As a result the Administration did not provide strong clear leadership, but proceeded cautiously by putting forth proposals for a

limited negotiation involving politically popular new trade initiatives and sector negotiations.

The situation in Europe also shows lack of political will. A new Commission of the European Union took over in mid-1999 after the old Commission resigned in disgrace as a result of scandal and mismanagement. Moreover, the new government of Germany, that normally is strongly supportive of trade liberalization, has proven to have serious domestic political difficulties. Political power is divided in France. The EU is focused on the launch of the common currency, enlargement, and the Balkans. A forecast of the limited European commitment to further agricultural reform was evident in the refusal of the EU heads of state to accept the rather modest reforms of the Common Agricultural Policy (CAP) proposed by the Commission in 1998 to enable the EU to meet additional rollbacks in export subsidies expected as a result of a new negotiation. The French insistence that internal prices not be reduced as much as the Commission proposed was a clear signal that the EU would not accept a negotiating mandate to phase out export subsidies completely. That, of course, was a major sticking point in Seattle and brought intervention from the highest political levels in France to veto any mention of eliminating export subsidies in the proposed text on agriculture.

Thus, the two major trading powers that must provide consensus and leadership for any trade negotiation to succeed were both unable and unwilling to do so. The US proposed a limited agenda that would have entailed minimum sacrifice and immediate gains for the US from a short negotiation. It also proposed adding labor rights and environment issues to the negotiating agenda. The EU proposed a broad agenda of new issues involving competition policy and investment policy almost certain to entail years of negotiation. Moreover, whereas the US was happy to settle for further negotiations to liberalize agricultural trade using the Uruguay Round format, the EU was pushing for a series of new agricultural issues involving food safety, animal rights, and ways to protect the multifunctionality of agriculture.

The developing countries had limited enthusiasm for a new round, asserting that they needed additional time to adjust to the Uruguay Round agreements. They also wanted some of their issues on the agenda, including a reopening of the trade remedy rules and the intellectual property rights agreement. Most developing countries felt left out of the preparatory process, and felt they were not included in the key consultative process in Seattle.

Moreover, the developing countries were strongly opposed to both the US and EU suggestions for new agenda items. Developing countries viewed the move to include labor rights and environmental issues as overt moves toward protectionism by the developed countries. This view was reinforced by President Clinton's quoted remark that we would use trade sanctions to enforce labor rights in other countries. This, together with the refusal of the US and others to give serious hearings to the demands of developing countries regarding problems they have had with the Uruguay Round agreements, led to the developing countries' withdrawing from the process.

Normally, a Ministerial meeting begins its deliberations with a text for the different sectors and the overall framework upon which the major trading parties virtually agree. Some key elements are always unresolved, and they are the primary focus of the Ministerial negotiations. These nearly final texts are the result of months of discussions and compromises brokered by the WTO Secretariat.

No such texts existed for the Seattle Ministerial. Several attempts to produce a text for agriculture had failed to produce a common text with only a few remaining differences. Instead the production of a draft text fell to the chairman appointed to chair the agricultural negotiating group. That text was still under negotiation when the Ministerial was adjourned. Now the EU and others have said that text has no standing and the process will go back to the beginning.

In my view the agricultural issues were not the deciding issues that caused the failure of the Ministerial. However difficult agricultural issues can be, I doubt that the US, the EU or the developing countries would have scuttled the negotiations over a word or two in the agricultural text if all the other elements of the negotiation had been in place.

The US was under siege on some issues that we wanted to keep out of the negotiations and was making little or no progress on gaining acceptance of some of the issues we wanted included. The push for accelerated tariff liberation on selected products in which we have a substantial advantage was opposed by Europe and most developing countries. Thus, in general, the immediate political fallout in the US appeared significant and the gains distant. In this context, the suspension of the Ministerial probably was not the worst outcome from the Administration's point of view.

*Moving Beyond Seattle*

It appears that it will take some time to clear the decks so that the full Ministerial can be resumed. While they are too polite to say so openly, most countries have no interest in negotiating with a lame-duck US administration. Thus, the full negotiation can probably not be resumed until sometime in 2001, after a new administration is in place and organized. Some developing countries suggest it could be as much as two years before they will be ready to return to completing the Ministerial.

However, the Uruguay Round called for a renewed negotiation on agriculture and services to begin in 2000. There seemed to be some agreement in Seattle that the so called built-in agenda should be honored, and thus, that negotiations on agriculture and services should proceed. The question is how should they proceed and what should the US strategy be. It is important that the US take the initiative to move the so-called built-in agenda forward so that when a full negotiation is again inaugurated, the problems plaguing the Seattle Ministerial in agriculture will be resolved.

It is also important that the administration insists that any progress made on the built-in agenda be incorporated into a broader agenda when one is finally authorized by a Ministerial because the built-in agenda does not provide a broad negotiating base. The agricultural community identified and expressed its concerns about whether a single undertaking negotiation involving only agriculture could produce significant results during the preparations for the Seattle Ministerial. This caused some tensions between the Administration and the agricultural community over the proposed Accelerated Tariff Liberalization.

It should be remembered that this is not the first failed Ministerial. In 1982, a similar failure occurred, but it was possible to make substantial progress in agriculture toward laying the groundwork for the subsequent Uruguay Round. This was done through the Committee on Agriculture of the GATT under the skillful chairmanship of Aart de Zeeuw of the Netherlands. That committee laid out the issues, discussed alternative ways of addressing them, and moved the process toward agreement on a text that was to become the mandate for the agricultural negotiations in the Uruguay Round.

The Committee on Agriculture of the WTO should be charged to play the same role again. The US should move immediately to find and to urge the appointment of an able, forceful and neutral chairman and work with that person to develop an agenda to do the preparatory work that was not completed before Seattle. When the Ministerial is resumed it should start with a text on agriculture that has, at most, a few brackets left to the highest level decision makers.

Second, the US needs to engage the developing countries fully in discussions on all issues, including agriculture. The USDA had efforts in this regard before Seattle, but a government-wide coordinated effort is needed to bring the developing countries more fully into the WTO decision making process. Congress needs to recognize and take into account the interests of developing countries. For years we have said we want trade not aid, but in reality we have not offered much of either to developing countries. The EU offers both special arrangements and much sympathy to developing countries while we lecture them to deregulate, and it is not surprising the developing countries generally line up with the EU on crucial trade issues. This is especially ironic when you realize that the developing countries are among those most hurt by the trade-distorting policies of the CAP.

There are two areas in which I believe we should do more to assist developing countries. One is to provide technical assistance to help countries meet their obligations under the Uruguay Round agreements. Such assistance was promised at the end of the Uruguay Round and has not been delivered. The second area is assistance in capacity building to enable developing countries to participate fully in and benefit from trade negotiations. In our work at the National Center with the Caribbean Community (CARICOM) countries of the Caribbean and from discussions in Africa last year, I have been struck by how limited the capacity of many countries is to understand and cope with complex negotiations.

In addition, we should focus more attention on the issues of Special and Differential treatment for developing countries rather than dismissing such demands out of hand as we tend to do. We should ask whether the requests are based on sound justification, and if special and differential treatment is to be a part of trade agreements, how it can be incorporated without destroying the universality of the world trading rules.

Third, the US should broaden its focus in agricultural negotiations, that appears to be largely on the EU. It is true that the US wants to curb some of the trade-distorting practices of the EU, namely export subsidies, and wants to avoid some of the trade restrictive practices the EU is proposing in the guise of food safety, ani-

mal welfare, and multifunctionality. However, the reality is that market growth for US agricultural exports is outside the EU in the developing countries of Asia, Latin America, and Africa. Therefore, our market access strategy should focus on those countries. I have been observing and participating in trade negotiations for nearly forty years, and in that time I have observed a near obsession in the USDA regarding the CAP and efforts to change or destroy it at the cost of almost every other issue.

It appears that too much effort is being put into achieving a negotiating mandate that tries to predetermine the final outcome of the negotiations. Some, including some of our agricultural groups, view each word proposed by other countries as having a hidden meaning and always attribute the worst possible motives to that meaning. I believe that we should stop trying to negotiate the final outcome in advance and concentrate on getting discussions started on the modalities to achieve the trade liberalization we desire. It is far more important whether the final outcome contains a 25, 50 or 90 percent reduction in the volume of subsidized exports than whether the negotiating mandate contained the magic word eliminate. And it probably would not mark the end of all market access negotiations if the word multifunctionality appears somewhere in the mandate. We should focus on strategy to achieve desired results not on strategy to produce a framework with the desired buzzwords.

At the same time that we are pursuing a negotiating framework in the WTO Committee on Agriculture and attempting to gather allies from the developing countries, we should actively pursue our rights under WTO rules. The so-called "peace clause" expires at the end of 2003, and we should be ready and willing to take WTO action as soon as it expires against those practices and policies that appear to jeopardize our WTO rights. Unless other countries indicate a willingness to cooperate on moving ahead on the agricultural issues of interest to us, we should not agree to extend the peace clause beyond its current expiration date.

The WTO decision process clearly is not suited for a world of instant communication and a membership of 135 countries or more. The consensus approach to decision making appears no longer to work, and a system to replace it is not immediately obvious. In addition, the closed nature of the process has raised suspicions among some member nations as well as nongovernmental organizations. This issue also needs to be addressed, with due regard to the vast difference between countries on the role of private organizations.

There appears much work to be done before the WTO Ministerial can be resumed with a good prospect of success. Getting that work underway also will allow the next administration to move to develop the consensus needed in the US to allow us to become the world leaders again.

Mr. HOUGHTON. Thank you, Mr. Hathaway.  
Mr. Trumka.

**STATEMENT OF JOHN J. SWEENEY, PRESIDENT, AMERICAN  
FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL  
ORGANIZATIONS; AS PRESENTED BY RICHARD TRUMKA,  
SECRETARY-TREASURER**

Mr. TRUMKA. Thank you, Mr. Chairman.

I thank you for the opportunity to appear here today on behalf of the AFL-CIO and our 13 million members. It's clearly important that we understand, all of us 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 eyes. Many of those who have given testimony here today have stressed the up side of the global economy, rapidly growing trade, 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 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 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 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 an economy where the largest companies in the world, headed by some of the richest people in the world, sell over-priced goods to the relatively wealthy consumers and 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're all living in the same global economy. Rosy predictions and corporate cheerleading cannot change the reality of the global economy. That's our job.

Yours as Members of Congress, 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 and 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 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 and equality, on development and on global financial markets.

Worse yet, many diverse voices in Seattle called for institutional reforms to ensure that the WTO operate with more democratic accountability and transparency. I want to take this opportunity to associate myself and thank Mr. John Lewis for his remarks this afternoon.

I am particularly, we are particularly frustrated, Mr. Chairman, with the administration's prolonged inaction on steel wire rod section 201 cases. A decision was due from the administration on September 27, more than 4 months ago. In the meantime, imports continue to grow and thousands of steel workers' jobs have been put at risk. The steel workers played by the rules. They waited patiently for a decision and their patience is wearing thin. They deserve a timely decision and appropriate action.

If we do not do better in the future, Mr. Chairman, 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 pale Seattle. It's important for all of you in Congress to recognize that these views are shared by a broad and a 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've raised here today is addressed in the bilateral WTO ascension agreement the United States government signed with China late last year. The Chinese Government's abysmal record of violating its citizens' fundamental human rights to freedom of speech and religion and association will be harder, not easier to challenge, if Congress grants permanent NTR.

The Chinese Government's woeful record of violating the term 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 the 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's absolutely essential that this 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.

Mr. Chairman, let's 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. Thank you, sir.

[The prepared statement follows:]

**Statement of John J. Sweeney, President, American Federation of Labor and Congress of Industrial Organizations; as presented by Richard Trumka, Secretary-Treasurer**

Mr. Chairman, members of the Subcommittee, I thank you for the opportunity to appear here today on behalf of the AFL-CIO 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 president 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, 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.

I would like to take this opportunity to express my appreciation for Mr. Lewis's remarks this afternoon on the need to improve the transparency of our trade institutions in general and NAFTA in particular.

The AFL-CIO 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 devel-

oping 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.

Mr. HOUGHTON. Thank you very much, Mr. Trumka.  
Mr. Niles.

**STATEMENT OF THOMAS M.T. NILES, PRESIDENT, UNITED STATES COUNCIL FOR INTERNATIONAL BUSINESS, NEW YORK, NEW YORK**

Mr. NILES. Thank you very much, Mr. Chairman. I appreciate the opportunity to appear before the Subcommittee today.

I'll use my time primarily to talk about the issue of trade and labor, or to put it another way, how to deal with the issue of labor rights in the globalizing economy. This is because the organization I represent, the U.S. Council for International Business, represents U.S. business in the International Labor Organization. We have a particular interest in this issue.

Trade and labor was one of the points of controversy in Seattle, but by no means the only issue. It was not, I don't think, the principal rock on which the WTO Ministerial failed. In my view, Seattle failed largely because of the long and debilitating struggle over the succession to Renato Ruggiero as WTO Director General. Traditionally, the DG has played the role of conciliator and consensus builder in the WTO. However, during most of the period leading up to the Seattle Ministerial, there was no Director General, and the position itself was a source of controversy.

Ministers, not surprisingly, in Seattle during 4 days were not able to do what their senior officials were unable to do in 18 months in Geneva. Progress was made in Seattle and I hope that that can be enshrined in some sort of a document and can be used as the basis for further discussions in Geneva.

The demonstrations that we've discussed today were largely, in my view, street theater and a media event, and did not cause the failure of the Ministerial. The Ministerial would have failed had there been no demonstrations in Seattle.

On the trade and labor issue, Mr. Chairman, there were two proposals on the table. 1) the United States proposal for a working group on trade and labor; 2) a proposal by the European Union for a "Joint WTO-ILO Standing Working Forum on Trade Globalization and Labor Issues." The developing countries rejected both of these proposals, arguing that the issue of trade and labor had been settled once and for all in Singapore. The statement that President Clinton made to the Seattle newspaper changed no minds. It did tend to confirm what the developing countries had believed all along, that the United States was not after a study, but after sanctions.

My organization, the USCIB, fully shares and supports the efforts and objectives of the United States government and others, including the AFL-CIO, to raise labor standards around the world. Where we part company is over tactics, or how best to do it. Let me briefly explain why we don't believe it would be productive to continue to try to introduce labor issues into the WTO.

First, if we're interested in studies, Mr. Chairman, the studies have been done, many of them, in the OECD and the ILO, with generally the conclusion that differences in labor standards do not in and of themselves determine trade flows and investment flows. If we want to use trade to encourage higher labor standards, there's a better way to do it. We could follow the European Union's example and add to our GSP benefits for developing countries that fully satisfy ILO basic core labor standards. We can do this unilaterally.

The second reason for not putting labor issues into the WTO is that developing countries are dead set against the proposal and are not going to change their position. I saw no evidence in Seattle that there was any flexibility on their part. They're not prepared even to discuss it, which can be seen as irrational, but that's their position.

Third and most importantly, Mr. Chairman, there is a better way to do this, namely through the use of the June 1998 ILO Declaration on Fundamental Principles and Rights at Work. This declaration, which was developed largely through cooperation between our Council and the ICFTU, takes the mandate that was given to the ILO by the Singapore WTO Ministerial and creates a means to raise core labor standards around the world, including in countries that have not ratified ILO core conventions. And that latter point is particularly important.

Implementation of the Declaration is now beginning with the principle of freedom of association. We hope that the U.S. Government and the AFL-CIO will join us in the ILO to ensure the success of this project. Through the use of ILO cooperative programs and its influence, coupled with the extraordinary power of publicity in our networked world, this could be a very effective process. Countries will not want to risk being left out of international investment flows due to poor labor practices. Nor will companies

wish to run the risk of consumer resistance due to problems in the labor area. We've seen many examples of how this can work.

We do need, Mr. Chairman, better coordination between the various organizations that are involved in parts of the international economic development process, including the international financial institutions, the ILO and the WTO, to ensure that the social consequences of economic restructuring can better be dealt with.

In sum, Mr. Chairman, our council believes there's a better way through the ILO to deal with the issue of trade and labor. Resurrecting the U.S. proposal for a WTO working group after three rejections, Marrakesh, Singapore and Seattle, would not only mean another rejection in the WTO. It would also compromise our chances for major progress in the ILO, given the developing countries' likely reaction.

We have a significant opportunity now to overcome this setback of Seattle and move ahead on a broad front internationally and domestically. On the latter, we hope that this millennial year will be marked by Congressional approval of PNTR for China, the Africa CBI initiative and WTO reauthorization, demonstrating to our trading partners that Seattle was an aberration and that the United States can play its indispensable leadership role in creating a rules based international trading system.

Thank you very much, Mr. Chairman.

[The prepared statement follows:]

**Statement of Thomas M.T. Niles, President, United States Council for  
International Business, New York, New York**

I am Thomas Niles, President of the United States Council for International Business (USCIB). The USCIB has approximately 300 members including multinational enterprises, law firms and trade associations. It represents U.S. business in the International Chamber of Commerce (ICC), in the Business and Industry Advisory Committee (BIAC) to the OECD, and, most importantly for the subject I wish to discuss today, in the International Labor Organization (ILO) through the International Organization of Employers (IOE).

I very much appreciate the opportunity to appear before the Subcommittee today. I wish to use the time allocated to me to discuss the issue of the relationship between trade and labor. Because of the USCIB's participation in the ILO, this is an issue on which we have been particularly active.

The issue of trade and labor, or to put it another way, how to deal with the issue of labor rights and standards in a globalizing economy, is not a new one, going back as it does at least to the formation of the ILO in 1919. However, this issue received more prominence during the run-up to the Seattle WTO Ministerial and at the Ministerial itself than was the case in previous multilateral trade rounds. While trade and labor was one of the controversial issues at Seattle, it was not the only, or even the principal rock, on which that enterprise foundered.

In my view, the principal reason for the failure in Seattle was the long and debilitating struggle in the WTO over the replacement of Renato Ruggiero as WTO Director General. Traditionally, the WTO, or GATT, Director General has played a vital role as conciliator and problem solver. During much of the run-up to Seattle, not only was there no Director General, but the filling of that office itself was a major source of contention. Not surprisingly, Ministers found it impossible to solve in four days what had eluded senior officials for more than 18 months. In addition, the developing countries came to Seattle believing they had been denied the "special and differential treatment" they had been promised in the Uruguay Round. For these countries, numbering more than 100 of the WTO's 134 members, the trade and labor issue was particularly sensitive.

There were two proposals on the trade and labor issue on the table at Seattle: one, put forward by the United States, called for the establishment of a trade and labor working group in the WTO; the second, advanced by the EU, provided for the formation of a "Joint ILO-WTO Standing Working Forum on Trade, Globalization and Labor Issues." The developing countries rejected both. Their position was, and remains, that this issue was settled once and for all at the Singapore WTO Ministe-

rial in December 1996, which referred the issue to the ILO. This was restated in a G-77 statement on Seattle issued in October 1999.

Although Administration representatives insisted that they were only interested in “studying” the relationship between trade and labor standards, this position was not taken seriously by the developing countries. The latter assumed that the United States had a hidden agenda of establishing a basis for imposing trade sanctions over non-observance of core ILO labor standards. President Clinton’s December 1 interview with the Seattle *Post-Intelligencer* confirmed their fears that the United States had something more concrete in mind than a “study.”

The USCIB strongly supports efforts to raise labor standards around the world. In this respect, we fully share the goals of the Administration and others, such as the AFL-CIO. Where we part company is on how best to accomplish this goal. Allow me briefly to outline why we oppose the introduction of labor issues into the WTO:

- If studies, and not sanctions, are indeed all that is involved, the fact is that this issue has been extensively studied by the ILO and the OECD. These organizations have concluded that the extent to which countries adhere to ILO labor standards does not have a discernable impact on trade flows. For its part, the WTO, which has no particular analytical capability, is unlikely to be able to add anything to those studies. If the objective is to create a basis for trade sanctions, we question how the imposition of barriers to LDC exports will promote better compliance with ILO labor standards. We believe, as many studies have shown, that the key to better labor standards is economic development, which can be achieved through increased trade and investment flows, not sanctions. If the U.S. wishes to push this process forward, we recommend the adoption of the EU program of giving a supplement to GSP to countries that fulfill their obligations under ILO conventions;

- As I noted, the developing countries are dead set against the U.S. proposal, which they see as the first step toward a new protectionism. Realistically, there is no package of concessions to which we could agree that could cause them to abandon this position. Under the provisions of the WTO Charter, a consensus would be required to introduce provisions permitting us to impose sanctions in cases involving non-observance of core labor standards. Should we argue that developing country acceptance of a trade and labor working party is a requirement for their agreement to a new trade round, most of the developing countries would reply that the idea of a new round was ours and that they are prepared to forego the experience; and,

- Finally, and most importantly, there is a better way to deal with this issue, namely through the ILO, using the June 1998 ILO Declaration on Fundamental Principles and Rights at Work.

The ILO Declaration was developed in large part at the initiative of the USCIB, particularly by my predecessor, Ambassador Abraham Katz. It takes the mandate given to the ILO by the Singapore WTO Ministerial and creates a basis on which the ILO can use its influence to promote the implementation of its core labor standards throughout the world, including in countries that have not ratified the relevant ILO Conventions. This process is now beginning, and in its first year the ILO will consider the principle of freedom of association, one of the fundamental requirements for raising labor standards.

It has been argued that this approach is flawed due to the fact that the ILO “has no teeth.” However, the ILO has significant influence, including in some of the countries most in need of radical changes in the labor area. Moreover, the publicity that will accompany ILO efforts to deal with these problems, using the Declaration, will be a powerful incentive for governments and private companies that do not adhere to core labor standards to clean up their acts. Countries will not wish to be in the spotlight for poor labor practices, given what this can mean for flows of capital, and companies will not wish to run the risk of consumer resistance to their products due to problems in the labor area. We have seen examples of the power of such publicity in a networked world.

One idea that has recently surfaced in the discussion of this issue is the need to establish some mechanism to coordinate the activities of the various international agencies involved in one aspect or another of the development process. For example, when the IMF develops a country program that involves austerity measures by the country concerned, it is crucially important to keep in mind that this program may have significant social consequences. Does the country in question have programs, a “social safety net,” to deal with those consequences? This is where the ILO could, and should, be called in, to work with the IMF to ensure that the negative social consequences of the IMF program can be minimized. Some sort of informal consultative structure involving the International Financial Institutions, the ILO, the WTO, UNCTAD, and other organizations, could prove quite useful.

In conclusion, Mr. Chairman, the USCIB believes strongly that there is a better way to deal with the issue of trade and labor than to persist in what will be a futile

effort to force this issue into the WTO. The ILO is the better alternative, and the United States government, labor and business should work together, as we did in the case of the 1998 ILO Declaration, to ensure that the ILO moves ahead vigorously in implementing the Declaration. Further alienating the developing countries by pushing for a WTO working group on trade and labor could ensure that we will fail in the ILO as well as in the WTO.

Chairman CRANE [presiding]. Thank you.  
Ms. Wallach.

**STATEMENT OF LORI WALLACH, DIRECTOR, PUBLIC CITIZEN'S  
GLOBAL TRADE WATCH**

Ms. WALLACH. Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to testify. I'm Lori Wallach with Public Citizen's Global Trade Watch.

I'll summarize my written testimony by starting with number one, Seattle was not a fluke or an accident caused by random factors, either. And indeed, it's important to understand who the protesters were and what they were about.

For instance, to rely on the goofiness of, say, Tom Friedman, is at the peril of making the changes to move forward. In fact, the protesters were informed. Ninety-nine point nine percent of them were peaceful. They are diverse, and I chance to say, some of them might have been your neighbors.

They came there, 50,000 of them, on their own time and their own dime, because they were motivated by their personal experience of 5 years of the WTO. The WTO's record was the major organizer of the protest.

Not only should these folks not be dismissed as ignorant, but at this point it's not possible to saddle with them with more macroeconomic statistics or promises of benefits. Some of them bought into the \$1,700 a year in family income will increase if the WTO passes line, and after 5 years, they don't just realize that didn't happen, they were additionally peeved.

Meanwhile, many of the things they were concerned about did occur. Every single environmental and consumer law that WTO reviewed was ruled against, income inequality has increased. For the folks who work in development issues, the share of trade for the developed countries has decreased, and so forth.

These folks also don't buy the inevitability line. They know the question is not whether there will be globalization or not, but what will be the rules. And they know it took a long time for the current rules to be designed and put in place. And they find the current rules' outcomes unacceptable, and they're committed to working for change. And they're blessed to live in a democracy, where when the demand for change builds sufficiently, change either happens in the policy or in the policymakers.

Number two, the intensity and diversity of the protests should not have come as a surprise, certainly not to the U.S. Congress, as there is a long list of empirical evidence demonstrating that the NAFTA-WTO paradigm of international commerce is no longer viable. That evidence being two fast tracks, two CBIs, an MAI, and so forth., that did not happen.

The consensus is gone because the circumstances changed and the policy didn't keep up. And the folks who were in Seattle would really prefer to work for it in a creative way to change old policies. But it appears that those who support the status quo seek one more piece of evidence about why we're not going that way. And that would be the fight on permanent most-favored-nation. Which by the way, after hearing the mantra from the administration about losing all the benefits if we don't permit most-favored-nation, no Subcommittee other than this one knows more that we have a bilateral reciprocal MFN agreement with China which continues. The question is the dispute resolution. We don't lose the market access benefits.

And number three, continued inflexibility will be the number one contributing factor to imploding the WTO. The President says we should try a new paradigm, but then he pushes permanent MFN with no labor, environment and human rights. USTR Barshefsky calls for new a round, but actually a month ago said her lesson was they needed to fix the WTO first. The groups who brought you Seattle are arguing that to start with, pruning back some of the places that the Uruguay round got into domestic decisionmaking would be a first way to go forward.

And then finally, the cause of the breakdown of the negotiations and the implications. To say there was no link between the protesters is perhaps soothing in the short term, but it's wrong. It wasn't the folks in the streets. It's been years of organizing and educating in numerous countries. And in fact, a year-long campaign leading toward Seattle, called the new turnaround campaign.

What resulted was, number one, for the first time negotiators were someone accountable to their own publics and were being closely observed. And number two, the whole world got to see that the U.S. public opinion did not necessarily support the agenda the U.S. had pushed.

So as a conclusion, I would hope one thing we can agree is that the Seattle experience should have been a wakeup call for the groups who organized toward it. The resolution on the WTO is not something we take seriously. We think the WTO should be on a short leash to make some major changes, but to face fix it or nix it, either the system will have to bend or it will break. That would be unfortunate.

Thank you.

[The prepared statement follows:]

**Statement of Lori Wallach, Director, Public Citizen's Global Trade Watch**

Mr. Chairman and members of the committee, on behalf of Public Citizen and its members nationwide, thank you for the opportunity to testify about the historic World Trade Organization (WTO) Ministerial Summit in Seattle held in late 1999.

My name is Lori Wallach. I am the director of Public Citizen's Global Trade Watch. Public Citizen is a consumer advocacy group founded in 1971 by Ralph Nader. Global Trade Watch is a division of Public Citizen founded in 1993 which focuses on governmental and corporate accountability on globalization, international commercial and trade issues.

Allow me to start my testimony with a summary of my conclusions:

First—Seattle was not a fluke. The sentiment underlying the WTO protests is based on the personal experience of people affected by the WTO's rules and rulings. The critics of WTO are energized by their knowledge of WTO's effects, not by "ignorance," which some WTO-boosters dismissively argue can be educated away. The majority of protestors were peaceful, informed people who probably include some of

your neighbors and who intend to see the major flaws in the current model of corporate economic globalization fixed. These folks realize that what we have now is not “free trade.” And, they won’t tolerate the continued damage to many of their most important values and interests of the “corporate managed trade” system we now have. They know that there is nothing inevitable about the current rules. They know it took years for those benefitting from this version to develop it and put it into place via mechanisms like the Uruguay Round Agreements and the WTO.

Second—the diversity and intensity of the protests against WTO in Seattle should not have been a surprise—certainly not to the US Congress. The fact of the matter is that international commercial policy in the United States has been at a standstill for years because consensus on this vital matter has broken down. American consumers rallied with labor and environmental allies to stop the out-dated Fast Track procedure, CBI NAFTA expansion, and the Multilateral Agreement on Investment. The status quo trade policy—which now does set environmental, human rights and labor standards in commercial agreement, but in the form of constraining government action in these areas—is no longer publically acceptable or politically viable. We need to move forward towards a new policy. Yet instead the same folks who stopped Fast Track, MAI et al are facing the tedious prospect of having to stop yet another backwards proposal—PMFN for China—instead of working on how to move forward.

Third—continued stubbornness by the beneficiaries of the international commercial policy status quo (against working towards a new approach) will be the number one contributing factor to further implosion of institutions such as WTO. WTO either must bend significantly or it will break.

On Friday, December 3, 1999, labor, environmental, consumer, human rights, religious, and other non-governmental organizations (NGOs) from around the world let out a collective “whoop” in Seattle, when WTO Director General Michael Moore and USTR Charlene Barshefsky announced a halt to WTO negotiations intended to launch a Millennium Round of WTO expansion.

Many of these groups had been working since the early 1990s. First we worked to shape the Uruguay Round texts. Then, we tried to stop their adoption after having core public interest concerns about safeguarding food safety and the environment not only totally left out, but undermined by the Uruguay Round package. Finally, over the past five years we have monitored the Uruguay Round’s outcomes and attempted to limit the damage the Uruguay Round Agreements were doing to our hard-won domestic public interest policies and democratic decision-making systems.

However, as well in that room now also whooping to see the WTO foiled from an expansion of “more of the same” where the minority of NGOs which had supported the Uruguay Round and establishment of the WTO. This shift is one that proponents of the status quo dismiss at their peril.

For instance, the international consumer movement to which Public Citizen relates was divided on the Uruguay Round. Some consumer groups were concerned that the powerful enforcement of the WTO combined with the anti-public interest provisions tucked into the Uruguay Round’s underlying substantive agreements could undercut vital consumer interests and safeguards. Other consumer groups were hopeful that increased competition would lower prices and increase choice for consumers around the world while promised economic benefits would improve the standard of living for many poor consumers. Back in 1993, no one could know what precisely would result.

But after carefully reviewing the WTO’s real life five year record, in the fall of 1999 Consumers International (the international federation of consumer groups which had supported the Uruguay Round) as well as many of its members organizations, joined a global NGO command for no WTO expansion until an array of problems were “turned around”—namely repairs, deletions and replacements of some WTO terms.

We are often asked how we were able to organize such diverse WTO critics coming from all over the country at their own expense to protest the expansion of the WTO. There actually is a simple answer to that inquiry. It was not any NGO, but the WTO, which provided the greatest organizing push: the WTO’s five year record of undercutting a diverse array of hard-won public interest accomplishments *around the world* is what brought out all of those people to Seattle.

WTO and US officials claim that the impasse in Seattle had nothing to do with the opposition by citizens and the protests in Seattle’s streets, but was a result of the irreconcilable differences between developed and developing countries.

On the contrary, the collapse of the Seattle WTO expansion attempt was in no small part the result of years of work—based on analysis of the WTO’s operation to date and aimed at the inherent and fundamental flaws of that organization.

Over the course of 1999, hundreds of NGOs working on the “inside,” including Public Citizen and thousands of NGOs around the world, put forth to their governments rigorous demands on topics now included in international commercial negotiations as diverse as food safety and labeling, genetically modified organisms, forest and animal protection, investment rules, services, and agriculture. We also monitored our country delegations closely.

Tens of thousands of protestors came to the streets when it became clear that all of our calls for a review and repair of WTO had been rejected in favor of more-of-the-same.

The protestors on the streets, 99.9% of whom were peaceful and well-informed, can be credited with revealing to foreign delegation and to the world public via the media the depth of US public opposition to an international commercial agenda sublimating all values to that of commerce. Given this agenda is pushed by the US government, revealing the lack of broad public support for it here is one of many successes from Seattle. (See Annex below for more on the protests.)

The protests also shortened the time for negotiations to launch WTO expansion. The shorter time made clearer how central the controversial “Green Room” process was in making key decisions.

As well, the Clinton Administration, just like governments all over the world, found itself for the first time in international commercial talks, with its public demanding some level of accountability and watching VERY closely. This scenario made it impossible to slip into the usual closed room and trade away numerous countries public interest for narrow special interests.

The events in Seattle rocked the corporate world. The *Financial Times* editorial page bemoaned the “Disaster in Seattle,” the New York Times the “Shipwreck in Seattle,” and *The Economist* labeled the talks “A Global Disaster.” And, from reports we have had from Davos, the CEOs collected there either were stunned about Seattle and/or still do not understand what happened or it means.

First—Seattle was not a fluke. The sentiment it represented is based on the personal experience of people affected by the WTO’s rules and rulings. The critics of WTO are energized by their knowledge of WTO’s effects, not by “ignorance” as claimed by some WTO-booster. Indeed, those who follow Tom Friedman’s ill-informed calls to ignore the protest as a fluke and move on with business as usual are being set up for a major fall. Seattle was no fluke; it is the new reality.

The majority of protestors were peaceful, informed people who probably include some of your neighbors and who intend to see the major flaws in the current model of corporate economic globalization fixed. These folks realize that what we have now is not “free trade.” They are not willing to tolerate continued damage to many of their most important values and interests of the “corporate managed trade” system delivered by mechanisms like the Uruguay Round Agreements and WTO.

There has been enormous interest in how Public Citizen raised “all of the money” required to organize the assorted NGO conferences in Seattle, open offices, and provide transportation and housing to NGO participants from around the world. The nature of that inquiry exactly pinpoints the depth of mis-understanding about what the opposition was and is.

There is no interested source of Public Citizen’s funding because frankly, there was not much money that went into Seattle organizing. The Seattle protestors were “public citizens” meaning not our organization’s membership, but people with “day jobs” who gave up their free time to work on Seattle activities because they are interested and involved in their governance. With the exception of a few NGO representatives from Africa and Latin America, everyone paid their own way and the latter were assisted by several church organization and other internationally-minded NGO in the U.S. and Europe.

Unlike the corporate host committee for Seattle, almost all of our work was done by volunteers and supplies and services were donated bit-by-bit by people who care about what globalization means for their lives.

We did find accommodations for almost 2500 people, but what is often not noted is that one paid staffer and a team of volunteers found local families to put up over 2000 of these folks in homes. The rest paid for beds we set aside early on at the local youth hostel and a few cheap hotels. We did arrange a transportation system, but it was a pool of hundreds of volunteers who signed up for certain times and days to volunteer to drive around people and supplies in their car, vans and trucks.

With volunteer help from local union carpenters, we built a temporary office space in an empty building in downtown Seattle that is slated for demolition. That office was given ancient computers donated by a Seattle homeless advocacy group which had gotten computer upgrades. The phones were an assortment of old phones from Public Citizen and a local environmental group. At the peak, there were five paid staff—who coordinated literally over 1000 Seattle-area volunteers.

Second—the diversity and intensity of the protests against WTO in Seattle should not have been a surprise—certainly not to the US Congress. International commercial policy in the United States has been at a standstill for years because consensus on this vital matter has broken down. American consumers rallied with labor and environmental allies to stop the undemocratic Fast Track procedure, CBI NAFTA expansion, and the Multilateral Agreement on Investment.

The status quo trade policy—which now does set environmental, human rights and labor standards in commercial agreement, but in the form of limiting government action on these vital public interest safeguards—is no longer publically acceptable or politically viable. We need to move forward towards new policies.

Yet, instead the same folks who stopped Fast Track, MAI and the Seattle WTO expansion launch are facing the tedious prospect having to stop yet *another* backwards proposal—PMFN for China—instead of working on how to move forward.

Third—continued stubbornness by the limited beneficiaries of the status quo on international commercial policy (against working towards new approaches) will be the major contributing factor to further implosion of institutions such as WTO. WTO either must bend significantly or it will break.

The message from US voters, NGOs and the international consumer movement is one and the same. We must radically restructure the way in which our governments undertake international commercial policy—and we are not just talking about transparency, but about substance.

While the specifics of such substantive changes are beyond the scope of this testimony, the basic notion is that the WTO must be *pruned back*. As regards a variety of issue areas, the 18 agreements the WTO was empowered to enforce after the Uruguay Round simply go beyond what is appropriate to be decided by “international commercial” regulations. The Uruguay Round saw a transformation from a focus on tariffs and quotas and objective principles of competition (eg national treatment) into an array of rules setting regulatory and social policy.

With the Uruguay Round, so-called “trade” rules moved beyond the objective and into imposing value decisions about the *level* of health or safety protection a country will be permitted to provide its residents if it desires to remain within trade rules (and avoid sanctions, etc.) Thus, the European Union deciding to ban *all* meat with residues of artificial growth hormones—taking a Precautionary Principle approach to health regulation—was ruled to violate WTO rules even though it treated domestic and foreign cattle the same. That *level* of protection (zero risk) was not allowed.

Similarly, the notion of imposing 20 year monopoly patents on seeds and all medicines is a value decision to subjugate health and food security under commercial priorities. It is these sorts of issues, in which WTO rules constrain today’s developing countries from using the same strategies for development used by the US when it was a developing country relative to much of Europe, that fuels opposition to WTO in the developing world.

The over-reaching into such subjective policy decisions, as implemented on millions of people over the past five years, is what is at the root of growing WTO opposition worldwide.

Thus, ironically it has been in achieving the goal of the Uruguay Round’s designers—to quote its former head to create “the constitution for a single global economy”—that the WTO will be brought down absent major change.

Are we against trade? Do we oppose any and all globalization? Obviously not. However, **what we are for** is for is rules for a global economy in which consumers, farmers, workers, environmentalist and other citizens who will live with the results are able to shape the design to meet the public interest.

#### ANNEX: SEATTLE PROTESTORS—“WHO ARE THOSE GUYS...” AND WHAT REALLY HAPPENED

Given the television network’s obsession with replaying the few violent scenes that transpired in Seattle and the short-sighted strategy of WTO booster in trying to characterize the Seattle protestors as loopy and violent, I wanted to use the record of this hearing to set that record straight.

Thousands of NGO representatives attended conferences, workshops and meetings at venues inside and outside the official WTO meeting buildings. Each day of the Ministerial also had an NGO theme and a full day of educational programming. (Days included “health and environment,” “labor and livelihoods,” etc.) Each day had a major protect or march which was conducted with permits and on three of the four days drew crowds of 15,000 (agriculture and food day at a harbor side park) to 40,000 (the labor day rally at Arena Stadium.) All of these activities were overshadowed in media coverage, however, by what started as peaceful civil disobedience and ended with police sousing crowds with tear gas and rubber bullets.

Even though Public Citizen did not organize the civil disobedience protests, I want to set the record straight as an observer and then later having debriefed scores of those involved:

What occurred on Tuesday November 30 was that before sunrise, several west coast activist groups, who had trained hundreds of people in non-violent, civil disobedience techniques, organized protestors to sit in at the street intersections leading to the Trade and Convention Center. The Seattle Student/Worker Walkout Committee organized a mass walkout of students and employees from local schools and businesses who were part of the sit down protest. Activists linked arm-in-arm and sometimes chained themselves together with the announced goal of shutting down the start of the WTO negotiations. From the perspective of these groups and activists, the conferences, rallies and marches organized by groups like Public Citizen and the AFL-CIO were only one aspect of effective protest: these groups put their focus on peaceful direct action, such as sit ins.

These actions, premised on the non-violent civil disobedience techniques of Martin Luther King, Jr. and Ghandi, had been planned over months. Indeed, the groups had used publicly accessible websites to describe their plans and invite people to obtain non-violent civil disobedience training.

Whatsmore, the sit down protest organizers had met with the Seattle police both to make clear their commitment to non-violence and to prepare the police for the massive civil disobedience arrests that would be necessary to clear the streets on November 30. Indeed, through a series of meeting, the police and the sit-down protest organizers made an agreement that arrests would not begin until sunrise so the process could be reported by the news media. Capping these meetings, there was a joint news conference the week before the Ministerial which included the Seattle mayor, representatives of groups like Public Citizen and the AFL-CIO which held march and protest permits, and representatives of the direct action groups planning the sit in.

For reasons which remain unclear, the Seattle police never began the agreed process of arresting the civil disobedience protesters and bussing them away from Seattle's downtown. Most of the sit down protestors were not prepared to remain at their positions for much longer than Tuesday morning, thus the media images of hungry, shivering young protestors.

Then, mid-morning Tuesday, several dozen young people dressed in identical black garb and wearing face masks appeared and started marching in formation down one of Seattle's main streets, near the Convention Center. Despite their highly-regimented paramilitary appearance, they identified themselves as anarchists. They had popped up, disrupted a peaceful protest and then melted into the crowd the day at a peaceful protest in front of a McDonalds which had featured a French farmer handing out French cheese hit with high tariffs under current WTO retaliation on a dispute. Tuesday midmorning, once again, these few appeared and began smashing the windows of downtown stores, including Old Navy, Starbucks, Niketown, and FAO Schwarz.

The peaceful protesters conducting the sit-in shouted "Shame!" and "Non-violent protest!" at the youths. Some grabbed the window-breakers, attempting to halt the property damage. Hundreds of Seattle police officers dressed in full riot gear stood by and watched, actively refusing to arrest the masked window-smashers even when peaceful protesters asked for assistance. Indeed, in one instance, a person restraining a black-masked vandal armed with a brick and poised before a store window was told by police to release the vandal or risk arrest for assault. The police then stood by as the released vandal smashed a row of store windows in front of them.

Meanwhile, at noon, tens of thousands of labor unionists, family farm, consumer, religious, and environmental activists rallied at Memorial Stadium to listen to AFL-CIO president John Sweeney, Teamsters president James Hoffa, Jr., Steelworkers president George Becker, and other U.S. and international labor, environmental, and other NGO leaders speak on the WTO's impacts on people around the globe. The massive labor rally, sponsored by the national, state, and local AFL-CIO and many international unions, then marched toward downtown Seattle. The plan was for the march to proceed to the Convention Center and then head back to the stadium, where hundreds of buses awaited the labor participants.

By mid-afternoon, over 40,000 students, activists, and labor representatives thronged into downtown Seattle as part of the march from Memorial Stadium. The scene that greeted the labor marchers was surreal. Riot police dressed in Robocop costumes (even the police horses had plastic eyeguards against the tear gas) had begun without warning to attack random circles of sit down protesters with an array of weaponry including tear gas, pepper spray, concussion grenades, and rubber bullets.

Instead of asking the crowds to disperse, the police randomly charged protesters, beating them with nightsticks, shocking them with stun-guns, and continuously firing rounds of tear gas and more lethal CS gas.

Meanwhile, police shot into the crowds at close range with rubber bullets (not aimed at feet and legs as protocols require) and set off concussion grenades, the goal of which is to fell rioters by giving them concussions.

Given many protesters were literally chained or tied together and had been given no notice to disperse, the impact of this weaponry was vicious. Each sit-down group had a person designated as a "medic" equipped with water and vinegar spray for eyes in case tear gas was used. However, police targeted those with medic IDs and also the protesters (many volunteer lawyers and law students) identified with "legal observer" IDs for beatings and arrest. All this time the police allowed the violent marauders to continue to spray-paint graffiti and smash store and car windows.

As many of the labor marchers came onto these repeated scenes of police violence, they intervened to protect the sit-down protesters. The result was groups of beefy Teamsters and Longshoremen trying to protect a diverse array of protesters—including those in turtle costumes and others with a rainbow of hair colors—at numerous intersections from platoons of police marching in military formation and slapping their nightsticks in rhythm on their metallic shin guards.

This ugliness could have been entirely avoided had the police arrested the few vandals early-on and implemented their agreed plan for civil disobedience arrests of the sit down protestors. Instead skirmishes between protesters and the police continued well into the night, with the police firing tear gas indiscriminately into the crowds and pushing them into Seattle's Capitol Hill residential section.

Ironically, by dousing a residential area with tear gas, the police added many more Seattle residents to the following days' protests. Local television played over and over an interview of a man in his pajamas holding his small daughter with both their faces red and tear-stained from being gassed in their home.

The next day, the security zone was also turned into a no-protest zone and anyone caught within it without WTO ID (only available by applying months before to a WTO office in Geneva) was arrested. This resulted in over 500 arrests within two days. Indeed, numerous people with WTO credential were also arrested, as were several bishops of a major Protestant denomination, among others. In addition to the frequent beating and other mistreatment of these arrested, the ACLU filed a lawsuit in December 1999 which also challenges the police's practice of holding arrestees for days without charging or processing them.

Chairman CRANE. Thank you, Ms. Wallach.  
Mr. Kittredge.

**STATEMENT OF FRANK D. KITTREDGE, PRESIDENT, NATIONAL FOREIGN COUNCIL, INC.**

Mr. KITTREDGE. Thank you, Mr. Chairman.

I'm Frank Kittredge, President of the National Foreign Trade Council. My remarks today will focus on three issues: the outcome of the Ministerial meeting, the United States and Europe's fundamental interest in the multilateral trading system, and the upcoming 5-year report on the WTO.

First, the Seattle Ministerial and the future outlook for the WTO. The NFTC was, of course, disappointed that trade ministers failed to launch a new WTO round last December. It was particularly dismaying, considering the progress that was achieved in the draft ministerial declaration. Progress was made on key issues including services, agriculture, e-commerce and developing country concerns such as capacity building.

We were also on the threshold of a step forward in improving WTO transparency and eliminating environmentally harmful practices, such as fishery subsidies. Everyone lost when the talks were suspended.

There were many reasons for the failure to launch new trade talks. They included ministers' intransigence on a few highly charged issues, inadequate preparation, difficulties in managing a ministerial process that included more active players, and insufficient political leadership. As an aside, the protest activity was not the reason for the lack of final agreement, even though it allowed those who wanted to stop the advancement of international trade to claim victory.

The NSTC views the way forward as a two-step process. First, we should move ahead as quickly as possible on the mandated, built-in agenda on services and agriculture, as well as address the immediate issue of expiring provisions. On this point, I'd like to note the NSTC's concern about the growing list of developing country requests for extending implementation deadlines, some by as much as 10 years, for key agreements, such as customs valuation, trims and trips.

Second, there must be a willingness on everyone's part to be less rigid. The U.S., for example, may have to recognize that it cannot insist that issues of chief concern to a number of countries, such as antidumping, are completely off the table. Moreover, until developing countries are convinced that a working party on trade and labor is not simply the developed countries' excuse for new forms of trade protection, we are unlikely to make much progress.

Likewise, Europe and Japan have to realize that substantial agricultural trade liberalization must be dealt with. Launching a negotiation requires realism and flexibility on all sides.

Second, U.S.-European relations. Perhaps the most important step required to get the trade talks back on track is for the U.S. and the EU to get back to their basic shared interest in maintaining a vibrant, multilateral trading system. All past trade rounds have been made possible by U.S.-EU agreement on the fundamental need for trade liberalization. This has not prevented the two from having trade disputes, surely, but their mutual support for the broader trading system contained these disputes within manageable limits.

As a case in point, and has been talked about quite a bit here today, we're very concerned about the EU's current challenge to the FSC. The EU's action breaks a 1981 agreement that provides for equivalent treatment of exports under the European territorial and the U.S. worldwide systems of taxation. If unchecked, this case could lead to a cycle of retaliation and counter-cases, and could ultimately undermine basic U.S. support for the WTO. The NFTC urges the administration and the EU to resolve this dispute expeditiously in a manner that preserves the competitive balance created by the FSC.

Third, the WTO and a 5-year report. The NFTC looks forward to the administration's March 1 report on the WTO as a prime opportunity to advance the WTO's positive record. On that point, I'd like to request that the U.S. Alliance for Trade Expansion's guide to whose trade organization be submitted for the record. The Alliance released this guide to identify specific misrepresentations by WTO opponents.

It is clear that the WTO and the GATT have accomplished a remarkable record. Trade liberalization has helped lift 3 billion peo-

ple out of poverty, fostered global economic stability and prosperity, and spread democratic values, such as the rule of law, peaceable dispute settlement, and nondiscrimination. As far as our own economy is concerned, we're experiencing the longest economic expansion in history. America's openness to trade, as fostered by the WTO, is a primary reason why we are so strong economically. Advancing trade liberalization is essential to sustaining America's leading edge, job-creating economy.

The NFTC recognizes that WTO is not perfect. We agree that there should be greater transparency. However, we do not agree that the WTO is not accountable. It is a government-to-government organization, driven by consensus among nation states, which are accountable to their citizens. Providing a seat at the table to business and other special interest groups would make the WTO less, not more accountable.

Finally, improving worker standards and the environment are important objectives. And rule-based trade expansion under the WTO has been a positive force for change in these areas. The single most important way to improve environmental and labor standards is to improve economic conditions, a main result of trade expansion.

Moreover, while there is a need to better understand the ways in which these issues interrelate, the WTO is not the sole solution to every multilateral problem. It's time to devote efforts to more effective approaches.

Mr. Chairman, I'll stop there. Thank you very much.

[The prepared statement follows:]

**Statement of Frank D. Kittredge, President, National Foreign Trade Council**

Mr. Chairman and distinguished members of the Subcommittee, I am Frank D. Kittredge, President of the National Foreign Trade Council (NFTC). The NFTC is a broad-based organization of more than 550 U.S. companies having substantial international operations and interests.

I appreciate the opportunity to testify today on the implications of the recent WTO ministerial meeting in Seattle. The vital importance of the WTO to the U.S. national interest and the upcoming five-year report on the WTO makes this a timely and significant hearing. My remarks will focus on three basic issues: 1) the ministerial meeting and outlook on future WTO trade talks; 2) the United States and Europe's fundamental shared interest in strengthening the multilateral trading system; and 3) the Administration's upcoming five-year report on the WTO.

*The Seattle Ministerial and Outlook on Future WTO Trade Talks*

The NFTC and its member companies were very disappointed that trade ministers failed to launch a new round of multilateral trade negotiations at the WTO ministerial meeting in Seattle last December. It is particularly dismaying when examining the significant progress that was achieved in the draft ministerial declaration. While we recognize the draft declaration was a negotiating document and was not agreed upon by WTO members, it nonetheless provides an indication of what might have been achieved had the ministerial succeeded in launching negotiations. The draft declaration shows that progress was made on key issues, including services, agriculture, e-commerce, government procurement transparency, and developing country concerns, such as capacity building. The NFTC believes we were also on the threshold of taking a step forward on issues of concern to both the business and NGO community, such as improving transparency of the WTO and eliminating environmentally-harmful fishery subsidies. Everyone lost when the talks were suspended.

There were many reasons for the failure to launch new trade talks. They include ministers' intransigence on a few highly-charged issues, inadequate preparation before the ministerial, institutional difficulties in managing a ministerial process that included more active players from developing countries, and insufficient political

leadership among major trading partners. As an aside, the protest activity was not the reason for the lack of final agreement, even though it allowed those who want to stop the advancement of international trade at all costs to claim victory.

The NFTC views the way forward as a two-step process. First, we should move ahead as quickly as possible on the mandated “built-in” agenda on services and agriculture, as well as address the immediate issue of expiring provisions of interest to both developed and developing countries. On this point, I would like to note that many NFTC member companies are alarmed about the growing list of developing country requests for extending implementation deadlines—some by as much as ten years—for key agreements, such as Customs Valuation, TRIMS and TRIPS. Any extensions should be as short as possible to avoid harming U.S. exports.

Agreement also should be reached on other “confidence building measures,” along the lines of Director General Moore’s recent suggestions. For example, agreement on improved integrated technical cooperation for developing countries would be helpful to restoring positive momentum to the WTO negotiating process. Finally, action on issues that were ripe for agreement in Seattle, such as e-commerce, government procurement transparency, and the transparency of WTO procedures should be promptly addressed.

Second, we must work towards resolving the underlying issues that prevented a successful launching of the trade talks. This will require, among other factors, a willingness on everyone’s part to be less rigid in their positions. The United States, for example, may have to recognize that it cannot insist that issues of chief concern to a number of countries, such as antidumping, are completely off the table. Moreover, until developing countries are convinced that a working party on trade and labor is not simply a developed country’s excuse for new forms of trade protection, we are unlikely to make any progress on this issue. Likewise, Europe and Japan have to realize that substantial agriculture trade liberalization must be dealt with effectively. Launching a negotiation requires realism and flexibility on all sides.

#### *U.S.-European Relations*

Perhaps the most important step required to get the trade talks back on track is for the United States and the European Union to get back to fundamental shared interests in maintaining a vibrant multilateral trading system and in raising living standards worldwide through trade expansion. In that regard, the NFTC is disturbed by what appears to be an increasing trend of trade-related political onupmanship between the United States and Europe for narrow domestic reasons, at the expense of much more important global issues.

All past rounds of trade negotiations through the Uruguay Round have been made possible by U.S.-EU agreement on the fundamental need for trade liberalization. This has not prevented the two from having heated trade disputes, but their mutual support for the broader trading system contained these disputes within manageable limits.

The NFTC is very concerned that the EU’s recent use of the WTO’s dispute settlement system upsets this delicate balance, particularly with respect to the EU’s challenge to the Foreign Sales Corporation (FSC) tax law. The EU’s action breaks a 1981 agreement that provides for equivalent treatment of trade under the European territorial and U.S. worldwide systems of taxation. This is a matter of maintaining U.S. jobs and trade and avoiding a deterioration in the trade balance. If unchecked, this case could lead to a cycle of retaliation and countercases, and could ultimately undermine basic U.S. support for the WTO. The NFTC urges the Administration to resolve this dispute expeditiously in a manner that preserves the competitive balance created by the FSC.

#### *WTO Benefits, Facts and Five-Year Report*

The NFTC looks forward to the March 1 report by the Administration on the WTO’s five-year record. It is a critical opportunity to explain the benefits and positive record of the WTO. On that point, I would like to request that the U.S. Alliance for Trade Expansion’s guide to “Whose Trade Organization?” be inserted for the record. The Alliance, which is a coalition of American farmers, consumers, businesses, and workers formed to increase public awareness of the benefits of rules-based trade expansion, released this guide to identify specific misstatements, misrepresentations and factual errors that have been propagated by WTO opponents.

When the facts are known, it becomes clear that the WTO and its predecessor the GATT have accomplished a remarkable record of eliminating trade barriers, raising living standards worldwide, establishing basic rules of fairness in the conduct of trade, and preventing catastrophic trade wars. Trade liberalization under the WTO and GATT has lifted three billion people out of poverty, fostered global economic stability and prosperity, and spread democratic values such as the rule of law,

peaceable dispute settlement, and non-discrimination. Furthermore, it has helped improve the environment and workers lives, and it fully protects the rights of nations to set stringent standards on human health and food safety.

As President Clinton stated recently, “open markets and rules-based trade are the best engine we know of to lift living standards, reduce environmental destruction and build shared prosperity.” Trade and the institutions that foster it have nothing to be defensive about. As far as our own economy is concerned, we are experiencing the longest economic expansion in history. America’s openness to trade and our nation’s ability to trade with other countries as fostered by the WTO is a primary reason why we are so strong economically today. Advancing multilateral trade liberalization through the WTO is essential to sustaining America’s leading-edge, job-creating economy.

The NFTC recognizes that the WTO is not perfect. We agree with other NGOs that there should be greater transparency of the organization. However, we do not agree that the WTO is not “accountable.” It is a government-to-government organization driven by consensus among democratically-elected nation states, which are accountable to their citizens. Providing a “seat at the table” to business and other special interest groups would make the WTO less, not more, accountable.

We also agree with other NGOs that improving worker standards and the environment are important objectives. However, we believe that rules-based trade expansion under the WTO has been a positive force of change in these areas, and we should be focusing on these win-win solutions. The single most important way to improve environmental and labor standards is to improve economic conditions. Increased trade has proven to be perhaps the single most important catalyst to economic development around the world. Moreover, while there is a need to better understand the ways in which these issues interrelate, the WTO is not the sole solution to every multilateral problem. The ILO, for example, is making greater progress in addressing worker conditions and child labor. It is time to devote efforts to more effective multilateral approaches in addressing broader problems instead of simply blaming the WTO for them.

The NFTC testified last year that it is prepared to sit down with members of this Committee, the Administration, and others to engage in a meaningful dialogue that will move the process forward on these issues. We remain willing to engage in such a dialogue.

Before closing, I would like to add one more top priority WTO issue—China’s accession to the WTO. The NFTC strongly believes bringing China into the WTO is in our best national economic interest and will lead to a more open Chinese economy and society. We urge Congress to approve permanent normal trade relations (PNTR) status for China this year so that the United States will be able to benefit from the groundbreaking market-opening commitments China has agreed to make as part of its terms of accession.

Mr. Chairman, thank you for the opportunity to testify today, and we look forward to working with you to achieve a bipartisan consensus on a forward looking trade agenda.

[An attachment is being retained in the Committee files.]

Chairman CRANE. Thank you very much, Mr. Kittredge.

Ms. Wallach, I read your testimony, and the agreement that was negotiated between quiet, peaceful protesters and the Seattle police force occurred how far in advance of the beginnings of the WTO Ministerial meeting?

Ms. WALLACH. I think that the actual sort of sign-off with the sit-down protesters talked to the police about their not being violent in exchange for the police not arresting anyone until the sun came up and the cameras could roll was about 2 weeks out. And the news conference—

Chairman CRANE. Wait, wait, 2 weeks before the conference?

Ms. WALLACH. Two weeks before the Ministerial. And I believe that the news conference announcing this, that the sit-down strikers, and then the groups like ours or the AFL, who weren’t doing

the direct action but had permits for rallies and marches, all had together was the Wednesday before the Tuesday of the Ministerial.

Chairman CRANE. Mr. Trumka, is that your understanding, too?

Mr. TRUMKA. I'm not familiar with the varied details of that. I know that we had permits and things that we had talked with, the people out there from the marches, AFL-CIO's point of view, for literally weeks in advance. We had worked with the county people, the town police, with ourselves for the march and everything else. But I don't know about the other people.

Chairman CRANE. But this was with the understanding that the people protesting would be arrested and peacefully charges would be filed and that would be settled at a later time. But this was all resolved in advance on the part of the overwhelming majority of the people who were protesting there?

Ms. WALLACH. Yes, sir.

Chairman CRANE. And it was the people who came in that you never knew who had the masks and did the violence to the buildings and the robberies and so forth?

Ms. WALLACH. It certainly wouldn't have been in the interest of those trying to have the focus beyond a critique of the WTO, to shift the focus onto the bashing of windows. And to that end, as I mentioned in my testimony, when some of our marshals, our folks who were trying to keep order, tried to stop the window breakers, like grabbing people's arms, they were told by the Seattle police that if they did not let them go, they would arrest them for assault.

Chairman CRANE. Do you know if the administration knew about this before the President's arrival?

Ms. WALLACH. Which this?

Chairman CRANE. About the agreement, the silent protesters, sitting and violating the law and getting arrested by the police after the sun came up when the media could cover it?

Ms. WALLACH. I don't know.

Chairman CRANE. Do you know whether the administration knew about these sidebar agreements, Mr. Trumka?

Mr. TRUMKA. I don't know, Mr. Chairman.

Chairman CRANE. Do any of the rest of you know anything about this? Because this was my first understanding of this, that these agreements had been reached.

Mr. KITTREDGE. Well, excuse me, I was there, Mr. Chairman, but I wasn't aware of other preagreements. It was clear to see the demonstrators and the denial of access that they produced to a lot of the buildings. But there was—I don't know about the agreement.

Chairman CRANE. Well, I find it puzzling that when there is a potential security question involved, and the President is making a personal appearance, that the administration was not involved in backing up the local police force. I mean at the very outset, in anticipation of anything going wrong.

Well, we will try and explore that one. That's very intriguing, though. I had no idea about any of this. Do you have any further comment?

Ms. WALLACH. I know there are news clips from the news conference with the Seattle mayor, the sit-down folks and the marchers. I'm not sure of the exact dates, but I would suspect it was the Thursday before the week of.

Chairman CRANE. And that was public information a week before the Ministerial conference started? All right, very interesting.

Mr. Hufbauer, did the President's comments increase or decrease chances to get countries to proceed further on labor issues?

Mr. HUFBAUER. They decreased chances. They confirmed the fears, in the minds of many developing countries, that it was all a smoke screen for protection. And so it hardened attitudes. But as Dale Hathaway and others have already said, attitudes were already pretty hard by the time we got to that point. However, President Zedillo's remarks in Davos just a few days ago reflected exactly this hardening.

Chairman CRANE. And Mr. Hathaway, do you believe the U.S. private sector advisers were adequately consulted during the Ministerial conference?

Mr. HATHAWAY. Yes, I think at least in agriculture, we were kept informed as to what was going on, and asked for our reaction to proposed changes. I can't complain about consultation in terms of the agricultural negotiations.

Chairman CRANE. And Mr. Niles, how do you know that the keys to improving labor standards is economic development and not trade sanctions?

Mr. NILES. Well, I think it's been demonstrated, Mr. Chairman, that where you have economic development, labor standards go up, as does environmental protection. And sanctions, lowering the chance of economic development, won't work to that end.

Chairman CRANE. And now I yield to our distinguished Minority Leader, Mr. Levin.

Mr. LEVIN. Well, it's kind of late to carry on this debate, but let me say a few things. I was at Davos and heard reaction to the President's speech where he laid it on the line, I thought clearly. Some people wanted to listen only to the first half of the speech, and others only wanted to listen to the other half. But I was at a get-together after the speech, and there were people there from developing economies as well as from the American business sector.

And it was interesting, because I heard many of them say, including some to me directly, that they liked the President's speech. And I find it kind of mystifying that people want to throw in the towel on tough issues so quickly. We didn't throw the towel in on intellectual property, though it was fought over for a long time, to get it into the trading system. We just listened to the first people who said almost in unison, no, we'd be nowhere with it today.

And Mr. Niles, Ambassador Niles, you and I have discussed this subject. I know you're the representative to the ILO and I respect it. But to indicate that the answer is just publicity, the ILO has no enforcement powers. And just look at the record. Look at the record in countries that have signed onto the ILO which are not abiding by the principles they said they were adhering to.

You and I have discussed this before. But I just don't think it will fly to say just leave it alone. And Mr. Kittredge—

Mr. NILES. Might I respond?

Mr. LEVIN. Yes, go ahead.

Mr. NILES. The point I made about publicity is not the only thing that the ILO can do. The ILO does have programs designed to as-

sist member countries, and the ILO can take sanctions against member countries, not trade sanctions.

But of course, the WTO can't take trade sanctions, either. And anybody who thinks that we're going to be able to amend Article 20 of the WTO treaty to include enforcement of core labor standards is kidding himself. You've got to have an absolute consensus of the WTO membership, now 135 strong, to do that.

So when I hear, when I'm told that the ILO has no enforcement capability and, therefore, we need to go elsewhere, I ask, where do you find the enforcement capability? Certainly not in the WTO. The ILO has a new Director General, the ILO is an organization which has come into a higher degree of prominence because of the focus on labor issues, greater attention to this problem. I think we ought to give it a chance.

As far as countries that don't fulfill ILO conventions, the People's Republic of China is one that gets a lot of attention in this respect. China has not signed the core labor conventions, or have not ratified them. But they have agreed to the 1998 Declaration. So it gives us a way to work with China on these issues.

Mr. LEVIN. OK. You know in our bilateral agreements, in our trade agreements, like GSP, we have a means of enforcing core labor standards.

Mr. NILES. We do.

Mr. LEVIN. It isn't as if it's novel within the trade agreement.

Mr. NILES. That's a unilateral U.S. act.

Mr. LEVIN. All right, OK, good. No one's talking about an overnight transition. But also we're not talking about a millennial tradition or a centuries tradition which it would I think likely be true within the ILO. That's the history of it.

In the sense that the ILO was formed way back to enforce core labor standards. That's a major reason it was founded decades and decades ago. And let me just say, Mr. Kittredge, I just urge that, as I've urged the business community to take another look, because when you say, moreover, until developing countries are convinced that a working party, a working group on trade and labor is not simply a developed country's excuse for new forms of trade protection, we are unlikely to make any progress on this issue.

The business community can help convince developing countries that that isn't what we're after. In a sense the concept is very clear and kind of basic. And that is, if countries are going to compete, and we are competing increasingly with evolving economies, that we're not talking about everybody being paid the same. What we're talking about is that the workers within those countries have the ability to gather together and fight for a fair part of the growth of that country.

That's all we're talking about, or that's the main thing we're talking about. And to the credit of a few businesspeople, they signed onto the notion that there should be a working group. This is not a veiled effort at protectionism.

Mr. KITTREDGE. Well, I think the point is that it may be perceived as that. And I think what you're talking about is one of the real issues with trade in many aspects, is trade education. And it would seem to me, and I would readily admit I'm not that close to the ILO, but it would seem to me that if the ILO doesn't nec-

essarily have the enforcement mechanisms, it sure ought to be able to do a better job at educating developing countries on what really are the aims and the goals.

Mr. HUFBAUER. Mr. Congressman, you've been very generous in allowing my colleagues to respond, and I would like a little bit of time.

Chairman CRANE. Go ahead.

Mr. HUFBAUER. First of all, the President did a great deal of repair work in Davos, President Clinton. The fact that President Zedillo delivered his strong speech reflected what happened in Seattle. If President Clinton had said in Seattle what he said in Davos, I think the atmosphere would be much better.

But I want to come right to the nub, because I think the gist of your comments was that I was throwing in the towel. I'm absolutely not throwing in the towel. I've tried to give a constructive suggestion in a very short period of time. I was given 5 minutes to try to give a constructive labeling suggestion for dealing with the proper expression of values.

If I have a value that says I want Chinese goods to respect core labor standards, I want a label that tells me that the goods respected core labor standards, whether they were made in China or West Virginia. And I've tried to outline that. Time is limited, but I'm not throwing in the towel. I'm trying to take it out of a place where it's run into a dead end, which is the WTO. Thank you.

Mr. LEVIN. OK, I'm glad you had the time. I was just worried about that red light. And we'll be talking further about that. I didn't mean to say you were throwing in the towel.

I just want to suggest dead ends. There have been dead ends in the WTO before on a lot of issues, and we haven't given up. That's been true for decades. And it seems to me that it's unwise for us to consider this just a dead end and go on to something else. We need to think of other ideas, but continue working on this one.

Mr. Trumka, and then I'll be finished.

Mr. TRUMKA. I would like to comment on just two subjects that have been broached here. One, I've heard comments made by Mr. Niles that the developing countries do not support and will not support core labor standards being inserted into trade agreements. Well, I want to tell you something. We were outside and we marched, there were workers from all of those different countries. And they particularly did want labor rights and labor standards raised on their behalf.

You very artfully, I think, capsulized what we're looking for in those agreements and why they should be in trade agreements. And the notion that we should use the ILO as a substitute for trade agreements, I think the world would look at us as just being slightly hypocritical.

If you want to be serious, if you want us to believe that they're serious about using the ILO, the first step ought to be for the United States to adopt all 178 resolutions of the ILO. Except for a few maritime resolutions, we've not adopted any of the core labor standards ourself. How would we enforce something in the world that we hadn't even endorsed.

So for that to even be considered, and I'm not saying that it would be, but the initial step toward seriousness would be for the

United States to adopt all those. The dialog has to take off. We have to approach and make this world globalization work for everybody. The World Bank itself says income inequality is growing. And if the workers in Colombia and China and Poland and the United States, quite frankly, can't enjoy the benefits of that globalization, there will be continued resistance toward it in those countries as well as here.

The time is now, and I think Seattle was just the spark that let everybody know that business as usual won't make it in the future.

Mr. LEVIN. Thank you.

Chairman CRANE. Mr. Becerra.

Mr. BECERRA. Thank you, Mr. Chairman. And thank you to all the witnesses for their indulgence and their patience. It's been a long hearing. And I won't try to prolong it much longer, either. Ambassador Niles, let me ask you, on the question of economic development and how that can lead us toward better working conditions, I don't think anyone disagrees that the more opportunities for better jobs, the better our working conditions become.

The question I would ask is how long do you wait for those economies and the prosperity to trickle down to the point where those who are making the lowest wages under the worst working conditions finally see the fruits of that economic prosperity?

Mr. NILES. I don't think there's a schedule for that. How long did it take in the United States? It took a while.

Mr. BECERRA. It took decades.

Mr. NILES. Yes. And it could be that in some of the developing countries, it would take equally long, if not longer periods. But if you look at what has happened in some of the economies where we've had particularly good economic development in the last decade, despite the economic crisis of 1997–1998, some of the countries of Asia such as Taiwan and Korea. Look at how poor Korea and Taiwan were, say, in 1960 and how they are today, now, that's 30 years, 40 years later. The change is absolutely extraordinary. Taiwan in 1960 was probably about where China is today.

So under certain conditions, under the right conditions, this kind of development can take place during a relatively brief period.

Mr. BECERRA. And I think everything is relative, relatively brief meaning 30 years can be three decades for someone who's suffering under some pretty bad working conditions. I am reminded, as a Catholic, of the saying, the poor shall inherit the Earth. I think they want to get it before they die.

And I think the difficulty a number of us have is that, while no one contests that the better off we are in our economies, and the more we're creating jobs, the better everyone will ultimately be, the fact remains that we have too many people, certainly in this country but throughout the world, more importantly, who aren't benefiting from all that prosperity. And to wait three decades won't help the guy who's 20 years old right now, working under the worst of conditions. When he's 50, he probably won't be able to work any more.

There has to be something more we can say to workers, whether they're outside of this country or inside this country, that we're going to do, if we're going to use our implements, our tools as a government, to open up markets, to accelerate the movement by re-

ducing tariffs and barriers, then we should also be prepared to do some other things using government implements to make the conditions better for those who work.

Mr. NILES. Could I make the point, in my remarks I refer to a program which you could adopt in the Congress unilaterally which would do just that, which is to take the GSP program and add an additional GSD benefit for those countries where you really do see progress on labor standards.

Mr. BECERRA. And I think that's actually an interesting approach, because it's the carrot versus the stick.

Mr. NILES. Well, exactly, yes. More likely to work than imposing sanctions.

Mr. BECERRA. And the only problem there is, I think you'd have to help persuade a number of our colleagues that we should be prepared to give dollars to help countries do what they should otherwise be doing. And I think you're going to find a number of Members of Congress saying, I'd rather it be spent domestically than send it off on some foreign aid bill.

But I agree with you, that is one way other than using a stick to try to get compliance with international labor standards. And I would pose this question to anyone. Give me a sense of how we get to the point. Because I think, Ambassador Niles, I think you're right. I think it's going to be difficult, at least under the current setting, to believe that anyone in the WTO setting today would be prepared to see the ILO core labor standards accepted within the WTO as a framework for implementing labor rights.

How do we get some teeth into providing protections under whatever our framework is, whether it's WTO or ILO, for labor rights and environmental protections? Anything other than allowing economics and prosperity take us there through trickle down? Anything more?

And I know, Mr. Hufbauer, you've suggested the approach of this labeling. I think that's a decent idea. Although if it's just voluntary, I think it becomes more difficult, because it becomes more problematic in getting people and countries and companies to agree.

Mr. HUFBAUER. But Congressman, I did give a matrix in my remarks. I said voluntary, mandatory, private labels, government labels. And that's where the fight should be.

Mr. BECERRA. Is there anyone who sees a two or three step process where we ultimately get there? Everything's compromised, and at some point we should be able to get there. But we've got the two divides. You can never enforce labor standards or environmental protections, and if you don't do it, we won't go anywhere with trade.

Mr. NILES. Could I make one point, Congressman? You really need to distinguish between labor standards and environmental standards in terms of the WTO. The WTO recognizes the right of countries to enact trade measures in support of environmental standards, environmental legislation. In the three cases involving the United States environmental standards which have come before the WTO, the WTO has upheld the environmental standard in each case, but has not upheld the fact that in the legislation or the regulation, it was implemented in a discriminatory way. These

were the tuna/dolphins, shrimp/turtle and Venezuelan fuel oil cases. So we really do have to make that distinction.

There is no problem, as far as I can see, with the way in which the WTO has related to United States environmental standards. Now, labor, I recognize, is a different story. And we've run up against that wall several times, most recently in Seattle. But there is, as I suggested, another way to do it. Namely, the ILO. It's not perfect. There isn't a perfect solution out there, by the way.

Mr. BECERRA. Right.

Mr. Kittredge.

Mr. KITTREDGE. You made a little reference to trickle down or trickle up economics. Not to take exception with that, but let's not miss the point that the development of these countries and the economic prosperity that comes with trade and development is what's really going to raise labor standards and environmental standards, when they have the money to do what they need to do environmentally and when the workers increase. So that's not an incidental reason or way to bring them up.

Mr. BECERRA. And Mr. Kittredge, I don't disagree. I don't think anyone would disagree that ultimately the tide lifts all boats. The problem is, we could have said the same thing. If you let this country proceed forward, it's going to become more enlightened and not have slavery. We could have waited or we could have enacted laws that actually abolish slavery.

Sooner or later, people would have come around to understanding, whatever the color of your skin, you were equal in the status of the Lord or anyone else, and therefore you should not be enslaved. But we decided not to wait until the natural course of intelligence led us to that conclusion. We passed laws.

And the same thing can apply here, where we can wait, certainly, until the economics help a lot of folks rise out of poverty. But we're not waiting and letting the natural course take place in the way countries deal with each other in trade. We're talking about setting up a framework, a global framework with the WTO, that mandates that we act in certain ways.

So why not then mandate that we act in certain ways globally with respect to other issues, if we can do it with capital, if we can do it with intellectual property, why—and I'm not saying we're ultimately going to get anything, as Mr. Niles said. There might be a solution out there. I'm just trying to figure out if there's somewhere that someone can come up with a little bit more of a compromise than saying you never can do it, or you have to do it.

And Ms. Wallach, I know you wanted to say something, and Mr. Chairman, you've been very gracious with the time.

Ms. WALLACH. Well, an approach that is sort of a middle approach, which goes to the suggestion I made, which is where the NGOs from 30 countries who organized toward Seattle had gone was to prune back, not to have an expansion round, but to have pruning round, of limiting the places that the WTO at the moment constrains governments from taking action on environment, labor, human rights.

There's a fallacy that there is no room for or there are not currently labor and environmental standards in the WTO. They are there, but there are constraints on government action in those

areas, including for instance, the Article 20. I mean, I've read the same cases. In fact, the WTO has ruled that none of our environmental laws met the exception that's on paper, but never gets applied.

So the alternative model would be what's called the convention model, which is, for instance, how the multilateral environmental agreements are enforced. They have international standards internationally enforced, the WTO intellectual property rules. Alternatively, you can have a convention. So for instance, CITES, the endangered species treaty, all of the parties agree to the standards, but then their commitment, their international law obligation, is to enforce it at their borders.

So you set the standards internationally, but a convention is enforced so that basically it only affects goods in trade. The country itself is not committing, with their sovereignty protection, domestically to the same standard, but for instance, in CITES, it's trade and endangered species. You cannot let the list of things, and the rules are internationally agreed, be broken as regards the goods access into your market.

And that certainly is a halfway step. But given there's either going to be some set of standards or there is going to be an implosive autoarchy, that would be one that would be something worth considering.

Mr. BECERRA. Mr. Chairman, thank you. Ms. Wallach, I think that last response, probably from the perspective of those who don't think it works to have core labor standards in WTO, would probably come close to being core labor standards in WTO, I think they'd have real concerns with it. I understand what you're saying. I think they'd have real concerns for that.

But I thank everyone for their comments. Thank you, Mr. Chairman, for the time.

Chairman CRANE. Mr. Houghton.

Mr. HOUGHTON. Well, thank you, Mr. Chairman. Thank you very much for being here, and I'm sorry I haven't been in the flow of this conversation, I had to go out a couple of times.

I guess I just have one basic question. I mean, I've been around this trade game for a long time. And there are always obstacles to it, whether they're labor obstacles, Rich, you know, that you were talking about, or whether they're agricultural issues that Mr. Hathaway was talking about. There is always something that isn't going to jive.

The question is, how do we put this thing together? We've got to have world trade. Ninety-six percent of our customers are outside of this country, we've got to reach for them. We've got to do it in a fair way, not a free way, because there's nothing free, it's got to be a fair way.

So aren't there goals we can work toward, rather than hurdles that have got to be met? Can we sort of work toward those things, recognizing that the environmental or the labor or the human rights or some of the agricultural policies aren't exactly as we would like? We're always getting mad at somebody. I mean, the Europeans aren't particularly forthcoming in terms of transparency rules. And the Japanese won't let us in their market for television sets, or the Koreans are doing something, or the Chinese.

There's always something there. Isn't there sort of a frame of reference we can use toward working toward goals, rather than having set lines in the sand that have got to be met before we move forward?

Mr. KITTREDGE. Are you suggesting maybe we should get our own house in order before we start talking to other people overseas?

Mr. HOUGHTON. I think that's probably true. Can you start off with a suggestion?

Mr. KITTREDGE. And could we start trying to get some of the people at this table and others to try to open communication channels to talk the things through?

Mr. HOUGHTON. Well, I think it's a good idea. I've had several, from my sense, I have several groups coming into my office all the time. I have business groups, I have labor groups, I have environmental groups, I have religious groups, I have everything. And I'm not sure really what we want.

There was a labor group in my office, UAW, just a minute ago, talking about permanent NTR for China. And you know, to me, I don't think it makes any difference, as far as I'm concerned. We're going to have a relationship with China, whether it's 1 year, 2 years, 3 years, 6 months, 10 years, whatever it is. The question is, what do they want? You get so hung up on sort of the national, the normal trading relationship, that you don't ask yourself what's out there. The fact is that we can't get in their market, and they get in ours.

So what do we do sort of philosophically, so that we can work together. And I think, Mr. Kittredge, you're absolutely right, how do we develop some sort of a philosophic base?

Mr. KITTREDGE. We said in our testimony, I think it bears repeating, this issue, as much as any other, requires a lot of very strong political leadership. And that needs to be very evident before we make much progress.

Mr. HOUGHTON. Yes.

Mr. TRUMKA. I would suggest that we begin looking at the issue, not just as a trade issue, but from the notion of globalization, and bring in all the forces that are driving globalization. You're talking about the World Bank, you're talking about the International Monetary Fund, as well as the WTO. Because that is what's influencing the lives of workers around the world. They have to believe that they have a voice in that process.

And in fact, I was just on a panel with Ambassador Clayton Yeutter, and the subject was, how do we re-establish consensus. And my comment to him was, it's not re-establishing consensus on trade and globalization, it's establishing. Workers feel that they've been shut out of the process, that the process has been used to sort of weaken them. There's a distrust. Workers on all sides of the border, Mexican workers don't feel any different than American workers. Colombian workers don't feel any different than American workers. Trade's being used to ratchet them down, and to have them get less. They're not enjoying the benefits. Income inequality goes up.

To start the dialog, look at it as globalization, and let us all talk about how globalization, honestly, is affecting each one of our lives,

and be willing to own up to the facts and say, yes, there's an income inequality and here's what's driving it and how do we solve it. Then genuinely look at that process.

Mr. HOUGHTON. Well, I know, and Ambassador Niles, maybe you'd have a comment on that, then I'll be done.

Mr. NILES. I don't disagree that we certainly need to discuss this issue more productively among ourselves, not necessarily just the groups that are represented here today. But I also think it's very important that we get the facts straight before we start this, and we know what indeed is happening in the world economy, and it's not true that wages are being driven down and that workers are suffering throughout the world as a result of the process of globalization. There are cases where that's happening, but there also are cases where it's not happening. And we have to make that clear.

It's not true at all that there's a conflict between the WTO as an organization and U.S. environmental standards. Simply not correct. The only thing that the WTO has objected to in terms of U.S. environmental standards is when we enforce them in a discriminatory way, which we proposed to do on these three cases that came up.

There's also no conflict between the WTO and observance of human rights. There's another organization in the United Nations, the United Nations High Commission for Human Rights, that's responsible for that.

One of the things we ought to be mindful of not doing is mixing all these organizations up. We ought to have some sense of what organization is responsible for what job, and try to get that organization cranked up to do it right. And if the ILO doesn't do its job properly, let's see what we can do to make the ILO work more effectively, and not just say, well, let's take labor issues and put them into the WTO, which is going to be extraordinarily difficult to accomplish.

Mr. HUFBAUER. Mr. Chairman, in the correction of misstatements division, I'd like to say a word on world income inequality and then U.S. income inequality. I've done a paper on the world dimension, I'd be happy to send it to you and anybody else who's interested.

In terms of world income inequality, the countries which are falling remarkably down and have every prospect of falling further are the countries not participating in the world economy. Those are countries in Africa, a number of countries in central Asia, and elsewhere—countries that have any amount of turmoil.

There has been a very big group of countries where the inequality has actually decreased quite substantially. Those are the east Asian countries. And they have every prospect of further narrowing the gap. Those are facts.

In the United States, the inequality premium—measured by the additional income which college graduates earn above high school graduates—that premium stopped growing in the year 1994. These references you've heard are to data between 1973 and 1994. Nineteen ninety-four is 6 years ago. Income inequality is not increasing in the United States today.

Thank you very much.

Mr. HOUGHTON. Well, thanks very much, gentlemen and Ms. Wallach, thank you.

Chairman CRANE. Well, I want to thank all of our witnesses very much. And Mr. Trumka, one of your concerns about income, we hope to address possibly as early as Thursday with the elimination of the marriage penalty tax. [Laughter.]

Thank you all for being here.

Our next panel will be Mark Van Putten, President and chief executive officer of the National Wildlife Federation; Bob Stallman, President of the American Farm Bureau, Rhett Dawson, President of the Information Technology Industry Council; Bob Vastine, President, Coalition of Service Industries; Steve Robertson, Product Manager, Marconi Commerce Systems, and this is on behalf of the National Association of Manufacturers; and Hon. Dave McCurdy, President, Electronics Industries Alliance here in Virginia, a former colleague.

And I would ask all the rest of you folks who are participating in this panel if you would be so gracious as to defer to Mr. Stallman to go first, so he can speak and run, because he's on a tight constraint to catch a plane. And we'll proceed with you first in order Mr. Stallman, and then Mr. Van Putten.

**STATEMENT OF BOB STALLMAN, PRESIDENT, AMERICAN  
FARM BUREAU FEDERATION**

Mr. STALLMAN. Thank you, Mr. Chairman. I do appreciate your indulgence and the understanding of the rest of the panel. The last plane ride out of town to get to point B is a valuable commodity.

I am Bob Stallman, President of the American Farm Bureau, and a rice producer.

Chairman CRANE. Folks, those of you that are inside the chamber, please hold your conversation until outside. All right, Mr. Stallman.

Mr. STALLMAN. Thank you, Mr. Chairman. I am a rice producer and a cattleman from Columbus, Texas, as well as President of the American Farm Bureau. And I appreciate the opportunity to testify before you today on the issue of negotiations on agriculture in the WTO and the prospects for future negotiations.

The Farm Bureau had a strong presence in Seattle during the WTO Ministerial, and saw first-hand how difficult it will be to overcome the resistance exhibited by key negotiating partners such as the European Union, Japan and Korea, to further market openings in agriculture. Every ounce of leverage and negotiating muscle will be needed to continue the agricultural trade reform started in the Uruguay round, and to make the 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 round in Seattle. And 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.

Now, that's not to say the 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 unsurmountable 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. Restarting the talks quickly and linking the progress of all aspects of the talks together as a single undertaking 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.

What's at stake for agriculture if the WTO talks do not resume? Well, our exports will continue to stagnate and 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 once the trade talks resume in Geneva. And I will briefly list those. First, the next round of negotiations in progress on the built-in agenda items should be pursued as a comprehensive single undertaking. Second, we must call for the complete elimination of export subsidies by all WTO member countries.

Third, all WTO member countries should reduce tariffs, both bound and applied, in a manner that provides commercially meaningful access on an accelerated basis. Fourth, 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, and we must end the use of all nontariff barriers to trade.

Fifth, we cannot allow our trading partners to exempt certain products or policies from the negotiations. Everything must be on the table for negotiation. Sixth, we believe that countries should 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.

In addition, we support elimination of trade distorting domestic support programs, now classified under the blue box criteria in the WTO. The U.S. does not use the blue box, but the EU continues to increase its blue box spending.

And on domestic support, we oppose attempts to disguise protectionist policies as an endorsement of the multifunctional characteristics of agriculture. Domestic support for so-called multifunctionality or government spending for the multifaceted benefits of agriculture should be reasonable and nontrade distorting.

Seventh, regarding sanitary and phytosanitary measures, we believe that the provisions of the WTO SPS agreement are sound and

do not need to be reopened. Eighth, and very importantly, we must ensure market access for biotechnology products produced from genetically modified organisms. 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.

Ninth, we must impose disciplines on State trading enterprises that distort the flow of trade in world markets. Tenth, the WTO dispute settlement process needs to be shortened and measures must be instituted to ensure compliance. We have seen in both the EU banana and EU beef cases that compliance is not always assured. And I would like to note for the record that nearly every country has complied with its WTO commitments. However, in cases where WTO member countries do not comply, a carousel retaliation approach should be adopted to bring about compliance.

Finally, we believe that matters concerning the environment and labor should only be addressed in a manner that facilitates rather than restricts trade. In summary, America's farmers and ranchers are counting on the WTO negotiations to achieve fair access for their exports around the world.

We are the most efficient producers in the world. Access to foreign markets should be based on efficiency and not on protectionist policies. Given the dire economic conditions that we are now experiencing in this country for our producers, opening markets and leveling the playingfield is now more important than ever.

We call upon the administration to resume a broad-based negotiating round of 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.

Thank you, Mr. Chairman, and if there are written questions later on, we'll be glad to respond for the record.

[The prepared statement follows:]

**Statement of Bob Stallman, President, American Farm Bureau Federation**

Mr. Chairman, members of the Committee, I am Bob Stallman, president of the American Farm Bureau, and a rice producer and cattleman from Columbus, Texas. I appreciate the opportunity to testify before you today on the important issue of the negotiations on agriculture in the World Trade Organization (WTO) and the prospects for future negotiations.

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 General Council meetings, which are taking place in Geneva this week, must provide the basis for continuing the agricultural negotiations 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 trade talks 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.

You are aware that 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 resume? 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 for-

eign 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.

Chairman CRANE. Thank you very much, Mr. Stallman. And you are excused. Any questions we'll submit to you in writing.

And with that, Mr. Van Putten.

**STATEMENT OF MARK VAN PUTTEN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL WILDLIFE FEDERATION**

Mr. VAN PUTTEN. Thank you, Mr. Chairman and Members of the Subcommittee. I'm Mark Van Putten, president of the National Wildlife Federation.

The National Wildlife Federation is America's largest conservation education and advocacy organization, with over 4 million members and supporters. In addition to those members and supporters, we have State affiliates in 46 States, which total an additional 1 million members. We were represented in Seattle and in fact, we're headed back to Seattle next month for our annual meeting where the delegates elected by our State affiliates come together to set our policies on matters such as trade and the environment.

I say that because our members represent America's mainstream and main street conservation movement. They share a commitment to United States leadership in building a global economy that protects the environment while raising living standards for all.

I was in Seattle for the WTO meeting leading the National Wildlife Federation delegation. I appreciated the opportunity to meet with you, Mr. Chairman, and Members of this Subcommittee who were there, the opportunity to meet with President Clinton, and the opportunity to chair the NGO session sponsored by the World Trade Organization.

NWF has been intensely involved in the dialog with trade officials, Members of this Subcommittee, the administration and all of

the participants. And I'd like to briefly outline for you four lessons that we learned in Seattle.

The first lesson is, there's no turning back. The old, exclusive and secretive deal-making process must give way to an inclusive, transparent and domestic process. The negotiation strategies pursued in the past by the United States and its trading partners must be replaced by the new realities.

At the beginning of the 20th century, President Wilson denounced secret deals, secretly arrived at. It is time to follow through with the 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. The era of international trade negotiations, being insulated from public concerns such as concern for the environment, is over.

The second lesson, which relates to the first, is that trade liberalization and environmental protection must go hand in hand. In Seattle, we used every constructive means available to us to improve the WTO, not to disparage it. And we intend to continue on that course.

Let me be clear. To the degree that a stereotype has been created that the environmental community wants to shut down international trade, that stereotype is false. The National Wildlife Federation believes globalization is a fact, not a policy choice. And we want the international trading system to succeed.

But we want it to achieve its full potential. We want it to deliver on the promise of improving the quality of life, raising living standards, and respecting conservation values throughout the world. To achieve this goal, in my written testimony we outline the National Wildlife Federation's agenda for environmentally responsible trade, which we presented in Seattle. It includes first, the WTO should recognize and defer to legitimate national and international environmental standards. Second, new trade agreements should include environmental assessments of their potential consequences.

Third, individuals and nations should be able to take into account the environmental effects of how imports are produced. And fourth, the WTO must adopt modern standards of openness.

The third lesson we draw from the Seattle experience is the need to achieve global consensus. The WTO is a consensus driven institution, and we must find ways to unite the interests of the developed world with those of the developing world. We recognize that liberalized trade abroad can help the less developed nations implement policies for sustainable development and environmental protection.

But these results are not a given. They will not happen automatically. All of us, including Members of Congress, administration officials and representatives of nongovernmental groups, and the business community, must reach out to developing countries with capacity building, technology transfer and other efforts to achieve common ground to remove and address some of the reservations about the reforms that we have advanced.

The final lesson that we draw from Seattle is that it is in the self-interest of American business and traditional trade advocates who remain committed to old approaches to stop resisting the inclusion of environmental concerns and democratic values into the

international trade system. Progress requires finding common ground, not accentuating differences and burying one's head in the sand.

International trade is suffering a crisis of eroding public confidence. Those of us in Seattle witnessed this crisis first-hand. Increasingly, average citizens, including my members, 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 these values, including the democratic values of openness and respect for environmental concerns.

It's in the interest of everyone who wants trade to succeed to establish public confidence in the institutions and policies governing our global economy. We look to you, the Members of Congress, to help provide the leadership in this effort.

The National Wildlife Federation is engaged and committed to advancing the cause of conservation in the global economy. We recognize about the international economy what we recognized about our own economy at the beginning of the 20th century. Trade is not an end in itself. It's a tool to achieve human aspirations, to improve standards of living and to enhance the quality of life. Our environment, our wild places, wildlife and wild things are part of that quality of life.

Thank you very much.

[The prepared statement follows:]

**Statement of Mark Van Putten, President and Chief Executive Officer,  
National Wildlife Federation**

I am Mark Van Putten, President and CEO of the National Wildlife Federation, the United States' largest not-for-profit conservation education and advocacy organization with over four million members and supporters, ten field offices and forty-six state and territorial affiliates.

For nearly ten years, we have been involved in the development of United States trade policy. Our members are America's mainstream and main street conservation activists 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 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 stated 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.

In a speech before the World Economic Forum two weeks ago, President Clinton noted: "Trade can no longer be the private province of politicians, CEOs, and trade experts. It is too much a part of the fabric of global interdependence. . . . [T]he consequence of running away from an open dialogue on a profoundly important issue will be—it won't be more trade, it'll be more protection[ism]."

The clock can never be turned back to a time when the environmental and other goals of citizens from democracies across the world could be excluded from trade policy. Seattle put the impact of trade on the map of public consciousness. For growing

majorities of people there is an understanding of the implications of trade for human values, for the way people live and work, indeed for the quality of life. The increased understanding has produced a determination to hold decision makers accountable on these issues. Those who want trade to go forward will have to make peace with environmental and other goals that are necessary to achieving the public interest. Trade policy must accommodate environmental values. We will insist on it. The era of international trade negotiations being insulated from public concerns, including respect for the environment, is over.

As trade negotiations and trade institutions increasingly establish the terms of market integration and their attendant impacts on the environment, the need for meaningful public participation opportunities correspondingly increases. Public participation should be integral to any trade or investment negotiations. Such a linkage confirms the relationship between open markets and democratic principles, and provides citizens with the information they need to make sound and informed choices about policies that affect their future.

The United States has adopted a positive approach to improving access to WTO decision makers in an attempt to ensure that people are able to hold the WTO accountable for its actions. The National Wildlife Federation urges the Administration to redouble its efforts and Congress to provide its support to infuse the WTO with the same democratic rules of accountability enjoyed by American citizens at home.

**Reform WTO Procedures Regarding Transparency and Participation to Ensure the WTO System Is Held Accountable to Democratic Principles:**

While the United States is to be commended for its efforts over the past two years to increase public participation and transparency in several trade negotiating fora, including as part of the Administration's Seattle Ministerial agenda, further progress is within reach. For example, the United States must work diligently to increase transparency in individual sectoral WTO negotiating groups in which the United States actively participates. In the context of the Seattle Ministerial agenda, the recently proposed rebirth of the Committee on Trade and Environment (CTE), ostensibly created as a forum to identify and discuss the environmental implications of issues under negotiation in a new round, must not simply become a "mailbox" repository of NGO issues with no significant corresponding influence, nor impact on the formal negotiating process. Clearly, the CTE's work program must avoid repeating its previous mistakes of conducting a one-sided and imbalanced review of the trade implications of environmental policy without addressing adequately the impact of trade policy on environmental measures. In addition to any proposed new role for the CTE, the WTO should establish, as a general matter, disclosure policies to make information readily available and clear and responsive mechanisms for receiving and responding to NGO participation and comments.

Improved access and accountability are especially important for people from developing countries, many of whose governments do not have permanent missions located in Geneva. Given the informal nature by which the WTO makes its decisions at present, ensuring that the interests of all people are represented at the WTO must be integral to the United States objectives for trade liberalization. For most of the world's population, the incredible acceleration of the global economy has also brought accelerated loss of wildlife and wild places. We urge the United States to devote its energy to ensuring that all future WTO procedures are open and accessible to all people.

**Transparency at Home:** Finally, a commitment to openness and transparency must be present in the development of all aspects of trade policy within the United States. For example, we note our disappointment with the Administration's recent decision to appeal a Federal court's ruling that requires the appointment of environmental representatives to Commerce Department trade advisory committees (ISACs) in the forest products sector. In addition, the Administration needs to produce a more open and transparent mechanism in the inter-agency decision-making process prior to initiating a trade-based challenge of a foreign country's environment, health, or safety law. Agencies with environmental protection and conservation responsibilities must play a major role in any such deliberations.

**Open the Dispute Resolution Process:** In all trade regime dispute settlement fora, the United States should, at minimum, fulfill President Clinton's commitment at the WTO to open dispute settlement proceedings to public observation and pursue consideration of amicus briefs from interested NGO parties.

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

In our preparation for the WTO Ministerial and in our presence in Seattle, we worked through every constructive means we had available to improve the WTO, not to disparage it. And we will continue on that course.

We want the international trading system to succeed.

At the same time, we want trade to fulfil 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.

How can we achieve this goal? NWF's trade and environment work is informed by our desire to: achieve clarity and predictability in WTO rules, raise environmental standards globally through cooperative methods wherever possible, support multilateral environmental solutions, and secure progress in improving democracy, transparency and access to information in all trade and environment policy arenas.

SPECIFICALLY:

*1. Improve WTO Deference to National Environmental Standards and Multilateral Environmental Agreements (MEAs):*

Trade rules must be crafted so they do not diminish the environmental protections that nations have provided for their citizens and resources. Each WTO member country must retain the right to develop and enforce high conservation measures through trade restrictions—even if they exceed the international norm—without running afoul of WTO rules.

WTO rules should also provide for deference to MEAs in instances of a conflict between trade rules and trade-related provisions of MEAs. Furthermore, WTO rules should allow for explicit deference to the independent institutions with environmental expertise on questions of environment-related trade matters. For example, the WTO should establish a formal link to the United Nations Environment Program in WTO disputes involving MEAs and WTO rules.

*2. Allow Countries to Distinguish Between Products Based on the Way They Are Produced:*

Laws that address the environmental impact of how products are made (such as the U.S. import ban on shrimp harvested by trawl nets that kill endangered sea turtles), must be accepted as a valid part of trade rules. For example, trade rules should allow countries to label products or restrict the importation of products that are produced or brought to market in a way that harms endangered species and/or the global commons.

*3. Make Environmental Impact Assessments Integral to Trade Negotiations:*

Trade negotiators must look before they leap. The environmental ramifications of any trade agreement must be carefully evaluated before the agreement is concluded or put into effect.

The goal of the environmental assessments and their open public review-and-comment process should be to provide accurate information on the environmental impact of the proposed trade agreement and to suggest alternatives to mitigate the impact of trade on the environment.

We welcome the President's signing of an Executive Order on November 16, 1999, to perform environmental reviews of new trade agreements. This is a significant step that formalizes a process NWF has advocated for years. We look forward to an immediate implementation and funding for this order and pledge our constructive participation in such a process.

*4. Reform WTO Procedures to Make Them More Open and Democratic:*

Institutions that govern public conduct must be accountable to the public. The WTO must adopt modern, democratic principles of due process, including the right of the public to review and comment on the written record of a trade dispute, access to working documents and a permanent role for nongovernmental organizations in WTO activities.

*5. Eliminate Environmentally Perverse Subsidies and Promote Trade in Environmental Technologies:*

Renewed attention and energy must be devoted to delivering eminently achievable "win-win" solutions relating to trade and the environment. For example, the elimination of perverse and environmentally damaging subsidies in natural resource sectors such as fisheries and forest products may result in positive gains for both the environment and trade. Nonetheless, the timing and transition efforts must be carefully managed so as to avoid short-term damage.

We commend the United States for its leadership in seeking enforcement of current WTO notification requirements and rules governing the elimination of subsidies in its 1999 WTO Ministerial negotiating agenda. In addition, the United States de-

serves credit for its efforts to place the facilitation of trade in environmental technologies on the Seattle Ministerial agenda. While the elimination of environmentally-damaging subsidies and improved trade in environmental clean technologies is not a panacea to the resolution of all trade and environment conflicts, progress in these areas would represent a positive step forward.

*6. Environmentally Responsible Investment Agreements:*

The United States should maintain its current position of not seeking multilateral investment negotiations within the WTO and should develop specific policy guidelines regarding the relationship between investment negotiations and domestic environmental regulation. Future investment negotiations should, at minimum, pursue the following:

- Seek mandatory, enforceable measures in the agreement to prohibit the lowering of environmental standards to attract investment and an active monitoring system to ensure compliance.
- Undertake a review of the traditional “investor-to-state” principle found in numerous bilateral investment agreements with an emphasis on ensuring its compatibility with procedural openness, transparency and environmental protection efforts. Recently, in the NAFTA context, several private investors have attempted to use the investor-to-state provisions to challenge domestic regulations with potentially detrimental consequences for environmental laws.
- Investment negotiations should include obligations allowing legitimate measures designed to conserve the environment, natural resources and the promotion of cooperative environmental programs to be maintained and strengthened.

### 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.

Policy regarding trade and the environment is a global issue that requires global consensus. Seattle made clear that further progress on both trade policy and international environmental policy will require a consensus among all citizens of all countries on how best to proceed.

We recognize the contribution trade liberalization is making to our own economy and that liberalized trade abroad can be vital in securing the means for less developed nations to implement policies for sustainable development and environmental protection. Nonetheless, while trade may help deliver prosperity and improve prospects for the environment, these results are not a given, nor will they occur automatically. Billions of people and many nations are not reaping the benefits of liberalization and continue to fall further behind. This cannot be ignored.

We, as representatives of the non-governmental community have a shared responsibility, together with members of Congress, the Administration, and the business community in the United States, to do our part to reach out to developing countries through capacity-building efforts to achieve common ground. We must encourage governments and industry to ensure broader reach of the benefits of trade as well as improved environmental protection. The challenge is to work with developing countries, with understanding of their special needs and different circumstances, while remaining true to our commitment to environmental values. I believe deeply that reconciliation is possible.

Specifically, what is needed is a structured formal process to enable developing countries to be full participants in global decision-making on trade and the environment. This process would provide a framework for cooperation so that both economic growth and environmental protection can improve together. A formal process would develop needs assessments, solicit input from both foreign and United States-based NGOs, and enlist cooperative support from multilateral institutions, all within specified timetables.

**Promote Environmental Cooperation:** As trade liberalization leads to increased market integration, the opportunities to foster a meaningful cooperative environmental agenda through parallel environmental institutions multiply. Our own experience working with government officials in Latin America and elsewhere has helped us understand that it is not improvements in environmental protection per se that governments are reluctant to pursue. On the contrary, most government officials are trying hard to develop and implement effective national environmental regimes. What concerns them is the possibility that regulation might be a disguised form of protectionism or that their governments will lack the will or the resources to implement regulatory requirements. We believe both of these reservations can be and should be addressed. Our goal is only to safeguard legitimate environmental

standards and as stated above, we advocate greatly enhancing capacity-building efforts.

The National Wildlife Federation supports the notion that trade and investment agreements can create unique opportunities that should not be ignored to further environmental cooperation among our trading partners. The conceptual framework and cooperative mission of parallel environmental institutions associated with trade liberalization merit strong political and technical support in all of the United States' trade initiatives.

In the NAFTA context, the Commission for Environmental Cooperation (CEC) is the trinational environmental institution created by the North American Agreement on Environmental Cooperation (NAAEC) (NAFTA's "Environmental Side Agreement") to address continental environmental issues in the United States, Canada, and Mexico. The CEC facilitates cooperation and public participation among the NAFTA parties by addressing regional environmental concerns, helping to prevent potential trade and environment conflicts, and promoting effective environmental enforcement in each of the NAFTA countries. To date, the CEC has been particularly effective in encouraging improved working relationships between the environmental ministers of the NAFTA parties, while at the same time, providing a valuable forum to address transboundary issues of shared environmental concern in North America.

The Border Environmental Cooperation Commission (BECC) is the certifying entity responsible for developing and evaluating water, wastewater, and municipal solid waste (MSW) projects in the border region. BECC has comprehensive criteria to which projects must adhere in order to be considered for BECC certification. These include a project's economic viability and its sustainable development components. The NADBank, now fully funded with \$450 million in equal contributions from the United States and Mexico, is a binational financial institution that may use its funds to leverage additional capital but only for those projects certified by the BECC.

Although there remain areas that need improvement, the BECC/NADBank have been particularly effective in facilitating the development and adoption of sustainability criteria used to evaluate potential environmental infrastructure projects; transparent decision-making processes with public participation from both nations; and capacity building and technical assistance.

#### 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.

Public confidence in the multilateral trading system is eroding. In Seattle, we did not have to travel far to witness the implications of this failure first-hand. Increasingly, average citizens simply do not believe that the rules of international trade respect their values, including their concern for the environment.

As a result, the gravest threat to the multilateral trading system and its potential to raise living standards throughout the world is the lack of public confidence in its basic functions.

The post-Seattle trade agenda presents us all with an opportunity and a responsibility:

- Seattle has raised the visibility of the relationship of trade and the environment. This presents us with the opportunity to gain public support for a new consensus.
- Our responsibility is to work together to build that new consensus.

This does not mean that we should restructure the WTO into the World Trade and Environment Organization. We are not proposing or supporting measures that hide protectionism behind a screen of environmental safeguards. We are seeking legitimate reform, based on the merits of the issue.

The environmental community's reform agenda is not about demanding the acceptance of one particular country's environmental standards by another country. It is about achieving clarity and predictability in WTO rules and raising environmental standards globally through cooperative methods wherever possible.

In the post-Seattle era, we should set to work on making the multilateral trading system achieve its goals of eradicating poverty, promoting sustainable development, and truly raising living standards.

In this effort, the National Wildlife Federation is committed to commonsense solutions to advance the environmental cause in this new world we have entered. Perhaps 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.

Chairman CRANE. Thank you, and our next witness, Rhett Dawson.

**STATEMENT OF RHETT DAWSON, PRESIDENT, INFORMATION TECHNOLOGY INDUSTRY COUNCIL**

Mr. DAWSON. Thank you, Mr. Chairman, Congressman Houghton, for inviting us to testify today. We're delighted to do so. We were delighted also to see you in Seattle and see so many Members of Congress you in large number participate in that meeting. That was a very important lesson for all of us.

I am Rhett Dawson, president of the Information Technology Industry Council. ITI is the leading IT association comprised of the leading IT companies. Our members had worldwide revenues of \$460 billion in 1999, and employed more than a million and a half people in the United States. As you know, our companies are making a significant contribution, 35 percent, to the growth of the economy. And we see innovation in the IT industry as very helpful to the economy, not only for the United States, but the world as a whole.

So we promote group policies to open markets, foster innovation and give consumers choices, as well as stimulate the development of electronic commerce. Over the past 5 years, ITI has worked closely with our counterparts in Europe and Asia and Latin America, in particular, to build global information technology industry consensus to eliminate barriers to trade and promote an e-commerce trade agenda.

Seattle, we believe, was a missed but not a lost opportunity. We were heartened by the progress that was made on electronic commerce. We believe that if the whole package could have come together, an e-commerce agreement could have been reached.

Our industry has significantly benefited from trade liberalization on the product side, and now we also strongly support liberalization on services, which WTO director-general Mike Moore talked about yesterday. Liberalization must continue and trade rules must be adapted to reflect changes in technology and the new forms of business.

Countries all over the world have seen for themselves the economic impact that information technology is having in the U.S.: productivity increases, job creation, and job growth. And they, too, want to achieve similar results. And this means ensuring an open, competitive marketplace which rewards innovation and entrepreneurship.

There is much work to be done to broaden understanding of the digital world, especially to understand how electronic commerce is changing global business, and examining how trade rules apply, and really trying to figure out whether they need to be adapted to

provide a stronger underpinning for the global information economy.

ITI has taken an active role in working with the WTO delegates to help them understand how these changes are taking place and how they can affect international trade. We've held three seminars in Geneva over the past 18 months to begin this educational effort. We're going to continue to press forward on these educational efforts, as well as trying to press forward with an e-commerce agenda. We're heavily invested in the WTO, because we believe these things matter.

Now, I couldn't let this opportunity to testify before you today go past without mentioning an issue that's really critical to our industry, which is permanent normal trade relations for China. I just want to tell you that bringing China into the WTO is very much in America's national economic interest and it is critical to continuing American technological leadership and competitiveness in international markets that this vote occur and occur this year. Granting China PNTR is a critical process for us, and we hope that we can count on you to support PNTR.

Thank you. We appreciate the opportunity and your patience.

[The prepared statement follows:]

**Statement of Rhett Dawson, President, Information Technology Industry Council**

Thank you Mr. Chairman for inviting me to testify today on the outcome of the World Trade Organization Ministerial Meeting in Seattle and the trade priorities of the information technology industry, particularly in the area of e-commerce. I commend you and the Members of this Committee, for the important step you took by participating in the meeting in Seattle. There is no doubt trade is important to all of us.

I am Rhett Dawson, President of the Information Technology Industry Council. ITI is the premier trade association comprised of the leading IT companies. Our members had worldwide revenues of \$460 billion in 1999 and employ more than 1.5 million people in the United States. Our companies are making a tremendous contribution to the growth and innovation we see in the IT industry and to our economy as a whole.

International trade and electronic commerce are of critical importance to ITI member companies. Nearly 60% of their total revenues are derived from overseas sales in more than 125 countries. Consequently, a major focus of our work is to promote policies that open markets, foster innovation, provide consumers with choices, and stimulate the development of electronic commerce.

I. INDUSTRY-TO-INDUSTRY COLLABORATION ON TRADE ISSUES ESSENTIAL

Over the past five years, ITI has worked closely with our counterpart associations in 14 countries around the world in an organization called the International Information Industry Congress. Working on an industry-to-industry basis, we have developed consensus views on critical trade issues and advocated our positions to government. Our efforts helped pave the way for the 1996 Information Technology Agreement to eliminate customs duties on IT products. We are working through the IIIC and APEC to identify and eliminate non-tariff barriers to trade in IT products. In addition, our industry-to-industry work is focused on the benefits of information technology and the new issues brought about by electronic commerce.

At the behest of USTR, ITI organized three seminars over the past eighteen months to familiarize WTO delegates in Geneva with trade issues affecting the information technology industry. We addressed the benefits of information technology for economic growth and development, the application of existing trade rules to new technologies, and proposed action by Ministers to keep e-commerce barrier free.

Last winter, as we began preparing for the Seattle Ministerial, ITI teamed with the Business Software Alliance (BSA) to promote an e-commerce trade agenda for the 21st Century. We focused on defining key issues in international trade and e-commerce and on proposing action by industry and governments to ensure that the benefits of the global electronic marketplace are shared broadly among all countries,

both developed and developing. We initiated dialogues with our industry counterparts in Europe and Asia and invested considerable resources to acquaint WTO representatives in Geneva with our technology and the potential trade policy issues that the WTO may need to address. We were prompted to do this in order to develop a common understanding of what e-commerce is and means for the trading system.

We arrived in Seattle with high hopes for ministerial action to keep e-commerce barrier-free. Our industry-to-industry consultations revealed solid support for extending the moratorium on applying customs duties to electronic transmissions. We were encouraged by reports that consensus was developing on other key points, including: reaffirmation that current WTO rules apply to e-commerce; commitment to resist imposing burdensome regulations that would inhibit the growth of e-commerce and access to IT; and establishment of a WTO work program on the inter-related issues inherent in e-commerce, building on the WTO's efforts to date. Clearly, our industry-to-industry consultations were successful in broadening understanding of these issues among WTO delegates and highlighting the need for ongoing trade liberalization in this sector.

## II. DISAPPOINTED, BUT OPTIMISTIC . . . E-COMMERCE AND THE INTERNET ARE TRANSFORMING INTERNATIONAL TRADE

To be sure, we were disappointed that Ministers failed to reach agreement and launch a New Round. But, we were heartened by the substantial progress that was made on e-commerce. We believe that an agreement on e-commerce could and would have been reached—had the whole package come together. In spite of criticism of the WTO, the Seattle Ministerial in particular, and U.S trade policy that you may hear expressed today, the IT industry is optimistic that trade negotiators will resume discussion of e-commerce issues in the very near term.

Countries all over the world have observed the U.S experience and recognize the very positive, quantifiable impact IT is having on the US economy, as reflected in productivity increases, job creation, and economic growth. They understand that IT is not a specialized sector of the economy reserved for the so-called "Internet companies or "dot-coms." To be competitive in *any* business—whether public or private—governments and companies must understand how to effectively utilize information technology and the Internet.

A few data points might be helpful to illustrate this point:

- Between the first quarter of 1998 and the first quarter of 1999, the Internet Economy (which includes such things as online sales and investment in IT infrastructure) grew 68 percent.

- In the same time period, electronic commerce increased by 127 percent and nearly 400,000 e-commerce jobs were created. Some industry analysts estimate that e-commerce will generate more than \$3 trillion in sales by 2003.

- Investment in computer and information technologies in the 1990s by every sector of the U.S. economy—from car makers to farmers—has cut production costs and boosted output. The result has been to hold prices down and increase American competitiveness internationally.

The future is even brighter:

- A report released last year by the University of Texas estimated that by the end of this year 56 percent of U.S. companies will sell their products online.

- In the next six years, almost half of the U.S. workforce will be employed by industries that are either major producers or intensive users of IT products and services.

Not only is the Internet driving the New Economy it is also re-inventing our industrial base.

- Late last year the world's two biggest automakers announced plans to put their entire purchasing operation online. The move will connect suppliers, business partners and customers all around the world.

- Even the United States Postal Service is looking for ways to become more competitive in the Information Age—focusing on how they can use technology to better serve their customers.

The fact is IT is changing nearly every facet of our lives—from how we teach our kids to how business is conducted. While it is nearly impossible to predict what the future will look like, we do know that the success and growth of our industry has been—and will continue to be—fueled by innovation and trade.

## III. OUR TRADE AGENDA FOR 2000

There is much work to be done to broaden understanding of the digital world, especially to understand how electronic commerce is changing global business, examine how current trade rules apply, and assess whether new rules are necessary to

provide a strong underpinning for the global information economy. We will focus our effort on the WTO.

#### *A. WTO Services Negotiations (GATS 2000)*

The WTO has a built-in agenda requiring negotiations on Trade in Services. We believe there may be an appropriate way to take up e-commerce issues in the context of these negotiations, and we are exploring possibilities with our industry and government colleagues both here and abroad. Some have suggested that the Telecom Reference Paper, which is part of the Services Agreement on Basic Telecommunications, may offer a starting point for elaboration of rules governing Internet access and e-commerce. We look forward to exploring this suggestion, though we are somewhat concerned that it may imply a greater government regulatory focus than the IT industry believes is appropriate. The IT industry's fundamental principle is to minimize government regulation of this sector and promote open competition. We need trade rules in the area of e-commerce that support the entrepreneurial innovation and competition that characterize our industry.

#### *B. Potential Action by Ministers*

As WTO Director General Mike Moore reconvenes the delegates in Geneva, there may well be a possibility for ministerial action on the specific issue of e-commerce. We propose the following action:

Ministers should make a public commitment to keep electronic commerce barrier-free. Such a commitment would be a "best efforts" pledge that would set the tone and direction for ongoing liberalization of policies affecting electronic commerce, foster a transparent, predictable and technology-neutral international trade environment, and spur global economic growth and development.

To support this commitment, five additional actions by Ministers are needed:

- The first is to agree to continue the May 20, 1998 Moratorium on Customs Duties on Electronic Commerce and clarify that the exemption from tariffs applies both to the transmissions themselves and to their contents.

- Second, we want the Ministers to reaffirm that current WTO obligations, rules, disciplines and commitments (namely the GATT, GATS and TRIPS agreements) are technology-neutral and apply to e-commerce. We don't need to invent new trade rules when using the existing rules may serve us better.

- Third, we want Ministers to specifically commit to resist imposing burdensome regulations that would inhibit the growth of electronic commerce and access to IT and instead, when measures must be taken, employ the "least trade restrictive" measures possible. Such measures should be subject to WTO principles (in particular, national treatment, non-discrimination, transparency, notification, review and consultation).

- Fourth, we want Ministers to give the WTO General Council responsibility to oversee a work program on the inter-related issues inherent in electronic commerce, building on the WTO's efforts to date. Our objectives in this work program are to achieve: 1) expanded market access commitments in the General Agreement on Services (GATS), the Agreement on Basic Telecommunications and the Reference Paper; 2) expanded country participation and product coverage in the Information Technology Agreement, and 3) full implementation by all WTO members of the World Intellectual Property Organization (WIPO) copyright and phonograms treaties that impact e-commerce.

- Fifth, we want to establish a substantive dialogue on technical assistance for developing countries and continue a regular dialogue between the WTO and IT industry representatives.

#### *C. Confidence-Building Measures are Needed*

This Committee is in a unique position this year to take early action on certain trade matters that will have the effect of building confidence in our trading system. We commend you for the leadership you have shown in forging consensus on the Africa/CBI bill. While this legislation is not a priority matter for the IT industry, we strongly support it because of the important confidence-building messages it sends, namely that trade liberalization enhances our economy and must continue, and that the needs of developing countries must be squarely addressed. Later this spring this Committee will also consider the U.S. participation in the WTO, now five years after its creation. Here, too, this Committee can play an important role in restoring confidence among our trading partners by reinforcing the commitment of the U.S. Congress to the WTO.

*D. Support for the On-going Process of Trade Liberalization*

**PNTR for China is Essential.** Later this spring Congress will consider extending Permanent Normal Trade Relations to China in connection with China's accession to the World Trade Organization (WTO). Bringing China into the WTO is in America's national economic interest, and it is critical to continuing American technological leadership and competitiveness in international markets. Granting China PNTR is a critical part of this process.

There can be no doubt that the bilateral agreement is a solid "win" for our industry. High-technology products (including semiconductors, semiconductor capital equipment and materials, telecommunications, computer hardware and software, electronics, and other related information technology products) represent some of our country's most sought-after exports. China, already our 4th largest trading partner, is one of the world's fastest growing markets for high-tech exports. We benefit from the market access provisions subscribed to by the Chinese that substantially improve the trade and investment opportunities for the high-tech industry. These include:

- Elimination of tariffs on nearly all information technology products;
- The right to import and distribute goods without mandated intervention of Chinese entities;
- Increased foreign participation in China's telecommunications services sector; and
- Far-reaching reforms to bring China's economy into compliance with international rules.

These market reforms will help bring about positive economic and social changes that will benefit all the people of China. The extension of permanent normal trade relations status to China will enable the IT industry to expand trade and investment with China. This, in turn, will lead the industry to create more high-wage jobs, contribute to expanded domestic economic growth, and advance American technological leadership and competitiveness in international markets. We will also benefit from having China abide by the international trading rules.

We urge Congress to extend normal trade relations status to China on a permanent basis so that U.S. industry will receive the full benefits of China's WTO accession package.

**Conclude ITA II Negotiations.** We need on-going liberalization to keep trade rules relevant to industry. The IT industry strongly supports the seminal Information Technology Agreement, which eliminated customs duties on a broad range of IT products. The ITA is a voluntary agreement, subscribed to by 52 countries that represent over 95% of world trade in these products. The problem is that the list of products covered by the ITA is now two-to-three generations behind products being produced and exported today. In just the past three years we have seen the convergence of computing, telecommunications and consumer electronics technologies, and the creation of a fascinating range of new information appliances and applications. In addition, the ITA does not yet address specific technical or regulatory barriers to trade in this sector, and useful work could be done in the near-term on these matters.

Access to *all* IT products on a duty-free basis is a critical element in bringing the benefits of Information Age to all enterprises—both large and small—in developed and developing countries. We must complete the ITA II negotiations without delay and then update the ITA product list to keep it relevant to the products that are being produced and exported.

**Improve the Functioning of the WTO.** And finally, we must, as an urgent priority, continue to explain the benefits of international trade and improve the functioning of the WTO. This message must be broadly shared with small and medium-sized companies, consumers, labor groups and the media. We need to find a way to facilitate serious discussion among all interested parties on how to reform the WTO. We in the business community—particularly in the IT industry, which benefits so much from international trade—must take responsibility in this area.

The IT industry is hopeful and optimistic that governments will heed our advice regarding trade and e-commerce issues. Industry around the world has been hard at work to help define issues and solutions in this critical area. In spite of the set back of the Seattle Ministerial, we are confident that there is a solid consensus that the WTO must address these issues.

I know we can count on this Committee for leadership and policy direction for free and open trade. We stand ready and willing to lend our expertise and assistance to the Committee, the Administration, and our trading partners. It is in our common interest to keep e-commerce barrier-free.

Thank you Mr. Chairman and I would be happy to answer any questions you might have.

Chairman CRANE. Thank you, Mr. Dawson.  
Mr. Vastine.

**STATEMENT OF ROBERT VASTINE, PRESIDENT, COALITION OF  
SERVICE INDUSTRIES**

Mr. VASTINE. Thank you very much, Mr. Chairman and Congressman Houghton. Good to see you both again.

Thank you for this opportunity to testify on behalf of the Coalition of Service Industries. CSI and its partners and friends here and around the world have been working since the conclusion of the WTO telecommunications and financial services negotiations in 1997 toward the Services 2000 round. Supporting our skilled services negotiators in Washington and Geneva, we have strived to develop a consensus globally that the Services 2000 negotiations must be used to expand significantly trade across a wide range of services.

The failure of the Seattle Ministerial was very disappointing, particularly because there was consensus on the text of the declaration for services. Had the Ministerial succeeded, this text would certainly have been adopted. Nonetheless, the built-in agenda requires negotiations and services to start at the beginning of this year.

The great question, until just yesterday, was whether the failed ministerial had so jaundiced the atmosphere that WTO members would refuse to proceed with the important work of the built-in agenda.

CSI led a group of industry representatives for meetings of the WTO in Geneva last week for talks with Mike Moore and a number of key delegations in order to support the start of the Services talks. The tone of these meetings was surprisingly positive. It seemed to us very likely that a key meeting scheduled for yesterday would decide to move ahead on the built-in agenda.

The news indeed from yesterday's WTO General Council meeting was very good. WTO members have decided that the global trading system is too important and the WTO itself too valuable not to get back to business. In Seattle, the members took a good look at the abyss and decided to step back from it. This means essentially that the services work will proceed much as it would have even if Seattle had produced a ministerial declaration.

We are now, in fact, where we would have been had the declaration been adopted.

And I must say that director general Mike Moore has worked very hard for this. We think he has done a very good job in exceptionally difficult circumstances to get that organization back on track. The General Council's decision yesterday means that the Council on Trade and Services will meet on February 25th, later this month, to consider how to organize the services negotiations. That work will fall into two categories. First, work on rules and second, work on market access.

In the rules area, we will pay special attention to the effort to reach agreement on rules permitting safeguards. There has not been a safeguards rule for services, and we will want to consider whether one is needed and what it might provide. The market access area is of course the heart of the effort, because here's where we can get expanded trade. We hope that the Council on Trade and Services will initiate the market access work in tandem with the rules work.

What do we want in the new Services round? We have a long agenda. First, we want maximum liberalization in all the sectors, services sectors, as soon as possible. We want to include new sectors, like energy services and air express services, and work on existing sectors like education and health that have not gotten much attention heretofore.

We want to remove barriers to electronic commerce. There has been a lot of focus in the last 2 years on the moratorium on electronic transmissions. This is important work, but there are other objectives perhaps of more immediate commercial value. One would be to secure commitments for free trade in all the services that make an e-commerce transaction possible, like distribution and financial services, for example.

We want free movement of key business personnel for limited assignments in other countries. This is an extremely sensitive but very important area. U.S. business needs to send personnel to service clients' needs all over the globe. And the U.S. economy needs skilled personnel at a time of record unemployment.

We also seek regulatory transparency. Regulations governing the provision of services are often used to prevent U.S. companies from doing business on equal terms with foreign domestic providers, with whom they compete. To cure this, we need to make regulatory processes transparent and accessible, and we will be seeking this kind of regulatory reform sector by sector in the coming negotiations.

Mr. Chairman, we believe the WTO is the best available means to facilitate our trade expansion objectives. It has a successful track record in services. That is why we continue to help build its competence in services trade, and why we continue to build a world-wide base of private sector support for the services negotiations. We are very pleased by the decisions of the General Council yesterday. We anticipate a year of useful work in the WTO and are very positive about the outlook for making real progress toward freer trade in services.

Thank you.

[The prepared statement follows:]

**Statement of Robert Vastine, President, Coalition of Service Industries**

MAKING PROGRESS ON SERVICES TRADE LIBERALIZATION AFTER  
SEATTLE

Mr. Chairman, I am very grateful for the opportunity to present the views of the Coalition of Service Industries (CSI) on the post-Seattle trade agenda for services.

CSI and its partners and friends here and around the world have been working since the conclusion of the WTO telecommunications and financial services negotiations in 1997 toward the "Services 2000" round. Supporting our skilled services negotiators in Washington and Geneva, we have strived to develop a consensus that

the "Services 2000" negotiations must be used to expand significantly trade across a wide range of services.

These efforts included conferences on services in Washington; San Jose, Costa Rica; and Hong Kong. They culminated at the World Services Congress in Atlanta a month before the Ministerial, where more than 800 business, academic and government experts from more than 50 countries met to discuss and recommend policies on most of the important issues affecting trade in services. I would be glad to supply these recommendations for the record.

Participating in these efforts along with CSI have been the Hong Kong Coalition of Service Industries, the American Enterprise Institute, the Brookings Institution, Harvard's Center for Business and Government, the Mark Twain Institute, and hundreds of companies, businessmen and scholars. Many of these organizations and individuals participate in the Global Services Network, a loose, broad-based network whose members support liberalization of trade in services. International organizations like the Organization of American States and the World Bank have also played an important role.

Thanks to all these efforts and with the leadership of our negotiators, a strong consensus had developed by the time of the Ministerial Conference on the goals for the sector. The text relating to services contained in the final draft of the Seattle Declaration would certainly have been agreed had the Ministerial Conference concluded successfully. Nonetheless, that text, which is attached, will likely form the basis for the mandated Services 2000 negotiations, though it may not be adopted formally.

Thus the services sector was left after Seattle in a position to move ahead at the beginning of 2000 as required by Article XIX of the General Agreement on Trade in Services. Indeed, in her remarks closing the Ministerial, Ambassador Barshefsky called for negotiations on services and agriculture to take place as mandated by the "built-in agenda" of the Uruguay Round.

The great question until just yesterday was whether the unsuccessful Ministerial Conference had so jaundiced the atmosphere that Members would refuse, in the absence of a broader round, to proceed with the important work of the built-in agenda.

Members of the Coalition of Service Industries and services industry representatives from other countries met in Geneva last week with Director General Moore; key members of the WTO secretariat; the Ambassadors of the "Quad"; the Chairman of the GATS Council, Stuart Harbinson of Hong Kong; and representatives of key WTO Members including Brazil, Pakistan, Thailand, Malaysia, Egypt, Argentina, and Australia. The purpose of our meetings was to express support for the WTO and for the effort to liberalize trade in services, prior to the General Council meeting scheduled to take place yesterday.

#### *Decisions of the WTO General Council*

The news from yesterday's General Council meeting is good. WTO Members seem to have decided that the global trading system is too important and the WTO itself too valuable, not to proceed with the mandated agenda and get the organization back on course. In Seattle the Members got a good look at the abyss, and decided to step back from it.

The Director General should get the lion's share of the credit. He has worked extremely hard since Seattle, using all of his political and personal skills to forge a consensus on a positive program among the highly diverse WTO membership.

Yesterday the WTO General Council instructed the Council on Trade in Services (the "GATS Council") and the Committee on Trade in Agriculture to carry out the negotiations.

This means the GATS Council will meet in special session on February 25 to consider a timetable for the negotiating process and other organizational matters. The Working Party on Domestic Regulation and the Committee on Specific Commitments will meet that week as well.

The services work program for 2000 will thus proceed much as it would have even if Seattle had produced a Ministerial Declaration. Specifically, work on services will progress on two fronts: rules and market access.

*The first front, rules*, entails completing unfinished work of the Uruguay Round, and improving on rules already adopted. This work is organized through a number of committees reporting to the GATS Council, including the Working Party on Domestic Regulation, Committee on Specific Commitments, the Working Party on GATS Rules (dealing with emergency safeguard measures, subsidies, and procurement), and the Committee on Financial Services.

Though technical, some of the issues considered by these working groups are extremely important.

For example, the Working Party on Domestic Regulation is looking at ways to strengthen the regulatory disciplines in GATS Article VI in regard to licensing, qualification requirements, and technical standards. The purpose is to insure that regulations are transparent and not unnecessarily burdensome or trade restrictive. I will discuss regulatory issues further below.

The Working Party on GATS Rules is considering the adoption of a rule on safeguards, which must be completed by the end of the year. This work must be very carefully followed. While the principle of safeguards is well accepted for trade in goods, it has never been applied to trade in services. Whether safeguards have a place in the service sector and what that place may be is an important issue.

The Committee on Specific Commitments is working on classification, in order to create accurate descriptions for important, newer, industries like air express services, and energy services, for example. The purpose is to ensure that when a country makes commitments to liberalize trade in a given sector, the commitments capture accurately the actual range of commercial activities performed in the sector, and are legally secure.

There seems to be a solid consensus among WTO Members that this work should proceed immediately. Indeed, progress on these issues will encourage many emerging market delegations to move soon on market access talks.

The *second front, market access*, is paramount for CSI, because this is the work that we expect will result in greater access to markets across the broad range of sectors and all four of GATS' "modes of supply" and

Hopefully at its February 25 meeting the GATS Council will agree that preparations for market access negotiations should begin immediately, in tandem with the work on rules mentioned above. This means that governments will begin to prepare their request and offer lists, which they will likely exchange in the fall.

While yesterday's General Council meeting established no formal link between the negotiations on services and the negotiations on agriculture, our discussions in Geneva left little doubt that many countries will make such a linkage. Our position is that liberalization of trade in services promotes economic growth, development of critical infrastructure, and technology transfer. It provides significant benefits for consumers in both advanced and developing markets. Limiting the gains from expanded trade in services by insistence on linkages would be self-defeating.

#### *Goals for the Next Services Negotiations*

The US services sector has several priorities for the coming negotiations.

*The first is to achieve maximum liberalization in all modes of supply across the widest possible range of services, as soon as possible.* The WTO is the best available means to facilitate this objective among all the world's significant trading nations. It has a track record of successful negotiations in telecommunications and financial services. That is why we continue to focus on building the WTO's competence in services trade, and why we continue to help build a worldwide base of private sector support for multilateral services negotiations. We are committed to working with developing economies to help them identify both their own interests in trade liberalization in services, and the benefits they can derive from such liberalization.

*The second, related objective is to fully embrace important new sectors in the liberalization effort.* These new sectors reflect the continued growth of the knowledge-based services, and certainly include all the services required to support electronic commerce. They also include important, new sectors like energy and environment, and existing ones that have not received sufficient attention, like education and health.

*The third objective is to focus on the real barriers impeding the full realization of the promise of electronic commerce and the Internet.* This may require a fresh look at the WTO work program on electronic commerce, which has been dominated by the objective of obtaining a permanent moratorium on duties on electronic transmissions. While this is a useful goal, there are other objectives of more immediate commercial value. One would be to secure commitments to ensure free trade in the services that make e-commerce possible, like distribution and financial services, for example, and the services that can be traded through electronic commerce.

This objective could be pursued through the services negotiations. Efforts to obtain the extension of the moratorium on duties on electronic transactions and other elements of the electronic commerce agenda that were discussed intensively, but not finally agreed at Seattle, should be pursued on a separate track when the WTO Council considers how to re-launch this work.

*The fourth objective is to increase commitments to liberalization of cross border trade*, providing, however, that governments may take necessary prudential, health, safety and consumer protection measures as already provided in GATS Article XIV. Currently there are relatively few commitments to cross-border trade in services.

Such cross-border trade will create an incentive for service providers to operate from competitive home markets geared to product quality, transaction security and customer responsiveness.

*The fifth objective is to obtain commitments to the freer movement of key business personnel.* This is an area of increasing concern to US business, which is daily hampered by shortages of critical skills in an economy blessed by remarkably low rates of unemployment. Immigration rules should be revisited to permit easy access to visas and work permits for *short-term* entry of foreign experts to complete limited assignments and return home. We should of course ask the same of other countries, because US businesses need to be able to transfer skilled people to service their own and their customers' needs, whether in Buenos Aires or in Bangkok. For sound reasons, some emerging market countries have made this a major goal in the WTO talks because of the opportunity it provides to upgrade the skills and opportunities of their own people; it would help reduce the incentive for skilled, talented people simply to emigrate in search of better work.

*The sixth objective is to strengthen GATS regulatory and transparency provisions.* Services industries are in general the most highly regulated. In many instances, rules and regulations governing the provision of services are used in a manner to impede the ability of US firms to engage in doing domestic business on a level playing field with local businesses. Only by making regulations and regulatory processes transparent and accessible and treating foreign and domestic market participants equitably will firms be able to compete fairly on a global basis.

#### *Conclusion*

Mr. Chairman, CSI is dedicated to supporting our government's efforts to develop fully, this year, the complex range of services work that is outlined above, including the launch of market access negotiations. Given its strong commitment to open markets, CSI was actively involved in private sector preparations both for the Seattle Ministerial, and the Services 2000 negotiations. The inability of Trade Ministers to leave Seattle with a blueprint for global trade negotiations is a warning to all that obtaining further trade liberalization will not be easy.

For our part, we will redouble our efforts to work with businessmen and trade negotiators around the world to help achieve the consensus and political will that are the critical components of successful negotiations. We also look forward to working with the Administration and Congress to help develop the leadership necessary to bring trade negotiators together so that services negotiations, as part of the built-in agenda, can move forward. We look forward to a year of very useful work to move the services negotiations forward, and are very positive about the outlook for making real progress.

[Attachments are being retained in the Committee files.]

Chairman CRANE. Thank you.  
Mr. Robertson.

#### **STATEMENT OF STEVE ROBERTSON, PRODUCT MANAGER, MARCONI COMMERCE SYSTEMS, GREENSBORO, NORTH CAROLINA, ON BEHALF OF NATIONAL ASSOCIATION OF MANUFACTURERS**

Mr. ROBERTSON. Good afternoon. I'm Steve Robertson, Product Manager at Marconi Commerce Systems. On behalf of Marconi, and also the National Association of Manufacturers, NAM, of which we are a member, I am pleased to have this opportunity to testify.

I commend the Ways and Means Trade Subcommittee, and you, Chairman Crane, for holding these hearings on determining the direction of trade negotiations after Seattle. This subject is critical to both Marconi and the NAM. Marconi is headquartered in Greensboro. We produce and ship gasoline dispensers and related equipment, from pump controllers to total site management systems for convenience stores and service stations. The pamphlet you'll be get-

ting in a moment here will show you the most tangible, familiar example of what we produce, a gas pump.

We have two factories in the United States, both in North Carolina. We moved to Greensboro from Springfield, Massachusetts in 1966 and opened with fewer than 900 employees. We have grown as our international trade and domestic opportunities have expanded, to 2,500 people today in total, with 1,500 of them in Greensboro.

The Greensboro plant produces gasoline dispensers for the world. In 1989, we were only shipping products to a handful of countries. Today, about 20 percent of our U.S. production is shipped to 85 different countries. Furthermore, Marconi has a worldwide presence, which includes manufacturing facilities in Australia, England, Germany and the People's Republic of China. Revenue directly related to international trade at the Greensboro plant has increased 585 percent in the past 10 years. Our production and sales here in the United States would stagnate if our consumers were limited to the domestic market.

I'd like to describe for you today one particular area of great concern to Marconi. For several years, our company has through hard work and good fortune been the leading supplier of gasoline dispensing equipment in Latin America. We sell to all countries in the region. Fully one half of our exports end up in Latin America.

In response to our success, competitors have established manufacturing facilities in the MERCOSUR region of South America. Since we must pay duties ranging from 17 to 30 percent on the products we ship into these countries, we find ourselves at a serious price disadvantage. To deal with this problem, our short-term position is to cut costs as best we can and to sacrifice profits to maintain our number one market position. That is clearly not a tenable long-term approach.

In the future, we will overcome the situation by elimination of tariffs through successful negotiation of the free trade area of the Americas and further WTO negotiations, or we will be forced to build a factory in Brazil. If we are forced to go, foreign workers will permanently replace up to 10 percent of our highly skilled, highly paid U.S. production workers in Greensboro.

But that's not all. Currently about 80 percent of the parts and components in our products come from U.S. suppliers. The pamphlet I have given you today lists some of these suppliers. These companies throughout the country will also suffer the loss of business as components for South American-produced product is sourced in South America.

This example clearly illustrates how important it is for U.S. companies and U.S. workers to have better access to world markets. Marconi urges the U.S. Government to be a strong leader and an aggressive negotiator for the speedy elimination of trade barriers. These negotiations must proceed quickly. It is our serious hope that they last not more than 3 years. Three years is an eternity in terms of profitability and competitiveness for a manufacturing company.

Marconi Commerce Systems, like most other U.S. manufacturers, looks forward to competing on a level playingfield with other worldwide manufacturers, because we believe that our workers are the

most productive in the world, and the products they make are of the highest quality in the world. That is why Marconi is working hard on its own through the NAM and through the recently formed U.S. Alliance for Trade Expansion to support increased trade liberalization and to spread the message about the benefits of free trade.

Thank you.

[The prepared statement follows:]

**Statement of Steve Robertson, Product Manager, Marconi Commerce Systems, Greensboro, North Carolina, on behalf of National Association of Manufacturers**

Good morning. I am Steve Robertson, product manager at Marconi Commerce Systems. On behalf of Marconi, and also of the National Association of Manufacturers (NAM), of which we are a member, I am pleased to have this opportunity to testify. I commend the House Ways and Means Trade Subcommittee and Chairman Crane for holding these hearings on determining the direction of trade negotiations after Seattle. This is a subject of critical importance to both Marconi and the NAM, so we are pleased to offer you our views.

The NAM spearheaded the U.S. Alliance for Trade Expansion (US Trade), a coalition of American agriculture, consumer, manufacturing, retailing and service organizations, to promote the benefits of expanded international trade. I was in Seattle to promote our belief that trade expansion, and the rules-based trading system in particular, is beneficial to all Americans. Admittedly, the relatively sober pro-trade message we delivered had difficulty competing with the chaos that prevailed on the streets. Good theater doesn't necessarily mean good policy, however.

While few Americans have the time, interest or patience to follow the political wranglings in Washington over a new round or permanent normal trade relations (PNTR) status for China, it is important to take a step back and consider what the failure to expand trade opportunities will mean to the bottom line of a small manufacturer in North Carolina.

Marconi is headquartered in Greensboro. We produce and ship gasoline dispensers and related equipment, from pump controllers to total site management systems for convenience stores and service stations. Marconi also provides customers with several payment-at-the-pump and merchandising options, such as built-in card readers, cash acceptors and transmitter/receiver in dispenser technologies.

The pamphlet in front of you shows the most familiar tangible example of what we produce—a gas pump. We have two factories in the United States, both in North Carolina. We believe that our Greensboro factory is the largest of its kind anywhere in the world. We moved to Greensboro from Springfield, Massachusetts, in 1966, and opened with fewer than 900 employees. We have grown, as our international trade and domestic opportunities have expanded, to 2,500 people total, with 1,500 of them in Greensboro today.

The Greensboro plant produces gasoline dispensers for the world. About 20 percent of our U.S. production is shipped to 85 different countries. We have high hopes and targeted plans for expanding sales to the African countries. In the past, our African sales have been limited to Egypt and South Africa. We recently have signed new distribution agreements in East and West Africa. Furthermore, Marconi has a worldwide presence, which includes manufacturing facilities in Australia, England, Germany and the People's Republic of China. For that reason, a sound, multilateral, rules-based commercial trading system is of paramount importance to Marconi. Without such a system, it would be much, much harder and costlier to operate internationally. Our production and sales here in the United States would stagnate if our consumers were limited to the domestic market.

Certainly the Uruguay Round of negotiations and the resultant creation of the World Trade Organization were a groundbreaking exercise in global trade expansion. Marconi has capitalized upon these developments, as evidenced by the fact that revenue directly related to international trade at the Greensboro plant has increased 585 percent in the past 10 years. In 1989, we were only shipping products to a handful of countries; today, as mentioned above, 85 countries receive our products.

Several different explanations have been offered for the failure to agree on the agenda for a new round. First, the "Doomed To Failure"

theory: Apart from agriculture and services—both of which were part of the so-called "built-in" agenda for which negotiations would be automatically launched on

January 1, 2000—there was never any broad consensus on the need for a comprehensive round, which was a European Union (EU) idea to begin with, to create as much possible compensation for much-needed agricultural reforms within Europe. Moreover, countries needed more time to digest the Uruguay Round, major aspects of which (TRIPs and TRIMs) have not been implemented in many developing countries.

Second, the “Protesters Derailed It” theory: The sometimes violent protests in Seattle undoubtedly had some chilling affect on the negotiations; they certainly gave the United States a black eye as the host for this international meeting. But did the protest derail the talks? I don’t think so.

Third, the “Angry Developing Countries” theory: Expecting a shot in the arm from the President’s appearance in Seattle, the talks were thrown into crisis when the President explicitly called for sanctions to enforce “core” labor standards, despite assurances given by senior Administration officials that only an analytical working group was contemplated. Unlike previous rounds, the developing countries were not going to be excluded from the high-level, “Green Room” political discussions geared to cutting a final deal.

Finally, the “Miscalculation of the Dynamics of the Talks” theory: The logistics of negotiating a consensus within a now unwieldy 135-member organization was unrealistic to begin with, given the politically charged atmosphere, and the complexity and scope of the issues. Moreover, negotiators did not enjoy the high-level support back home to cut politically sensitive deals.

For my part, having witnessed the event, I concur with aspects of all four theories. Whatever the cause, we highly support further trade liberalization and urge you to ensure that these negotiations are launched in the year 2000. Time is of the essence: negotiations should not be put off.

These negotiations should provide for the reduction of tariff and non-tariff barriers to facilitate the expansion of market access for companies such as Marconi. With reduced barriers, our potential is endless, and there is still much room to grow and further facilitate the operations of the international marketplace. By way of illustration, let me describe for you one particular area of great concern to Marconi. For several years our company has, through hard work and good fortune, been the leading supplier of gasoline-dispensing equipment in Latin America. We sell to all countries in the region—fully one-half of all Marconi exports end up in Latin America.

In response to our success, competitors have established manufacturing facilities in the Mercosur region of South America. Since we must pay duties, ranging from 17 percent to 30 percent, on the products we ship into these countries, we find ourselves at a serious price disadvantage. To deal with this problem, our short-term position is to cut costs as best we can and to sacrifice profits to maintain our number-one market position. This is clearly not a tenable longer-term approach. In the future, we will overcome this situation by elimination of tariffs through successful negotiation of the Free Trade Area of the Americas (FTAA) and further WTO negotiations, or we will build a factory in Brazil.

If we are forced to go, foreign workers will permanently replace up to 10 percent of our highly skilled, highly paid U.S. production workers in Greensboro. But that’s not all. Currently, about 80 percent of the parts and components in our products come from U.S. suppliers.

The pamphlet I have given you today lists some of these suppliers. These companies throughout the country will also suffer the loss of business, as components for South American-built gas pumps are sourced in South America. This example clearly illustrates how important it is for U.S. companies and U.S. workers to have better access to world markets.

For this reason, Marconi urges the U.S. government to be a strong leader and an aggressive negotiator for the speedy elimination of trade barriers. These negotiations must proceed apace, and it is our serious hope that they last not more than three years. Three years is an eternity in terms of profitability and competitiveness for a company. The early phase-in of reduced tariffs on capital goods, like our gasoline pumps, should face little opposition from our South American trading partners.

I mentioned earlier in my testimony that Marconi has operations in China. Not surprisingly, China will soon be the largest market for petroleum-dispensing equipment. I want to reiterate here the importance of China’s accession to the WTO. The deal that closed in November is a welcome and healthy development. A deal should be closed as soon as possible with other trading partners so that China can be assimilated into the WTO, and therefore be a participant in future multilateral negotiations.

To give you an idea of just what kind of a deal we got, I would like to submit for the record a one-page document titled “Why American Manufacturers Support

China's Entry into the World Trade Organization." In May, 1998, the NAM issued a report that set forth key commitments that China should make in order for American manufacturers to support China's accession to the World Trade Organization (WTO). The scorecard indicates just how much was achieved. The deal provides genuine market access to all sectors. It includes not only the right to export goods, services and agricultural products to China, but the right to market, sell and distribute them as well.

In considering whether to support PNTR for China, it is important to keep the following facts in perspective:

**China makes the concessions. The U.S. gets the benefits.** China must take on the challenge of opening its market. The United States makes no concessions. Our market is already open to Chinese imports. This agreement levels the playing field.

**China's market-access commitments are enforceable.** The strong multilateral dispute-settlement mechanism of the WTO will help ensure that China adheres to its commitments. Violations would subject China to authorized trade sanctions under these same WTO dispute-settlement procedures.

China's commitments to these disciplines will translate into jobs, profitable business ventures, increased productivity and competitiveness for U.S. workers and manufacturers.

For Marconi specifically, only the southwestern tier of China, near Hong Kong, is open. The rest of China has recently been divided between two state-owned oil companies. To the extent that China's accession means a commitment by the Chinese to transition from state-run commerce to a market-driven economy, and multinational companies are permitted to enter the Chinese market, Marconi stands to benefit dramatically as our customers build retail fueling facilities in China. Additionally, tariff-reduction commitments would, we hope, reduce the up to 30-percent import duties we now face when sending parts to our operation in China. Obviously, China's accession to the WTO is of importance to Marconi.

As a final note, our company and the NAM continue to urge Congress to extend the currently expired trade-negotiating authority procedures. The extension of fast-track trading authority is critical to enabling U.S. trade representatives to negotiate "final" trade agreements; authority they must have in order to be taken seriously. The current situation puts American companies' products and workers at a disadvantage. I don't have to tell you that while our trade negotiating authority has lapsed, competitor countries are concluding trade agreements without us. We are falling behind our competitors.

Marconi, like most other U.S. manufacturers, looks forward to competing on a level playing field with other worldwide manufacturers because we believe that our workers are the most productive in the world and the products they make are of the highest quality in the world. That is why Marconi Commerce Systems is working hard, on its own, through the NAM, and through the recently formed U.S. Alliance for Trade Expansion, to support increased trade liberalization and to spread the message about the benefits of free trade. Thank you.

Chairman CRANE. Thank you, Mr. Robertson.

Mr. McCurdy, our distinguished colleague from Oklahoma. It's good to see you back in town again. You're now located right across the river, right?

Mr. MCCURDY. Just across the river. And it's a long way between.

**STATEMENT OF HON. DAVE MCCURDY, PRESIDENT, ELECTRONIC INDUSTRIES ALLIANCE, ARLINGTON, VIRGINIA; AND FORMER MEMBER OF CONGRESS**

Mr. MCCURDY. Mr. Chairman, having chaired a Committee, I appreciate your leadership and your willingness to chair a hearing and go through a day like today.

In order to be brief, and I know those lights well, I do represent the Electronic Industries Alliance, a partnership of electronic and high-tech associations and companies committed to shared knowl-

edge and shared influence. With over 2,000 member companies, accounting for 80 percent of the \$550 billion electronics industry, we're proud to represent the most dynamic and competitive industry in the world economy today.

The companies we represent operate globally. They think and we think and plan in global terms, and they face intense international competition. The fact is, the days when U.S. companies dominated the global high technology industry are over. Similarly, the days when domestic U.S. market could sustain the industry are also over. It has become almost cliché, but the global economy is a fact of doing business for us, and it is a critically important concept to keep in mind as we formulate public policy in this area.

For the past 50 years, the United States has led the world toward economic integration and opening of global markets. From World War II to the conclusion of the Uruguay round in 1994, the U.S. Government, in a bipartisan approach, was committed to a multilateral trading system. Although the message was often confused, the benefits of trade: competition, specialization, economic integration in the world economy, and rising standards of living, all were clear.

Consumers in open markets saw the equivalent of tax cuts, especially because of the increased purchasing power due to the availability of cheaper, often better quality products. This is especially true in the realm of electronics.

The message is simple: trade is a win-win undertaking, and is a net benefit for all. With the defeat of communism, the world has embraced the concepts of market economics and reducing barriers to trade. While the opponents of trade often accuse us of engaging in a zero-sum game that is shifting wealth from developing to the developed world, the evidence in the last decade is unequivocal.

Countries like Poland, Chile and Taiwan, which institute market reforms, adopt democratic, transparent institutions and open their economies to international trade and competition, see reduced poverty and rising living standards. Countries which remain closed or only institute partial or haphazard reforms experience stagnation or recession.

While global tariff rates are low, and decreasing every year, the goal of trade policymakers is to now remove the remaining barriers to trade through deeper integration of economies, through broad-based negotiations and internationally agreed-upon rules. The Seattle Ministerial meeting, however, confused the picture for continuation of the economic fundamentals. What we saw in the name of opposition to globalization were fringe groups who want to stop trade, not expand it.

The fact, however, is that globalization is a reality, and the best approach is to stick to the basics and press for multilateral, rules-based trade agreements. EIA believes it is crucial that expansion of high technology trade be a priority goal of U.S. trade policy. Key elements of a technology trade strategy should include securing a broadened information technology agreement and trade rules that are conducive to growth and e-commerce.

The ITA is a prime example of an initiative that has the potential to promote the growth of the U.S. economy and that of other nations through improvements in efficiency and immigration. Con-

sidering the speed of change in our industry and the rapid development of so-called convergence products, we cannot afford to wait several years for the conclusion of a new round for necessary trade liberalization. Indeed, just the start of a new round may take too long.

Members of the U.S. high technology industry are concerned that trade negotiating success in the technology sector not be held hostage to achievement of other trade policy goals. In this regard, it is important that U.S. decisionmakers take a creative and flexible approach to the built-in agenda that emerged from the Uruguay round negotiations.

In any event, advancement of high technology trade expansion must be a foremost goal of America's post-Seattle approach to trade negotiations and cannot be sacrificed due to a perceived lack of success in other areas. Our written testimony provides more details regarding the ITA and e-commerce. However, I'd like to discuss one of the most important WTO-related issues facing our industry today, and that is bringing China into the rules-based, multilateral trading systems.

China is the single most promising emerging market in the world today. And this fact is especially true for the U.S. electronics industry. As China enters the information age and builds its information infrastructure, it will purchase more high-tech equipment from the world's leading supplier, the United States. Bringing China into a multilateral system of rules and procedures which the WTO oversees will go a long way toward making China a more attractive and easier place to do business.

EIA member companies have an inherent interest to see China become a member of the World Trade Organization. The electronics industry has much to gain from China's accession in the area of tariff and nontariff barriers, distribution rights, trading rights, transparency, state-owned enterprises, and national treatment.

Mr. Chairman, the issue and principle before us is very simple, and that is, to vote for continuing the momentum for trade liberalization and reform. The verdict of history is clear: democracy and market economics have won out over communism and state-controlled economies, which only produced human misery, economic deprivation, and environmental devastation.

I would urge leaders in Congress to not delay nor try to make political and partisan hay from this vote. This vote should occur before the summer and not be dragged out.

The best opportunity to continue the economic and social progress of the past decade lies in voting early this year, before the campaign season really begins, to further U.S. participation in WTO, support China's accession to WTO by granting permanent NTR status, and support for the principle of economic freedom and reform.

Mr. Chairman, I would hope that this vote would be bipartisan, resounding and soon.

[The prepared statement follows:]

**Statement of Hon. Dave McCurdy, President, Electronic Industries Alliance, Arlington, Virginia; and former Member of Congress**

Thank you, Mr. Chairman, for the opportunity to testify today on the post-Seattle U.S. trade agenda. I represent the Electronic Industries Alliance (EIA), a partner-

ship of electronic and high-tech associations and companies committed to shared knowledge and shared influence. EIA includes the Consumer Electronics Association (CEA); Electronic Components, Assemblies, Equipment and Supplies Association (ECA); Electronic Industries Foundation (EIF); Government Information Technology Association (GEIA); JEDEC—Solid State Technology Association; and Telecommunications Industry Association (TIA). Simply put, we connect the industries that define the Digital Age.

I am also a former Member of Congress from Oklahoma. During my 14-year tenure in the House, I served as the Chairman of the Select Intelligence Committee, as well as subcommittee chairman on the Armed Services Committee and the Science Committee. This experience gave me valuable insight into the national security, foreign policy and technology policy issues of importance to the high technology industries.

#### *Realities of the High-Tech Industry*

With over 2000 member companies, accounting for 80 percent of the \$550 billion electronics industry, we are proud to represent the most dynamic and competitive industry in the world economy today. The companies we represent operate globally, they think and plan in global terms, and they face intense international competition. The fact is, the days when U.S. companies dominated the global high-technology industry are over. Similarly, the days when the domestic U.S. market could sustain the industry are also over. It has become almost cliché, but the global economy is a fact of doing business for us, and is a critically important concept to keep in mind as we formulate public policy in this area.

As any successful CEO will tell you, competing—indeed, surviving—in the global economy means exporting. The phenomenal success of the U.S. technology industry comes from its entrepreneurialism, its aggressiveness, its willingness to compete—all those free market forces that drive innovation. In this kind of business environment, tapping new markets before the competition does is the key to success. In 1999, more than one-third of what the U.S. electronics industry produced was exported overseas, over \$150 billion in goods. That means more than a third of the 1.8 million employees who work for U.S. electronics companies depend on exports for their jobs, and the percentage goes up every year.

We must also recognize that our high-tech companies are the engine of technological innovation and economic growth in the world today. The U.S. economy is the most competitive in the world due in no small part to the amazing advancements our companies have achieved. Technologies which, not long ago, had only military or limited civilian applications are now pervasive in our society, and the greater economic efficiency stemming from this diffusion of technology has been the driving force for the remarkable prosperity so many Americans are experiencing. Not incidentally, salaries for high-tech jobs average around \$58,000 per year, whereas the U.S. average salary is \$28,000 per year.

#### *Leadership or Stagnation?*

With the successful passage into the year 2000 without major Y2K or terrorist events, Americans are as optimistic about the future as never before. The reason for the positive feeling is that the fundamentals are good. The economy continues to grow, with low unemployment, low inflation, increased productivity and a booming technology sector. The U.S. budget is balanced, thanks to the incredible economic performance. The social indicators such as crime and homicide rates are down. We are on course for continued unprecedented economic growth and prosperity at home and abroad.

Because of these factors, voters are happy and policy makers should be ebullient. Now is the time for politicians to lead. The opportunity to continue this growth depends on keeping faith with economic fundamentals, especially support for free and open trade. For the past 50 years, the United States has led the world toward economic integration and opening of global markets. Accordingly, as President Clinton stated, “the world has experienced the most rapid, sustained period of economic growth ever recorded.” From WWII to the conclusion of the Uruguay Round in 1994, the U.S. government, in a bipartisan approach, was committed to the multilateral trading system. Although the message was often confused, the benefits of trade: competition, specialization, economic integration of the world economy and rising standards of living, all were clear. Consumers in open markets saw the equivalent of tax cuts, because of the increased purchasing power due to the availability of cheaper, often better quality products. This is especially true in the realm of electronics.

The message is simple; trade is a win/win undertaking and is a net benefit for all. With the defeat of communism, the world has embraced the concepts of market

economics and reducing barriers to trade. While the opponents of trade often accuse us of engaging in a zero-sum game—shifting wealth from the developing to the developed world—the evidence of the last decade is unequivocal. Countries like Poland, Chile, and Taiwan which institute market reforms; adopt democratic, transparent institutions; and open their economies to international trade and competition; see reduced poverty and rising living standards. Countries which remain closed or only institute partial or haphazard reforms, experience stagnation or recession.

While global tariff rates are low and decreasing every year, now the goal of trade policy-makers is to remove the remaining barriers to trade through deeper integration of economies through broad-based negotiations and internationally agreed upon rules. A good example of this is the lifting of government restrictions on competition in industries such as telecommunications.

The Seattle Ministerial Meeting, however, confused the picture for continuation of the economic fundamentals. What we saw, in the name of opposition to “globalization,” were fringe groups, who want to stop trade, not expand it. Under the guise of nationalism or environmentalism, the Seattle opposition was intent on destroying, not promoting multilateral economic cooperation. Playing to fears of rapid change, superbly organized groups are trying to reverse globalization, rather than influence or shape it. The fact, however, is that globalization is a reality and the best approach is to stick to the basics and press for multilateral, rules-based trade agreements.

#### *The Seattle Ministerial*

The WTO was created in 1994 as a means to more formally bring together the world trading community under a binding system of rules that provide, among other things, the opportunity for countries to challenge each other on trading matters. In the past, negotiations were conducted between a relatively small group of countries, where informal agreements were hashed out and then presented to the larger group of countries for consensus. This process focused heavily on the interests and strength of the developed world and left many countries in the developing world unable to participate in some discussions, a complaint which resurfaced during the Seattle negotiations. Further complicating the Seattle talks was the basic fact that many of the “easier” trade issues were addressed in previous rounds, leaving the most contentious and difficult issues for the Ministerial.

EIA participated at the Ministerial and conducted numerous meetings with representatives of other country delegations. From our meetings, it was apparent that many of the items for discussion at the Ministerial would be highly contentious. Many developing country representatives had a number of common interests to be addressed during the talks, including demands for additional time to implement Uruguay Round commitments.

Adding to the confusion and disagreement was U.S. isolation in some of its negotiating positions. This was especially true in the case of the U.S. Government’s support for inclusion of labor and environmental standards in the WTO Agreement as sanctionable trading violations. This pronouncement hit a strong chord with many developing country representatives, who felt that these standards would be used against them in trade disputes. In the end, these differences made it impossible for the WTO members to agree on a set of negotiating principles to lead the round for the next several years.

#### *Future Agenda*

Trade in the high technology sector is a major and growing part of U.S. exports and world trade in general. Moreover, maintaining a vibrant U.S. high technology industry is now critical to U.S. economic prosperity and, in turn, depends on continued trade expansion.

Accordingly, it is crucial that expansion of high technology trade be a priority goal of U.S. trade policy. Key elements of a technology trade strategy should include securing a broadened Information Technology Agreement and trade rules that are conducive to growth in E-Commerce. The ITA is a prime example of an initiative that has the potential to promote the growth of the U.S. economy and that of other nations through improvements in efficiency and integration. Considering the speed of change in our industry, and the rapid development of so-called “convergence” products, we can not afford to wait several years for the conclusion of a new round for necessary trade liberalization. Indeed, just the start of a new round may be too late.

Members of the U.S. high technology industry are concerned that trade-negotiating success in the technology sector not be held hostage to achievement of other trade policy goals. In this regard, it is important that U.S. decision-makers take a creative and flexible approach to the “built-in” agenda that emerged from the Uruguay Round negotiations. In any event, advancement of high technology trade ex-

pansion must be a foremost goal of America's post-Seattle approach to trade negotiations and cannot be sacrificed due to a perceived lack of success in other areas.

#### *Information Technology Agreement*

The Information Technology Agreement (ITA) was implemented on July 1, 1997. The agreement called for the elimination of import tariffs for information technology products by the year 2000. Those products covered by the agreement include semiconductors, computer hardware, software and telecommunications equipment among others. The second round of negotiations, dubbed the ITA II, is underway to expand product coverage, eliminate non-tariff measures (NTMs) facing the high technology industry, and accelerate tariff reduction on products already included in ITA I.

EIA is a strong supporter of the ITA process because the ITA calls for reductions in tariff rates on many of the products that our industry produces. These reductions allow our industry to penetrate markets from Europe to parts of Asia. Importantly, EIA endorses an expansion of the ITA to additional countries and additional products. We believe that while the first round of ITA negotiations produced important changes to world-wide tariff rates on information technology products, there needs to be a further examination of how convergence has expanded the scope of information technology. Specifically, EIA endorses an approach that broadens the types of products that should be included in the ITA in the future. Our definition of an information technology product includes:

- 1) A product or device that uses digital means to process information; or
- 2) A product or device that is critical to the functioning of an information technology product; or
- 3) A product or device or components, parts, inputs of a device which enables or facilitates the transmittal of information; or
- 4) A product, component, or input that is critical to the manufacture of an information technology product and is primarily or extensively used in such manufacturing.

#### *E-Commerce*

EIA is pleased by the broad consensus among developed and developing countries alike that electronic commerce should remain duty free. The Administration should be applauded for its initiative in 1998 to reach multilateral agreement to keep Internet commerce tariff-free. Although several countries remain somewhat wary of making the moratorium permanent, the Administration has made considerable progress in explaining the benefits of e-commerce, as well as the stunting effect of "e-tariffs." Like the ITA II, extending the tariff moratorium on e-commerce is an area in which a conclusion is well within reach. Regardless of other issues, negotiations to permanently extend the moratorium on e-commerce tariffs should continue and, hopefully, conclude quickly.

Similarly, the broader agenda of the WTO in examining the trade-related implications of electronic commerce must move forward as well. The emergence of the World Wide Web as a means of commerce raises a variety of questions which require careful consideration, questions such as: how to prevent the creation of technical trade barriers in this area, how to ensure nondiscriminatory access for network and service providers, how to treat electronic transmissions, and how can e-commerce expedite and simplify implementation of WTO commitments. The WTO has proven to be a useful forum for airing differing views on these types of questions, and for building multilateral consensus for moving forward.

#### *China's WTO Accession*

Perhaps the most important WTO-related issue facing our industry is bringing China into the rules-based multilateral trading system. China is the single most promising emerging market in the world today, and this fact is especially true for the U.S. electronics industry. As China enters the Information Age and builds its information infrastructure, it will purchase more high-tech equipment from the world's leading supplier—the United States. Consider the following trends:

- Total U.S. electronics exports to China more than doubled between 1994 and 1999, from \$1.3 billion to nearly \$3 billion.
- By December 1999, China was expected to have 39.7 million mobile phone subscribers, with an annual growth rate of 58.8 percent.
- China adds 15.1 million fixed telephone lines annually.
- The number of Internet users more than doubled between June and December 1999, from approximately 4 million to 8.9 million.
- The number of websites also increased dramatically in that six month period, from 9,906 to 15,153.

Nevertheless, our companies face considerable obstacles to penetrating the Chinese market, and this is reflected in the lopsided bilateral trade deficit. Even in the electronics sector, where in most cases U.S. manufactured products are superior in terms of both quality and price competitiveness, the trade deficit in 1998 totaled over \$12 billion. This is due, in part, to the high tariffs China imposes on our products. In 1998, those tariffs averaged 18 percent, and in some sectors like consumer products, tariffs are in the 40 to 60 percent range. But of even greater significance to our trade deficit with China are the costly and burdensome non-tariff barriers which confront our companies. As you can imagine, these barriers take many forms, from a distribution system which discriminates against our companies, to the discriminatory buying practices of state-owned enterprises, to the arbitrary customs procedures we face at the ports-of-entry.

For the electronics industry in particular, China is an important export and import market for EIA's most competitive companies. On the export side, our industry looks to China as a market for its products. China is a market of one billion people that is growing in sophistication and buying power every year. On the import side, our industry utilizes China as a source for components that are then incorporated into larger products. The availability of these components, which often are not produced domestically, are essential to the competitiveness of our industry. Without access to the inputs produced in China, these firms would not be able to be competitive domestically or internationally.

Bringing China into the multilateral system of rules and procedures, which the WTO oversees, will go a long way towards making China a more attractive, and easier, place to do business. EIA member companies have an inherent interest to see China become a member of the World Trade Organization (WTO). The electronics industry has much to gain from China's accession in the areas of tariff and non-tariff barriers, distribution rights, trading rights, transparency, state-owned enterprises and national treatment.

As part of the agreement reached on November 15, 1999, China agreed to:

- Implement the Information Technology Agreement by 2005, which will eliminate tariffs on a wide range of high-tech products.
- Provide U.S. firms significant market access rights that include the ability to import, export and distribute their goods throughout China. State-owned enterprises would be prohibited from discriminating against U.S. firms in their buying decisions.
- Enforce laws protecting intellectual property, and preventing local content requirements and forced technology transfers.
- Open the telecommunications market to foreign competition and investment:
  - China has agreed to implement the pro-competitive regulatory principles embodied in the Basic Telecommunications Agreement (including cost-based pricing, interconnection rights and independent regulatory authority), and agreed that foreign suppliers can use any technology they choose to provide telecom services.
  - China will allow 49% foreign investment in all services immediately upon accession, and will allow 50% foreign ownership for value added in 2 years and paging services in 3 years. This is a change from the April 8 deal, in that China had indicated it would allow 35% foreign ownership for value-added and paging services two years after accession and 51% four years after accession.
  - China will phase out all geographic restrictions for paging in 3 years, value added, and closed user groups in 3 years, mobile/cellular in 5 years and domestic wireline services in 6 years. China's key telecommunications services corridor in Beijing, Shanghai and Guangzhou, which represents approximately 75% of all domestic traffic, will open immediately on accession in all telecommunications services.
  - Internet services will be liberalized at the same rate as the other key telecommunications services, and China will permit provision of telecom services via satellite.
- Regarding antidumping, the U.S. will continue to treat China as a non-market economy. Moreover, in applying countervailing duty law, the U.S. will be able to take the special characteristics of China's economy into account when we identify and measure any subsidy benefit that may exist. This provision will remain in force for 15 years after China's accession to the WTO.
- Should China fail to abide by these commitments, China is subject to the WTO's Dispute Settlement Mechanism, including the possibility of multilateral trade sanctions.

Whereas China has committed to overhaul its economic structures, all the United States must do is make permanent China's "Normal Trade Relations" (NTR) status

under U.S. law. Unless Congress votes to make China's NTR status permanent, China will not grant, and is not required to grant, U.S. companies the benefits which have been agreed to. Ironically, our overseas competitors would receive the benefits of the November 15 agreement, while U.S. companies are shut out. EIA is proud to be a member of the U.S. High-Tech Industry Coalition on China, as well as the Business Coalition for U.S.-China Trade, working to ensure that Congress permanent NTR.

In addition to the substantial economic opportunities the accession agreement creates, China's membership in the WTO also advances our broader foreign policy goals by promoting economic and political reform. The practical effect of adhering to WTO principles and commitments makes China's economic reforms of the last two decades irreversible, and sets China on a course for further free-market reforms. It commits China to abide by the same multilateral trading rules—like national treatment, Most-Favored-Nation, and impartial dispute resolution—that we and our other major trading partners already abide by. WTO membership will require greater transparency from China's legal system and bureaucracies, creating unprecedented accountability for the country's decision makers. Furthermore, it creates the foundation for China's prosperity and improving the quality of life for a billion people. Finally, it promotes the free flow of ideas and information through enabling greater Internet penetration, music and movies, financial information and other news, and increased exposure to U.S. companies and citizens.

Thirty-three emerging market countries have applied for membership in the 135-member World Trade Organization (WTO). Most of these countries are transitioning to market-based systems and represent 1.6 billion people, or nearly one-sixth of the world's Gross Domestic Product. The United States has seized the opportunity of potential WTO membership, to negotiate bilateral agreements with countries, such as China, to press them to open and modernize their economies and markets. China, not the U.S., had to make significant concessions to achieve membership in the WTO. China must reduce tariffs, open markets for competition and investment from U.S. firms and abide by international rules of commercial behavior and monitoring of its compliance. As a result, US telecommunication and high tech companies have a tremendous opportunity to gain from China's accession to the WTO and concurrent implementation of the WTO deal. As the Chinese Ambassador to the U.S. told me, the deal is "good for China, good for the U.S. and good for trade. China will continue the process of opening up and modernization." It is a commercially viable agreement that is a huge win for the US and international trade.

#### *Conclusion*

I served in the U.S. House of Representatives from 1981–1995. During that time, there were only a handful of votes that were considered momentous, where Congress debated the issue fairly and rose above partisanship to send a clear signal of national direction. The one vote that stands out was the debate over commitment of force in Iraq. It was clear that sanctions were not going to work, despite the hand-wringing and fear of losing thousands of Americans in combat, Congress voted to send a clear message of our commitment to democracy and multinational coalitions to oppose aggression. Democrats in Congress, were in an uncomfortable position, but enough of us voted to authorize force based on our belief in core values and faith in America's ability to succeed.

Congress is in the similar position today. The principle is simple, vote for continuing the momentum for trade liberalization and reform. The verdict of history is clear; democracy and market economics have won out over the legacy of Lenin, Hitler, Stalin and Mao, i.e. state-controlled economies, human misery, economic deprivation, and environmental devastation. Leaders in Congress should not delay nor try to make political or partisan hay from the vote. It should occur in the Spring and not be dragged out. The best opportunity to continue the economic and social progress of the past decade lies in voting early this year, before the campaign season, to further U.S. participation in WTO, support China's accession to WTO by granting permanent NTR status and support for the principle of economic freedom and reform. It should be bipartisan, resounding and soon.

Chairman CRANE. Thank you very much.

Thank you all for your testimony. Dave, one quick question, and that is, I get the impression from your testimony that you are con-

cerned that the high-tech sector not be held hostage to a lack of progress in other areas. Is that correct?

Mr. McCURDY. That is correct. Mr. Chairman, the ITA and the ITA2 are important steps that need to be taken. In this business, as Mr. Houghton knows very well, the time to market is very quick. The demands and the competition are great. And the potential for opening these markets is critical. We would urge the trade negotiators and their policymakers in Congress to support maximum flexibility to move on other agreements to see this progress achieved.

Chairman CRANE. Very good. And Steve Robertson, I have a question for you with this pamphlet that you distributed.

Mr. ROBERTSON. Yes, sir.

Chairman CRANE. You've got the list of the people who are the providers of various component parts. And it's an impressive list of employees. Do all of those employees have copies of this?

Mr. ROBERTSON. All of those companies that we list as suppliers of ours in that pamphlet have multiple copies of that, yes, Mr. Chairman.

Chairman CRANE. But I hope they realize the importance of distribution of this to all of the employees. And I say that because in my district, my district is probably the biggest export district in the State of Illinois. We're the fifth largest export State in the union. And when I talk about the importance of trade issues at a town meeting, people start falling asleep.

It is our employers—I've got corporate giants like the headquarters of Motorola, Sears, AmeriTech, United Airlines, Kemper Insurance, Baxter and Abbott are right on my border. And we had a trade hearing out there, and I knew that we had these big giants. But the thing that was interesting about the trade hearing is we found out that better than 90 percent of our exports out of Illinois came from companies employing 500 or less.

And that message is not being gotten out to the employees, about the essentiality of trade to the preservation of the business. And that in turn translates to the preservation of their jobs.

I was particularly struck in your testimony here about the duties that you're having to pay to penetrate the MERCASR market. And that if you don't get some relief, that it means leaving town.

Mr. ROBERTSON. Yes, sir.

Chairman CRANE. And going down there and replacing folks' jobs up here with jobs down there. And that's totally understandable, it's survival. But it's that kind of message that we need to get distributed to more folks so that they can in turn communicate with us. Because we have a number of Members here still that I don't think fully appreciate the importance of guaranteeing that we provide those windows of opportunity for expanded markets to our own businesses here.

And with that, I'd like to yield to Mr. Levin.

Mr. LEVIN. Thank you. And my apology, I'm sorry, I had no choice but to miss part of this hearing, which went longer than we expected, and I think much longer than you expected.

I always say, if you're on the last panel, beware. But thanks for your patience, and I assure you, I will read your testimony carefully. In some cases, I already had a chance to review it. And if the

others don't mind, if I might say a special hello to—it says Hon., how true—Dave McCurdy. It's nice to have you back and looking in such trim battle form.

Mr. MCCURDY. A little grayer, but doing well.

Mr. LEVIN. I don't object to that. [Laughter.]

But thanks very much, and you can be assured, your testimony will receive more attention than the late hour might indicate. Thank you.

Chairman CRANE. And Mr. Houghton.

Mr. HOUGHTON. Thank you very much, Mr. Chairman and Mr. Levin.

Well, gentlemen, it's wonderful to be here. I'm not going to take long, because we've got to go for a vote, and you've been very patient here. But the question is, how does it all get done? I don't think there's really any disagreement of the fact that we've got to have normal trade relations with China, we've got to be part of the WTO, we've got to make sure that the foreign sales corporation exists, that we product our antidumping laws.

How does it get done? Because you know, I don't think there's really any disagreement here. And Dave, you know this. And I mean, I have organization after organization come into my office and they have their own particular ideas. But you know, we're not really looking at a long term as citizens of the country, we look at it in terms of our own individual interests. And there are waves that come in, and if you don't get them, then I think you're really in trouble for years to come.

So politically, how do we drive these things through? I have been fighting, as I guess most of us have around here, certainly in this room, for the fast track authority. I don't think it's complicated. I don't think it gives up anything as far as environment or labor or human rights and everything. But boy, I tell you, it is tough.

And I guess maybe the one suggestion I might have is that you gentlemen represent the power sources in this country. I don't really think labor and business work together to explain to employees how important the international operations are. I mean, the three critical companies in my district all are totally dependent upon international sales, period. But you won't hear that when you go to the town meetings. There is something we need to do to explain, explain, explain and to work closer together.

And absent that, I think these are going to be tough votes. Maybe you could have some ideas.

Mr. MCCURDY. Well, Congressman, if I could just take 1 minute. Let me say this for the benefit of my former colleagues as well, a little quick commercial. Mr. Houghton was a member of EIA long before I was. As a matter of fact, he made a comment to me at one of our recent programs that he was a member of EIA before I was born.

Mr. HOUGHTON. Now, that hurts. [Laughter.]

Mr. MCCURDY. It hurt me, actually. But this year, it actually, I don't think that there's been appropriate mention on both sides, whether you're Members of Congress, and those of us who have now been on both sides of this podium. One is, I don't think there's been the long-term leadership needed, and the long-term vision.

And I'll give you an example of where it can work, for those who are not aware. Congressman Houghton was the only chief executive officer of a Fortune 500 company to serve in the U.S. Congress. And Amo Houghton, during his leadership, took his company through some very difficult times to develop fiber optics.

And we see today the benefits of telecommunications on a global basis because of the leadership of that person right there. So EIA this year is presenting him with a medal of honor for his leadership as an industry leader.

Now, I use that as an example, because it took long-term vision to do that. It wasn't short-term sales, it wasn't the quarterly profit sheet, it wasn't the quarterly NASDAQ report or the DOW. You were looking long-term at something and you took a risk.

I don't believe that there's been sufficient leadership either from the administration or quite frankly from the Congress and certainly not from industry on this issue. It is an educational requirement for all of us. We don't explain the benefits, the long-term benefits of this. And that's why in my testimony today, I cited a little bit of the history. Because we forget that.

It hasn't been that long ago, we were fighting communism. We were in a gridlock. And when I was chairman of the Intelligence Committee and a Member of the Armed Services Committee, I was in a position to start looking at some of the other issues. When we were in a hot or cold war, we weren't worried about environmental concerns in Eastern Europe. But after we won, we realized the economic and environmental devastation that occurred under those command economies. And this is where I think we fail is in the basic education throughout the country.

And Chairman Crane was right in talking about Marconi and distributing to the employees. The employees don't know where the benefits actually are derived from those international sales. And let me just make one last point. This vote on China PNTR is different than fast track. Fast track is a process question. China PNTR is an agreement. We conditioned our support for an agreement we did not see until we got a final agreement. When we examined it, it was not only a commercially viable agreement, it was a good agreement. And that agreement is to the benefit of the United States. The Chinese made the concessions, we didn't, the United States didn't. All we have to do is change the Jackson-Vanik requirement, and make permanent their membership in WTO and NTR, we used to call it MFN.

But that word's not getting out. We're focused on the short-term, sometimes political debate and argument and forgetting the real true economic prosperity and increased standard of living. And quite frankly, in our industry, we can't say it for every industry, but in our industry, we actually are very involved in designing products that are not only good for consumers, but also environmentally sustainable, better for the environment overall. Issues like recycling and end of life, the types of materials, we have one of the most active areas in our association, just in the environmental issue.

That's something that we can do proactively. But industry doesn't talk about the positive things they do. So I think it's a question of long-term leadership from the administration. I was

pleased the President came up and said that they're going to commit it without any equivocation, no hesitancy, they're supporting this agreement and they're going to push for it. I think it's good that the leadership in the Congress is coming forward on this.

And I would just urge my colleagues, and especially Democratic Members, this is not fast track. This is different than even NAFTA. This is an agreement that is very clear, whether you're in agriculture, whether you're in technology, across the board, this is an agreement that's good, certainly for the United States. And in the long-term, it's going to be better for the Chinese, people in China, that's why the Chinese liberals support it. Those that are seeking reform, political reform, support it. Those who are seeking environmental reform in China support it.

And that's why I would urge my colleagues and former colleagues to support this. This is the number one priority for our organization. We've already produced letters to over 174 Members of Congress, 82 Senators. And that's just the beginning. We're going to have lobby day, we're making this a top priority issue. And I think my colleagues here at this table will concur that it is at the top of their list as well.

Mr. VAN PUTTEN. Congressman Houghton, may I respond? I certainly agree that visionary proactive leadership is what is required. What is required is to demonstrate concretely the ways in which liberalized trade can enhance values like environmental protection. What is required is an aggressive agenda in areas such as the perverse subsidies in fisheries to demonstrate ways in which the conservation of the world's fisheries can be enhanced.

What is required is a carefully articulated strategy toward trade liberalization in the energy sector focused on ways to reduce global climate change causing greenhouse gases. What is required of those businesses who want to make the case for environmentally responsible behavior in China is don't supplant the governmental funding we've all worked so hard on the environmental community to prevent the Three Gorges Dam from going ahead.

If we see private financial actors in the United States moving in, where the World Bank and the Japanese Development Bank have fled, and directly and indirectly fund that kind of environmentally destructive activity in China, it's a little hard to take the argument that it will inevitably be good. There are real concrete visionary opportunities to demonstrate how trade can work to vindicate values such as protection of the environment. And we need a policy that articulates that proactive benefit and then delivers.

Mr. HOUGHTON. Right. And Mr. Chairman, if I could just say this one thing, and I was picking up on that, I think what Mr. Dawson said, that the World Trade Operation, the meeting in Seattle, was not a lost opportunity, it was a missed opportunity. And I get sort of an ashes and sackcloth feeling around here, everybody thinks, oh, my gosh, this will never be brought together. It will be brought together. We've got to drive this thing.

So thank you very much.

Chairman CRANE. Well, and let me add just one comment to Dave's remarks earlier. And I've argued this for years, that trade is not a Democrat or a Republican issue, it's an American issue, and I know it's not easy for some of our colleagues on the Repub-

lican side to take an objective view of trade. And simultaneously, I know a lot of Democrats are under pressures, especially in the post World War II era.

But we have had a remarkably high level of bipartisanship on the e-trade issues. And I want to pay tribute to our Democratic friends as well as Republicans, keep working. But the big part of that problem is getting that message out, explaining to the folks back home the importance of it, and getting them to recognize that trade is almost one-third of our national economy now. And it's been the fastest growing over the past decade, the fastest growing component.

And when we're less than 5 percent of the world's population, where's the market? It's out there beyond our shores. And we're the biggest export country on the face of this Earth. And no one has been able to match us in that competitive world.

But we want to make sure that Steve isn't put out of business here, and down there competing with us in Brazil.

Folks, I want to thank you for your participation, and please stay in touch with all of us. With that, our Trade Subcommittee hearing stands adjourned.

[Whereupon, at 6:08 p.m., the hearing was adjourned, to reconvene at the call of the Chair.]

[Submissions for the record follow:]

**Statement of American Apparel Manufacturers, Association, Arlington,  
Virginia**

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 non-traditional 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 by-products 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—be they non-governmental organizations, interest groups, or business entities—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.

AMERICAN FISHERIES SOCIETY  
BETHESDA, MD 20814-2199  
*November 23, 1999*

William J. Clinton  
President  
The White House  
1600 Pennsylvania Ave  
Washington, DC 20500

Dear President Clinton:

The American Fisheries Society (AFS) is a professional organization with 9000 members from academic, agency, tribal, and private institutions. We are concerned with the possible consequences of the World Trade Organization (WTO) ministerial meeting scheduled for 30 November – 3 December in Seattle, WA. We understand that the WTO objective is to foster international trade by:

1. Eliminating or reducing tariffs on products, thereby reducing export costs while opening additional markets to producers.
2. Requiring countries to treat foreign nations and corporations at least as well as domestic entities. That is, a government cannot subsidize or prefer domestic fishers who meet domestic regulations.
3. Requiring that all foreign countries and companies be treated identically. For example, local or national governments could not ban fish products obtained in an unethical or ecologically unsound manner.
4. Prohibiting quantitative import or export restrictions. In other words, fish produced from well-managed aquaculture facilities must be treated in the same way as fish obtained by mining pristine systems or endangered populations.

It appears that the WTO seeks to facilitate international commerce without regard for fisheries consequences.

International laws increase the potential of impacting fish and aquatic resources. The following seven examples demonstrate our concerns for the management and protection of our valuable fisheries resources.

1. U.S. law requires that shrimp fishers use nets with turtle exclusion devices to protect sea turtles. Several Asian nations not using these devices could not market their product in the U.S. and sued, claiming that the import ban was an attempt to influence fishing behavior outside the U.S. The WTO agreed and the U.S. suspended the law.

2. The U.S. Marine Mammal Protection Act embargoed tuna caught with porpoise-killing methods. Mexico declared that this law was an attempt to close U.S. markets to foreign competitors and sued. The law was declared an illegal tariff and the U.S. held the law in abeyance.

3. National and global deforestation and forest degradation have increased since the Rio Earth Summit. If trends continue, the world's remaining unlogged forests will be lost in this coming century. Many of our most sensitive fish families and species maintain their greatest diversity and abundance in forested regions. Once the forests are removed, the diversity and abundance of sensitive fishes decline.

4. The U. S. Federal Advisory Committee Act requires (and Judge Barbara Rothstein ordered recently) that advisory committees be composed of members representing a wide variety of perspectives. Nonetheless, the two U.S. trade committees contain only industry representatives, as have the past U.S. trade negotiation teams. Although Canadian Minister Pierre Pettigrew recently met with NGO, labor, and other interest groups, this has not occurred in the U.S. When fishery and aquatic environmental interests are not represented, they do not become part of trade agreements.

5. The United States has adopted some elements of the precautionary approach to fisheries management which has been recommended by UNCED, UNEP, and many participants in the FAO. Giving priority to trade over protection of sustainability of fish populations will undercut the precautionary approach and re-establish the burden of proof for conservation on the managers rather than those who engage in overfishing or methods damaging to resources.

6. U.S. law prohibits the import of some species of fish below specific minimum lengths. Swordfish below the approved minimum length may have to be allowed for import if the U.S. continued to import any swordfish at all.

7. U.S. law required a 76% U.S. citizen ownership of fishing companies that are allowed the rights to harvest fish in the waters of the United States. WTO trade provisions may invalidate those laws and allow majority ownership and control by foreign interests that are not limited by U.S. conservation ethic and management.

Therefore the AFS requests the following of the Canadian and U.S. governments:

1. Ensure that strong environmental concerns are represented on U.S. and Canadian Advisory panels and negotiating teams.

2. Certify that pre-established negotiating objectives (e.g., environmental protection, human rights) are met before Parliament and Congress grant a "no amendments" or "fast track" vote.

3. Recognize that support of sustainable fisheries policies are in the interest of long-term social and economic stability.

4. Develop rules permitting governments to protect biodiversity, and the environment—even if they secondarily impede trade.

5. Adopt environmental standards even though they might interfere with free trade.

6. Regulate imports of products at the expense of sustainable fisheries, or if a product is produced in an unsustainable, unsafe, or degrading manner, particularly if fishing communities are likely to be negatively affected by the production of that product.

7. Allow national and sub-national governments to elect, adopt and enforce their own levels of protection.

8. Allow trade measures that will enforce multilateral environmental agreements.

9. Discourage challenge of government regulations that have incidental effects on investors' returns.

10. Eliminate subsidies that harm the environment.

11. Ensure that transnational corporations and their subsidiaries protect the environment, with the possible penalty of losing their charters.

12. Submit an environmental impact statement prepared jointly by Environment Canada, the Ministry of Fisheries & Oceans, the Council on Environmental Quality, the Fish & Wildlife Service, the National Marine Fisheries Service, the Environmental Protection Agency, and the Canadian and U.S. trade representatives, sufficiently in advance of the proposed adoption of any specific trade measures related to fish or fishery products to allow those agencies to comment on and consult with the WTO with regard to any problems or objections that such agencies may present to the WTO.

13. The WTO should favor industries that minimize direct and indirect environmental impacts because these practices promote long-term ecosystem productivity and economic development.

14. Recognize the validity and utility of the precautionary approach to fishery management as a recognized exception to the priority of trade in international commerce.

15. Specifically allow the protection of fish habitat as a basis for exception to the priority of trade in international commerce.

If you would like to discuss these issues further, please do not hesitate to contact me.

Sincerely,

GHASSAN N. RASSAM  
*Executive Director*

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### Statement of American Iron and Steel Institute

The following statement on the outcome of the Seattle World Trade Organization (WTO) Ministerial Conference is submitted on behalf of U.S. member companies of the American Iron and Steel Institute (AISI), who together account for approximately two-thirds of the raw steel produced annually in the United States.

#### RULES-BASED TRADE:

##### *AISI and U.S. Government Position in Seattle*

In going to Seattle, AISI representatives stressed that:

- trade liberalization without effective fair trade rules cannot work in the interests of America;
- there can be no further trade liberalization unless trade will be fair; and
- the best way to do this is through strong trade laws, strictly enforced.

The AISI message going to Seattle can be summed up in three words: RULES-BASED TRADE. After Seattle, this message has become even more important.

AISI went to Seattle to support the long-held, bipartisan position of the U.S. government in favor of continued multilateral trade liberalization, based on no further weakening of the WTO's antidumping and anti-subsidy rules. The U.S. government and AISI took this position because, had these agreements been opened up, it would have led to certain weakening of the WTO's fair trade rules.

In the months leading up to the WTO Ministerial, the Administration stated repeatedly that, in the national interest of the United States—and in the ultimate interest of trade liberalization and the global trading system—it would not allow the WTO's antidumping and anti-subsidy rules to be the subject of negotiations. The Administration deserves credit for holding firm in Seattle against strong foreign government pressures to reopen the WTO's dumping and subsidy agreements.

The Congress also deserves credit for making its views known. There is overwhelming bipartisan support for preserving effective international disciplines against unfair trade. In the months leading up to the Ministerial and then again in Seattle, Steel Caucus Members and other Members of Congress communicated an unswerving message of support on this issue. Last year, more than half of the U.S. House of Representatives called on the President not to enter into any international negotiation that includes U.S. trade laws. In 1997, in its markup of "fast track" legislation, the Ways and Means Committee approved without dissent a provision instructing U.S. negotiators to reject any agreement that would weaken existing disciplines against dumping and subsidies. Today, the bipartisan consensus in Congress on this point is even stronger. It is that fast-track procedures should never again be used to amend U.S. trade laws.

AISI's position is that there is a role in the U.S. market for fairly traded imports, but there is no role for unfair trade. In President Clinton's August 1999 Steel Action Plan, the Administration said it agreed with us. It announced that it is committed to a policy of "zero tolerance of unfair trade."

The devastation suffered by the U.S. steel industry and its workers over the past 18 months due to record levels of unfair trade has served as a warning. It has reinforced the need of competitive U.S. industries for strong, effective, vigorously enforced trade laws. The events in Seattle in the first week of December 1999 have

also served as a warning. They have reinforced the point that effective disciplines against unfair trade are critical if we are to maintain an open market policy in the U.S., enable further trade liberalization and promote market opening and much needed adjustment abroad.

#### SEATTLE IN PERSPECTIVE:

##### *Reasons for Outcome*

There are many reasons why the Seattle Ministerial may not have succeeded in launching a new round of international trade negotiations. The simplest explanation is that there were many complex, divisive issues; there was too little time; there were 135 members (60 more than at the time of the Uruguay Round); and there was a lack of consensus and political will among the key players for going forward.

Key points on which there was no consensus included (1) agriculture, (2) the basic relationship of developing countries to the WTO and (3) the new issues, such as the nexus between trade and labor and trade and the environment. Perhaps most important, both the European Union (EU) and Japan, unwilling to take the needed steps on agriculture, pushed a very broad negotiating agenda in large part as a diversionary tactic.

While posing as a friend of the developing world, the EU subordinated everything else to the core goal of defending its closed and heavily subsidized agricultural regime, which is so injurious to developing countries. In the process—and urged on by Japan—the EU indicated an openness to undermining the WTO's antidumping rules. In much the same way, Japan—the number one dumper in the U.S. market—pursued a reopening of the WTO's antidumping rules on behalf of its own manufacturers, all the while claiming it was taking this position on behalf of the developing world.

The antidumping issue was one of several divisive issues, because other countries thought the U.S. would change its position, and we did not. However, the Seattle Ministerial did not fail because of the U.S. position on antidumping. The U.S. position on trade laws was sound and no surprise. It was a long-held bipartisan position, articulated clearly, often and early in the process.

As to where we go from here: AISI remains committed in support of trade liberalization—provided there is no further weakening of existing fair trade rules.

#### ONGOING FOREIGN GOVERNMENT GOAL:

##### *Erode and Weaken U.S. Trade Laws*

What modest decline occurred last year in overall U.S. steel imports took place because of the successful use of trade laws by America's steel companies and unions. As the steel crisis has shown, the antidumping and countervailing duty laws are America's last line of defense against surging unfair trade. Foreign unfair traders view the trade laws as the only remaining major obstacle to their unfettered abuse of the open U.S. market. To attack this obstacle head on, foreign governments and producers are employing three main ways to achieve their goals.

*International Negotiations.* In Seattle, foreign governments sought to weaken U.S. trade laws through multilateral negotiations. Thanks to the steadfast position maintained by the Administration and the Congress, the forces of trade law weakening did not achieve their goal. However, these forces will not stand still. They will continue their efforts to try to weaken U.S. trade laws through multilateral negotiations, whether in the WTO, the FTAA negotiations or the APEC process. Therefore, Congress needs to remain vigilant.

*WTO Dispute Settlement.* Having failed to achieve trade law weakening at Seattle, Japan, Korea and other countries whose producers have engaged in unfair trading are now trying to achieve through the WTO dispute settlement system what they could not achieve through multilateral negotiations. Thus, Japan—the same Japan that still refuses to import steel, and continues to underperform dramatically as an importer of manufactured goods in general—has recently filed a complaint with the WTO regarding U.S. antidumping measures on hot rolled steel, and both Japan and Korea have threatened to file other WTO appeals relating to steel trade cases decided under WTO-consistent U.S. laws. The U.S. government needs to defend aggressively the trade laws enacted by Congress from this effort by unfair traders to use the WTO dispute settlement process to undermine America's fair trade rules.

*Trade Law Changes.* In addition to using multilateral negotiations and WTO appeals of U.S. trade laws and trade law application, counsel for foreign governments and producers are now drafting trade law weakening legislative proposals. On this, both the Congress and the Administration need to send a very clear signal. Instead

of trade law weakening, Congress should ensure that U.S. trade laws are as strong as what the WTO allows. In this regard, AISI urges prompt enactment of the Fair Trade Law Enhancement Act (H.R. 1505/S. 1741), the Continued Dumping and Subsidy Offset Act (H.R. 842/S. 61) and other proposals to strengthen U.S. trade laws consistent with WTO rules. This should include amendments targeting the problem of diversion of steel and other manufactured goods to the U.S. market as a result of foreign anticompetitive practices.

STEEL'S EXAMPLE:

*Need for Strong Remedies Against Unfair Trade*

Over the past 30 years, the U.S. steel industry has faced a world of pervasive trade and market-distorting practices, including:

- widespread foreign government “targeting” and subsidizing of steel;
- foreign government barriers to imports of steel and steel-containing products; and
- foreign government toleration of private cartels and corruption in the steel sector.

These trade-distorting conditions have enabled less efficient foreign steel companies to produce at levels not supported by market forces, to maintain artificially high steel prices in their home markets and to dump large quantities of steel in the United States.

The revitalized U.S. steel industry is very familiar with the challenge of having to compete against pervasive unfair trade practices. However, what occurred in 1998 was like nothing seen before. With Asia and Latin America in recession and with Russia in collapse, the United States experienced the single largest surge of dumped and subsidized steel imports in its history. This was a transplanted crisis caused by major structural economic failures elsewhere. The result was an unprecedented surge of imports, which turned the U.S. into the World's Steel Dumping Ground.

The past 18 months should have been the best of times for an American steel industry restored to world class status, which in recent years has added over 20 million tons of new, state-of-the-art steelmaking capacity. Instead, the U.S. saw record steel imports in 1998, the second highest import total in history last year and continued unfair trade by less efficient foreign steel producers throughout this period. Against the background of record U.S. steel demand—and due to one reason alone—unfair imports:

- five U.S. steel companies are now in Chapter 11 bankruptcy;
- virtually all U.S. steel companies have seen profits plunge or losses mount; and
- thousands of U.S. steelworkers have experienced layoffs, shorter work weeks or reduced benefits.

This is not the way that market-based trade is supposed to work. Between 1980 and the onset of the steel crisis, the U.S. steel industry succeeded in reinventing itself. By 1998, we had become a new industry producing new steels, using new equipment and employing new processes. Thanks to nearly \$60 billion in modernization investments since 1980 and a costly and painful restructuring of all aspects of steel operations, a new U.S. steel industry had by 1998 emerged as a highly competitive, technologically advanced, low cost, environmentally responsible and customer-focused industry.

In contrast, the steel industries of other countries, including Asia, the former Soviet Union and South America, did not make the adjustments that the U.S. industry made in the 1980s and 1990s. They maintained substantial excess capacity, and this excess found a destination in 1998–99 in the large and open U.S. steel market. As a result, over the past 18 months, the United States has experienced an unprecedented level of unfair steel imports sold at cut-throat prices in violation of U.S. laws and WTO rules.

Internationally competitive U.S. steel companies and their highly productive employees have learned important lessons from the 1998–99 steel crisis. They are that:

- a surge of unfair and disruptive imports causes lasting damage;
- the damage can extend to all segments of the U.S. steel community, and affects even the most competitive producers;
- the current trade laws are inadequate and are not designed to address the kind of major shifts in trade flows that result from structural economic failures abroad; and
- yet, these laws at the present time are the only effective WTO-consistent defense that exists to counter surging unfair and disruptive imports.

Therefore, steel producers in the United States, now more than ever, support:

- prompt and strict enforcement of U.S. trade laws;

- modernization of these laws in a WTO-consistent manner; and
- preservation of effective international disciplines against unfair trade.

Today, significant unfair trade and serious import injury are continuing in the U.S. steel market. The import injury is confirmed by the International Trade Commission's recent affirmative findings with respect to hot rolled steel, cut-to-length plate, wire rod and welded line pipe. The unfair trade is confirmed by the very high margins of dumping or subsidization found recently by the Commerce Department on hot rolled, cold rolled, plate and other products. An important point, often overlooked, is that this injury is long term damage for which the competitive U.S. steel industry will never be compensated.

The injury caused to U.S. steel companies and employees by unfair trade should also be a cause of long term concern to steel's U.S. customers. It is vital that U.S. steel companies continue to generate internally the capital needed for modernization so that they can continue to reduce costs, improve quality, compete against other materials and serve customers. It is not in the long term interest of customers to see competitive U.S. suppliers undermined by unfair trade from less efficient foreign competitors.

#### GLOBAL TRADING SYSTEM:

##### *Effective Fair Trade Rules are Essential*

In a July 1998 submission to the WTO Working Group on the Interaction between Trade and Competition Policy, the U.S. government said that antidumping law remains:

"necessary to the maintenance of the multilateral trading system. Without this and other remedial safeguards, there could have been no agreement on broader GATT and later WTO packages of market-opening agreements, especially given the imperfections which remain in the multilateral trading system. ... [T]he antidumping rules represent an effort to maintain a "level playing field" between producers in different countries ... [and] are a critical factor in obtaining and sustaining necessary public support for the shared multilateral goal of trade liberalization."" STYLE="font-size: 10pt">

It is no surprise that the countries that repeatedly engage in unfair and disruptive trade are the most vocal critics of U.S. trade laws. Japan and other governments, whose domestic markets remain largely closed, went to Seattle to open up—in order to weaken—the WTO's fair trade rules. Other governments would like to take away the only effective tools the United States has to counter unfair trade. It is no accident that countries with closed markets and cartels want to weaken the WTO's antidumping rules and that countries that subsidize their inefficient industries want to weaken the WTO's anti-subsidy rules.

However, this effort to weaken disciplines against unfair trade is a direct threat not just to steel and other competitive U.S. industries. It is also a direct threat to further progress on global trade liberalization. Effective rules against dumping and trade-distorting subsidies are an essential element of the multilateral trading system. These rules are what enables the public here and elsewhere to support open trade.

It is the failure to counter injurious dumping and other unfair trade practices that undermines public confidence in free trade and public support for further multilateral trade liberalization. For more than 50 years, multilateral trade rules have allowed the U.S. and other countries to counter injurious dumping. The reason: a clear recognition that, over time, there can be no free trade unless it is rule-based and fair.

When the public believes that existing trade rules are ineffective or are not being enforced, support for open trade begins to erode—and support for more restrictive, sometimes less transparent, solutions starts to grow. This is what has occurred in the United States in recent years, and the only way to reverse this trend is to improve and enforce U.S. laws against unfair trade.

Only a few years ago, the Uruguay Round of trade negotiations led to weaker international disciplines—and national laws—against dumped and subsidized imports. The U.S. Administration, to its credit, went to Seattle determined to maintain the effectiveness of current international disciplines against unfair trade. Japan and other governments went to Seattle determined to discipline not the underlying trade-distorting practices, but the WTO-consistent laws used in response to those practices.

America's support for the WTO is not unconditional. It will not withstand another assault on the system's basic fair trade rules. The real problem in international trade is not the antidumping remedy. It is dumping, closed markets and other

trade-distorting practices. If the public is again to support further trade liberalization, we need to build a new trade consensus in the United States around effective trade rules, effectively enforced. By contrast, if Japan and other governments get their way and U.S. trade laws are further weakened, public support for open trade will continue to decline.

It took nearly eight years in the Uruguay Round to re-negotiate the current international regime of antidumping and anti-subsidy rules. These rules have yet to be tested and have not proven defective. What the global trading system needs is proper compliance with current rules—not new negotiations, with new and confusing rule changes that could threaten all WTO members' exports.

#### SEATTLE'S MESSAGE:

##### *Importance of U.S. Trade Policy Objectives and Requirements*

This spring, Congress will review whether the United States should continue to participate in the WTO. In light of the devastation suffered by the U.S. steel industry in 1998–99 due to record levels of unfair trade—and given the ongoing foreign government attacks against U.S. trade laws and WTO rules—AISI is looking at this issue through the prism of key trade objectives and requirements. In any debate over the value of the WTO, Congress should consider the need to ensure that:

1. the global trading system remains rules-based;
2. the WTO is truly effective;
3. the WTO achieves real structural reform (e.g., dispute settlement reform, more participation by the private sector and greater transparency), which is especially necessary after Seattle;
4. U.S. trade laws are strengthened to the full extent allowed by WTO rules;
5. there is absolutely no weakening of the WTO's existing fair trade rules or of current U.S. trade laws; and
6. there is a review process for WTO panel decisions established under U.S. law, similar to the one sponsored in the last Congress by Representatives Benjamin Cardin (D–MD), Ralph Regula (R–OH) and others in the House and Senate. This will help ensure that, in future WTO appeals, WTO panels do not exceed or abuse their authority.

In addition, Congress should consider convening a special inquiry into Japan's role in the international trading system—including its continued closure to imports of manufactured products and its continued regulation of trade.

##### *Conclusions*

Laws against unfair trade, especially the antidumping and countervailing duty laws, are necessary to offset foreign unfair trade and market-distorting behavior, level the playing field and restore public confidence in free trade. Such laws help ensure that more efficient domestic producers are not weakened or destroyed by less efficient foreign firms. Because these laws serve the interest of customers, consumers and the entire economy, successive U.S. Administrations and Congresses have taken the position that it is essential to preserve effective U.S. laws against unfair trade and effective international fair trade rules. This was the position that the U.S. government and AISI both took to Seattle.

With respect to the Seattle WTO Ministerial, both the Administration and the Congress deserve significant credit for taking a strong stand against foreign government pressures to reopen the WTO's antidumping and anti-subsidy rules.

The events that occurred in the streets of Seattle indicate what could occur in the global trading system without fair trade rules. Indeed, the global trading system as we now know it would not exist, and could not survive, without such rules. The key message coming out of Seattle is that it is essential to build a new trade consensus in the United States around the concept of RULES-BASED TRADE. The best way to begin doing this is for Congress and the Administration to:

- work together to strengthen U.S. trade laws in a WTO-consistent manner; and
- continue to resist foreign government efforts to weaken further the existing U.S. and WTO fair trade rules—whether through international negotiations, WTO dispute settlement or trade law changes.

**Statement of Antonia Juhasz, Director, International Trade and Forest Programs, American Lands Alliance**

*"Defend Our Forests, Clearcut the WTO"*—read a banner prominently featured on the front page of the New York Times the day after the start of the Seattle Ministerial, November 30, 1999. Held beneath the banner were signs with slogans such as "WTO Hurts Forests," "Free Trade=Global Clearcuts," and "No to the WTO, No to the Global Free Logging Agreement." The banner and the signs were carried by forest activists from around the nation and the world who gathered in Seattle to ensure that their voices were heard in opposition to deals being negotiated by their governments that threatened to increase global forest destruction.

Forest activists came to Seattle after sending hundreds of letters, making thousands of phone calls, visiting their local and national elected officials, submitting testimony and speaking before Congressional and Administration hearings on the WTO in Washington, DC and across the country, and visiting Washington, DC to meet with Clinton Administration officials. These traditional democratic activities did not reap the desired end, so activists went to Seattle to let their elected officials and the world know that they would not accept business as usual.

Forest activists came to Seattle to voice their opposition to a deal to liberalize trade in forest products without providing protections for forests—dubbed the "Global Free Logging Agreement" due to concern that the elimination of tariffs and discussions of the removal of non-tariff trade barriers would give timber corporations a free hand at forest destruction around the globe.

Forest activists also came to Seattle to express their concern over WTO agreements such as the Agreement on Sanitary and Phytosanitary Standards (SPS) which threatens forests by making it more difficult for countries to impose necessary protections against invasive species and the Technical Barriers to Trade (TBT) Agreement which, together with Production Process Method (PPM) restrictions, opens the door to attacks on forest protection measures such as forest certification programs and green procurement laws.

Forest activists felt the need to join with labor, consumer, human and women's rights advocates to air their concerns through protests on the streets of Seattle because their concerns had heretofore fallen on virtually deaf ears by many governments. To many, the most important government to reach was the United States—the country most forcefully pushing the GFLA and the host of the Ministerial.

*The Outcome of the Seattle WTO Ministerial*

The Seattle WTO Ministerial failed from the perspective of the WTO and the governments that wanted to launch a new round of trade negotiations in Seattle. The Ministerial was a success for forest activists who hoped to stop the GFLA and other harmful trade deals; for activists, developing countries and others who sought to halt a new round of negotiations; and for all those who hoped to send a message that the WTO could no longer be used as a multinational corporate bastion free from democracy.

The Ministerial's failure is most often blamed on the particularly rigid stance taken by governments such that normal negotiations were made impossible. After offering this explanation, few attempt to explain why governments were less amenable to negotiation in the build-up to Seattle and in Seattle than in the past. An obvious answer is increased public awareness about trade policy. This awareness created a public that holds its elected officials accountable for their trade positions. The Seattle protestors who were willing to withstand pepper spray, rubber bullets, beatings and the removal of their constitutional rights, were a constant reminder that the public was watching and that free trade would forevermore have to survive in the sun-light and under the scrutiny of civil society.

In his speech at the World Economic Forum in Davos, President Clinton made clear that he had heard the concerns expressed in Seattle less than one month prior when he explained that the demonstrators "felt that they had no voice" and therefore were in the streets. Unfortunately, the President made few substantive and no meaningful recommendations to address this problem in this speech nor in the State of the Union. On the contrary, while making several meaningful insights into the reasons for the protests, the President continually reaffirmed existing global trade rules and suggested that what is needed is a better understanding by the public of the benefits of free trade, rather than a re-working of the rules themselves. These speeches, and the actions of the Administration taken post-Seattle, indicate that the Clinton Administration has not fully learned the lessons from Seattle.

*Clinton Administration Rejects Forest Activists Concerns*

In a speech just weeks after the Seattle Ministerial, a State Department representative announced that the Clinton Administration continued to support the Advanced Tariff Liberalization Initiative (ATL) (otherwise known as the Global Free Logging Agreement). The Administration maintains this support in spite of letters from sixteen of the nations leading environmental organizations, over 500 forest activists from across the U.S. and the world, 48 bi-partisan Members of Congress, seven Senators, 22 Washington State Senators and Representatives and nine Seattle City Council members rejecting the GFLA and demanding protections for forests from international trade and investment policies.

The Administration also rejected requests from forest activists and other environmental groups to reform WTO rules that threaten forests through the SPS and TBT agreements, the PPM requirements, and the dispute resolution process that have favored free markets over environmental and health concerns.

Forest activists have asked, and the Administration has rejected, requests to pay particular attention to reform of the SPS Agreement. The SPS Agreement unwisely restricts steps that the U.S. Department of Agriculture and its counterparts in other nations can take to prevent introductions of potentially harmful exotic species.

The SPS Agreement requires federal regulators to predict which foreign species will become invasive if introduced into the U.S. Scientists understand too little about both the Earth's estimated thirty million species and our own country's many and varied ecosystems to make such predictions. Scientists recommend, instead, that regulations be based on the premise that all species are "guilty until proven innocent." Forest activists have asked the Administration to advocate revision of the SPS Agreement so that it expressly acknowledges the right of governments to invoke the Precautionary Principle (the right to take action against a potential harm even if the scientific evidence linking an activity to the harm in question is inconclusive or uncertain) in determining their appropriate levels of risk.

*Forest Activists Excluded from U.S. Trade Policy*

Forest activists had hoped that one outcome of the Seattle Ministerial would be a recognition from the Clinton Administration that the democratic process leading up to Seattle had failed. An example of the failed democratic process was the exclusion of forest activists from the policy-making process of the United States Trade Representative (USTR). Forest protection groups won a federal district court ruling under the Federal Advisory Committee Act, requiring USTR to appoint forest protection representatives to relevant advisory committees which are currently composed only of industry representatives. Yet rather than reach out to the forest protection groups to discuss how to open up and balance the process, USTR chose to maintain an exclusively adversarial relationship and appeal the court ruling. In this context, forest activists are not encouraged by USTR's simultaneous announcement of an initiative to "enhance opportunities" for environmental groups to advise on trade issues.

USTR's shortcomings in the environmental arena, even when partnering with the Council on Environmental Quality (CEQ), were made evident in the USTR/CEQ study of the ATL. While this study was welcomed by the forest community, particularly due to the inclusion of CEQ and the Forest Service, the process for completing the study and the policy-decisions made based on the study results were extremely disappointing and hopefully not precedent setting.

The many methodological shortcomings which plague the study led forest activists to conclude that the potential threat of the forest negotiations at the WTO to forests and biodiversity were considerably worse than even those identified in the study itself.

The study's methodological shortcomings include: (1) a limited time-frame that made it impossible to provide a thorough analysis of the problem; (2) investigation of the acceleration of tariff elimination rather than the overall impact of the elimination of tariffs on forests; (3) absence of analysis of the impact on forests of the negotiations of non-tariff barriers to trade that threaten vital forest protection laws; and (4) failure to develop an environmentally justifiable alternative to the ATL. Even if one ignores the methodological problems, the study findings confirmed some of the forest communities worst predictions regarding the ATL:

1. The study found that the ATL alone will increase global logging, trade in forest products and production and consumption of forest products;

2. The study found that the increased logging will take place in some of the world's most sensitive and biologically rich forests: the primary forests of Indonesia and Malaysia, among other endangered forests in additional countries; and

3. The policy recommendations based on the study were in favor of continued support of the ATL, recommending only that “bilateral, regional and multilateral cooperation, including continued technical assistance to help countries develop environmentally sound national forest management policies and practices” should be pursued. While such policies are welcome and desirable, alone they are not adequate to address the problems that arise from the ATL.

In this context, we welcomed the President’s announcement last week that he will request nearly double the current federal spending on programs to protect the world’s tropical rain forests in his FY 2000 budget. This budget request demonstrates a concern for rainforest protection shared by forest activists everywhere. As mentioned above, while such policies are extremely welcome and we applaud the Administration for this program, alone such programs are not adequate to address the GFLA and other international trade agreements that threaten forests and forest protection efforts. The Administration must include forest protection as a criteria within trade and investment agreements and reject the inclusion of trade liberalization in non-trade agreements such as the United Nations Intergovernmental Forum on Forests.

It is American Lands’ hope that studies conducted in the future under the President’s Executive Order on environmental reviews of trade agreements, will be administered by the Environmental Protection Agency (EPA), CEQ and when relevant, the Forest Service, as the lead agencies. Only by giving agencies with expertise in and a commitment to the environment control over such studies will forest concerns receive the necessary and proper attention.

#### *Policy Recommendations*

“*This is what democracy looks like!*”—was a chant repeated often in the streets of Seattle. The Administration can show us another version of democracy by moving forward on these and other recommendations from forest activists.

##### *Remove USTR From Environmental Aspects of U.S. Trade Policy.*

We join with other leading national environmental organizations in demanding that USTR be removed from environmental trade policy. The lead-up to Seattle confirmed environmental organizations’ opinion that one of the main problems with U.S. trade and environment policies is USTR itself. USTR is not an environmental regulatory agency and lacks sufficient environmental expertise. Moreover, USTR is perceived as being “captured” by business interests and not as receptive to broader public concerns over the environmental implications of trade agreements. Nevertheless, USTR plays the lead role in devising U.S. policies on trade and the environment. In 1999, USTR used this role to block the environmental community’s calls for WTO reforms that would have reduced threats to environmental law. The solution to this problem is to give environmental agencies like CEQ and the EPA the lead role in setting the environmental aspects of U.S. trade policy. USTR could focus on doing what it does best: negotiating to achieve these policies at the multilateral level.

##### *Remove the “Global Free Logging Agreement” (GFLA) From U.S. Trade Agenda*

The GFLA (also known as the ATL) would increase trade in wood products through the elimination of tariffs and the elimination of non-tariff trade barriers (NTBs). NTBs are forest and species protections that interfere with free trade. Tariff elimination will increase consumption of wood products, while the elimination of NTBs threatens existing and future forest protections. The Administration should drop its push for the GFLA at the WTO, the Asia-Pacific Economic Cooperation, the Free Trade Area of the Americas and other trade agreements or bodies.

##### *Constrain Environmental Destructive Subsidies.*

Reducing harmful subsidies should take priority over cutting tariffs. Such subsidies distort trade and contribute to deforestation. Governments have recently advocated cutting environmentally destructive subsidies in the fisheries sector at the WTO. The Clinton Administration should use international trade agreements to reduce destructive forest subsidies as well as committing to eliminate these subsidies at home prior to the conclusion of such agreements. For example, the U.S. Government should stop wasting hundreds of millions of dollars each year on timber roads and below cost timber sales to logging companies.

##### *Reform the SPS Agreement to Protect Forests from Invasive Species.*

American Lands hopes that the review of current statutes governing invasive exotic species that is now under way by the Invasive Species Council will highlight the conflict between the SPS Agreement and scientifically sound “pest exclusion”

programs. We hope further that the Administration will then pursue needed amendments to that agreement, as well as other strategies to ensure that the harmful environmental impacts of trade are minimized. The SPS Agreement must be revised, among other changes, to expressly acknowledge the right of governments to invoke the Precautionary Principle (the right to take action against a potential harm even if the scientific evidence linking an activity to the harm in question is inconclusive or uncertain) in determining their appropriate levels of risk.

*Support a Global Convention on the Trade in Old Growth (CTOG).*

Taking the example of the Convention on International Trade in Endangered Species (CITES), the Administration should examine the feasibility of a ban in the trade of forest products from old growth forests. Initially, the ban could be imposed on the trade in primary forests. Logging of primary forests for export is the most environmentally problematic aspect of the forest products trade. The U.S. Government is already committed to not funding timber operations in primary tropical forests through World Bank and OPIC policies. If the appropriate package of aid, debt relief and technical assistance can be created, this proposal could be expanded to tropical forests as well. Such assistance is consistent with the Rio bargain that developed countries would assist developing countries in raising environmental standards and combating environmental problems, so that all could share in sustainable development and an improved global environment. Pursuit of such an agreement would also have to be accompanied by MEA recognition at the WTO and elsewhere.

*Protect Non-Tariff Trade Barriers Used for Environmental Protection.*

The Administration must explicitly state that it will not support, but will rather fight, attempts to label forest protection measures as illegal “non tariff trade barriers” under WTO or other trade agreement of trade body rules.

*Protect Independent Forest Product Certification Measures and Green Procurement Laws.*

Forest product certification programs such as the Forest Stewardship Council are threatened by WTO. We ask the Administration to ensure that distinctions between products based upon PPMs related to environment, human rights and internationally recognized labor standards are recognized as legitimate measures for promoting sustainable commerce. We also ask the Administration to explicitly state that independent, voluntary and mandatory forest product certification measures and green procurement laws are in no way contradictory to the TBT Agreement.

*Grant Preferential Treatment to Independently Certified Imported Wood Products.*

The U.S. government should consider adopting tariffs and non-tariff measures that encourage sustainable forestry and discourage unsustainable forestry practices. For instance, the Clinton Administration should consider only lowering tariffs for forest products that have been independently certified to have been produced in an environmentally and socially responsible manner. Governments could raise tariffs and consider additional controls on forest products that have not been certified in order to create incentives for environmentally protective forestry.

*Negotiate Binding Code of Conduct Setting Minimum Standards for Forestry Industry.*

Concerns over trade and investment liberalization in forest products—such as “cut and run” operations, increased investment in countries without adequate laws—would be assuaged by the negotiation of binding minimum standards for corporations involved in international investment and trade in the forest sector. Such a code could draw upon existing principles and best practices, such as those of the World Bank, and voluntary codes. However, the rules should be binding and enforceable by citizens. The United Nations Development Program has called for such binding standards in their latest Human Development Report. According to UNDP, “multinationals are too important for their conduct to be left to voluntary and self-generated standards.”

*Impose Small Tax On Cross-Border Trade in Forest Products, With Revenues Dedicated to Forest Protection.*

The total value of trade in forest products worldwide exceeds \$150 billion annually. A small surcharge on all forest products imports, even just one percent, would raise significant sums that could be dedicated to forest protection, particularly in developing countries and critical forest “hot spots.” The Clinton Administration should examine the feasibility of this policy at the hemispheric level, as well as possible mechanisms or organizations that could channel the funds for forest protection,

capacity building in forest regulation, and the promotion of sustainable forestry practices among the private sector.

#### *Conclusion*

American Lands' wishes to thank the Committee on Trade for the opportunity to present these views to the Congress. We look forward to working with Congress and the Administration on a new set of trade and investment rules that will make the global economy respond to the needs of the world's forests, the environment and its citizens.

### **Statement of John C. Dernbach, Widener University Law School, Harrisburg, Pennsylvania, and Foreign Policy In Focus Associate**

#### WTO AND SUSTAINABLE DEVELOPMENT:

##### WHY THE SEATTLE MINISTERIAL FAILED AND THE PATH FOR FUTURE DIRECTIONS

##### WTO and Sustainable Development

- The WTO should be judged against its explicit objective—sustainable development, a term that includes economic and social development and environmental protection.

- The U.S. has no commitment to sustainable development and uses international trade laws primarily for its own economic development.

- The U.S. needs to play a leadership role in the WTO to make trade, environmental protection, and social development mutually supportive.

The World Trade Organization (WTO) Ministerial Conference in Seattle could have been a defining moment for the world's commitment to sustainable development. It could also have been a defining moment for U.S. leadership on sustainable development. As the WTO and the U.S. pick up the pieces from Seattle, they may see that the ideas underlying sustainable development provided a unifying theme for many of the protesters.

The WTO is the international entity responsible for overseeing implementation of the Global Agreement on Tariffs and Trade. The WTO agreement explicitly states that trade should be conducted "in accordance with the objective of sustainable development." As the agreement recognizes, trade is a means of achieving sustainable development; it is not an end in itself. It is time to hold the WTO and its member states to that objective.

Sustainable development is not a buzzword or another way of talking about environmental protection. It is a framework for reconciling key international goals, and it applies to national actions as well.

Understanding sustainable development requires an understanding of development, a misused term that has a specific meaning in the international community. Development is intended to improve the quality of human life and generate opportunity by fostering peace and security, human rights (or social development), and economic development. But this cannot occur without a fourth component—supportive national governance. An international consensus about these goals grew out of World War II and the Great Depression. This understanding of development is taken directly from a variety of international agreements, U.N. General Assembly Resolutions, and reports of the U.N. Development Program.

Since World War II, development has accomplished much good. People are living longer, more people are enjoying a higher standard of living, and we have not experienced a third world war. This is due in part to the 1947 Global Agreement on Tariffs and Trade.

But the post-World War II development model has two failings, according to Our Common Future, the 1987 report of the World Commission on Environment and Development. The number of people living in poverty is now greater than ever, and widespread environmental degradation is occurring in every region of the world.

The Commission found that each of the four basic components of development—peace and security, social development, economic development, and supportive national governance—required protection, and even restoration, of the environment. Continued development is compromised and even prevented by inattention to the environment. People have fought over water and scarce resources. Environmental contamination and disease kill people or prevent them from living decent lives. People cannot earn a living from fishing when there are few fish to catch. Governments that do not protect their environment thus undermine their own development goals.

At the United Nations Conference on Environment and Development (or Earth Summit) in 1992, the nations of the world endorsed sustainable development as a response to these problems. Sustainable development adds another component to the traditional development model—environmental protection and restoration. More fundamentally, it redefines progress. Instead of seeing progress in terms of traditional development—and tolerating environmental degradation—sustainable development means that we must also simultaneously seek progress in overall environmental quality. The nations of the world adopted a statement of principles (the Rio Declaration) and a plan of action (Agenda 21) to realize sustainable development.

Concerning trade, the Rio Declaration urges states to “promote a supportive and international economic system that would lead to economic growth and sustainable development in all countries, to better address the problems of environmental degradation.” Similarly, Agenda 21 states that the “international community should provide a supportive international climate for achieving environment and development goals” by, among other things, “[m]aking trade and environment mutually supportive.” In 1994, when GATT was amended and the WTO created, sustainable development was incorporated into the WTO’s goals.

At century’s end, however, the world generally is moving away from sustainable development rather than toward it. Trade is not the only reason, but it is a major reason. Global GDP has risen by five times since 1950 and could be four or five times its present size by 2050. The world’s natural systems, however, are being undermined by unsustainable use and exploitation as well as grave imbalances between those who benefit from that exploitation and those who are burdened by it. A recent U.N. Environmental Programme report concludes that environmental protection is “lagging behind economic and social development.”

#### *Toward a New Foreign Policy*

- The U.S. should exercise leadership to move the international trading system toward sustainable development.
- The WTO, with the support and leadership of the United States, should abolish subsidies that contribute to unsustainable development and integrate sustainable development into new and existing trade agreements.
- U.S. actions concerning trade should be part of a broader U.S. vision and strategy for sustainable development that is also applied in other forums.

The U.S. should articulate a positive and compelling vision of what sustainable development would mean for the world’s nations and integrate that vision into its domestic and foreign policy, including its trade policy. The United States should exercise that leadership in the WTO and other forums.

#### *U.S. Leadership in the WTO*

The WTO needs to be part of the effort to achieve sustainable development, not part of the problem. The United States should exercise leadership in the WTO to achieve the following outcomes. Although many of the examples relate to environment, these recommendations also apply to labor, health, and other aspects of sustainable development.

**Elimination of Subsidies That Contribute to Unsustainable Development.** WTO parties should phase out subsidies for environmentally unsustainable activities, including subsidies that contribute to fisheries overcapacity. The elimination of such fishing subsidies has been proposed by New Zealand, Iceland, and the United States.

The parties should find other ways to apply the WTO’s legal authority concerning subsidies to support sustainable development. For example, it is widely recognized that the use of fossil fuels is subsidized by governments in ways that often increase their use and that the use of fossil fuels contributes to global warming. The Kyoto Protocol specifically identifies elimination of national subsidies as one means of achieving greenhouse gas reductions. Subsidies for fossil fuels distort the prices charged for those fuels and create substantial economic distortions in the debate over the cost of Kyoto Protocol compliance.

**Consideration of Sustainable Development in New Trade Agreements.** No trade-related agreement should be negotiated or allowed to go into effect unless a sustainable development impact assessment is first prepared and subjected to public review. The assessment should describe the impact of the proposed agreement on the environment, on social development and human rights (including labor), on peace and security, and on national governance that is supportive of those goals. The assessment should also describe alternatives to the proposed agreement, including alternatives relating to the special situation of developing countries, and particularly the least developed countries.

**Integration of Sustainable Development Goals into New Trade Agreements.** No trade-related agreement should be allowed to go into effect unless the parties are satisfied, after public review, that the agreement would actually further not just economic development but also environmental protection, social development and human rights, peace and security, and supportive national governance. It is not enough to consider the effects on these goals. Trade agreements should actually further these goals, or at least not interfere with them. Procedural reforms to WTO's Committee on Trade and Environment will not achieve this result.

The parties should also find additional ways to make GATT and multilateral environmental agreements mutually supportive. When negotiations relating to a particular economic sector begin, for example, and there is no multilateral environmental agreement in place concerning that sector, there should be preliminary discussion on whether it would be appropriate to have multilateral environmental standards and procedures applicable to that sector. (These standards would include process and production methods.) Environmental ministries should participate directly in such discussions. If so, then those standards could be negotiated at the same time as, or perhaps even as part of, the trade discussions for that sector. Such negotiations should also include appropriate standards and financial or technical assistance for developing countries.

The standards should include air pollution, water pollution, sanitation, and drinking water—environmental problems that developing countries experience more severely and immediately than most other environmental problems. These problems generally are also not directly covered by multilateral environmental agreements. The quid pro quo for increased trade, in short, should be progress in addressing such problems and assistance by developed countries in doing so.

**Integration of Sustainable Development Goals into Existing Trade Agreements.** Where trade agreements already exist (e.g., for products), the parties should facilitate the negotiation of international agreements concerning process and production agreements relating to products. These agreements should include, but not necessarily be limited to, extended producer responsibility, ecolabeling, and the greening of public purchasing. These agreements also should apply to air pollution, water pollution, and similar problems experienced severely by developing countries, and should include appropriate assistance. The WTO agreements should also be amended, or interpreted by the parties, to provide a more balanced test for the availability of the Article XX(b) and XX(g) exemptions for measures to protect “human, animal or plant life or health” or conserve “exhaustible natural resources.” In addition, the WTO agreements should expressly protect domestic actions taken pursuant to multilateral agreements and allow unilateral actions where necessary to protect the national interest.

#### *U.S. Leadership in Other Forums*

Many of the changes required to make trade supportive of environmental and social goals cannot be achieved by WTO alone. Unless the United States exercises leadership for sustainable development in all relevant international and domestic forums, it will continue to miss many opportunities to improve the environmental and social effects of trade.

**Greater Assistance to Developing Countries for Sustainable Development.** The Earth Summit bargain between developed and developing countries was that developed countries would provide financial and technical assistance to developing countries to help developing countries achieve environmental and social goals. The developed countries have not kept that bargain. Developed countries (including the U.S.) need to increase official development assistance, to assist technical and governmental capacity building, and to provide access to environmental technology and know-how on preferential terms. Creative means of financing this assistance should also be seriously considered (e.g., debt for environmental and health protection swaps, or a small tax on global trade and capital flows).

**Creation of International Institution for Sustainable Development Comparable to WTO.** There is no organization equal in influence to the World Trade Organization concerning the environmental aspects of sustainable development. Such an institution should thus be created, probably by combining existing organizations (e.g., Commission on Sustainable Development, U.N. Environment Programme, secretariats of various multilateral environmental agreements). The consolidation of environmental organizations would be in addition to the integration of environment into existing WTO operations.

**Domestic Efforts to Achieve Sustainable Development.** The U.S. and other developed countries must demonstrate by their own domestic actions, including actions concerning trade, that sustainable development provides better quality of life for their citizens and for succeeding generations.

### **Statement of Brent Blackwelder, President, Friends of the Earth**

The 1999 Seattle Ministerial Meeting of the World Trade Organization (WTO) put trade issues under an intense spotlight of public scrutiny. The old way of conducting global trade talks—rules and agreements negotiated in a secretive manner that excludes the public and harms the environment—proved unacceptable to ordinary people and even to many governments. In Seattle and later at the World Economic Forum in Davos, President Clinton acknowledged the need to democratize trade policy and to make the WTO more transparent and accountable. The coming months provide an opportunity for US government leaders to act on these promises, and to demonstrate that they have truly learned the lessons of Seattle.

#### **I. DEMOCRACY STARTS AT HOME**

President Clinton and members of Congress have noted the need to open up the WTO, but democracy starts at home. The Clinton-Gore Administration and Congress must give the public a greater voice in the domestic trade policymaking process, which is currently dominated by corporate interests. This will lead to greener trade policy that inspires more public confidence in international trade. Friends of the Earth recommends that environmental agencies be charged with setting trade and environment policy, that the trade advisory system be opened to environmental organizations, and that public notice be given when the US uses the WTO to threaten other countries' environmental laws.

A decade of advocacy on trade and environment issues leads environmentalists to the inescapable conclusion that the main trade threat to the environment is the United States Trade Representatives Office (USTR) itself. Though USTR lacks environmental expertise and is perceived as being beholden to business interests, it plays the lead role in setting US policies on trade and the environment. In the lead up to Seattle, USTR blocked the environmental community's calls for WTO reforms that would have reduced threats to environmental laws. The solution to this problem is to give environmental agencies like the Environmental Protection Agency (EPA) and the Council on Environmental Quality (CEQ) the lead role in setting the environmental aspects of US trade policy. USTR could then focus on doing what it does best: negotiating to achieve these policies at the multilateral level.

Approximately 700 business representatives sit on 30 industry sector advisory committees that get special access to information and advise USTR. There are no public interest members on these committees. For example, there are two committees advising USTR on the forest product trade. None of the members of the committees are environmentalists, so it is not surprising that USTR has aggressively pursued trade policies that threaten forests worldwide. These committees need to be opened to diverse public interests or abolished.

Friends of the Earth is not concerned just with the WTO's effects on US environmental laws; we are equally outraged when the US government uses the organization to challenge other countries' regulations or block environmental progress. For example, the US electronics industry recently sent USTR detailed arguments that a proposed European directive on recycling waste violated WTO rules. USTR sent the arguments to US embassy staff in European countries, with instructions to register complaints over the directive. They did this without informing, much less with input from, the American public or environmental agencies like EPA.

It is unacceptable for USTR to act as private mercenaries for corporate interests. The US Government should give public notice and seek comments before trying to undermine other countries' environmental or health laws.

#### **II. WHAT TO DO ABOUT THE WTO**

Friends of the Earth is not interested in transforming the WTO into an environmental organization. We don't want the WTO to use sanctions to enforce environmental standards. And we have no interest in or intent to prevent market access for developing countries. We believe the WTO should take a "hands off" approach to environmental and health laws, allowing governments to make environmental progress at the national and international level. We also believe the US and other governments must strengthen the Multilateral Environmental Agreements so economic liberalization doesn't rush ahead without an adequate framework of environmental protection.

We believe environmental assessment must be part of all trade agreements. Governments have been leaping before they look on trade. Members of the WTO should commit to assessment of past and planned trade agreements. The breakdown in Seattle provides the opportunity to assess the five-year record of the WTO before starting new negotiations. Assessment should focus on trade agreements' impacts of ecosystems and environmental standards, but also address broader sustainability issues, including development and labor impacts. The assessments should happen at the national level and governments should also cooperate on a joint review, perhaps at the United Nations Environment Program. The Clinton-Gore Administration recently announced a policy of assessing the environmental impacts of some trade agreements. This is a good start, but should be followed through and strengthened to cover investment agreements, insure leadership from environmental agencies, and closely follow our tested and effective laws for domestic environmental assessment (NEPA). Ongoing negotiations for a Free Trade Area of the Americas (FTAA) provide an immediate opportunity for the US to put its assessment policy to work.

Friends of the Earth also believes the WTO's dispute resolution rules and some substantive rules must be changed to grant greater deference to environmental and health laws. The WTO's rules are biased against environmental regulations, so reforming them would assure environmental organizations that they will not continue their perfect record of ruling against environmental laws. Deference should also apply to Multilateral Environmental Agreements (MEAs) which use trade measures or impact trade.

Friends of the Earth also believes the WTO should be downsized when it comes to environmentally sensitive sectors. Governments should follow the example of hazardous waste (which is regulated by the Basel Convention), and trade in endangered species (which is regulated by CITES) and negotiate MEAs while taking certain products out of the WTO. The recent completion of a Biosafety Protocol on trade in genetically modified products is an important step in the right direction. Bulk fresh water is another sensitive issue that should not be commodified and treated like other products. Governments should consider restricting trade in logs and products from old growth forests, both temperate and tropical.

#### *Conclusion*

Friends of the Earth is a national environmental advocacy organization with affiliates in 63 countries. We were active in Seattle, conducting advocacy and public education as part of a team of nearly 40 representatives of FoE from 20 countries. I came away impressed by the depth of commitment and awareness shown by the vast majority of the protestors, marchers, and other members of the public in Seattle to express their concerns about the WTO. The people have spoken. We hope our government will act, and show the rest of the world that democracy works.

**For More Information** on Friends of the Earth's Position on the WTO:

- View our website at <http://www.foe.org/international/wto>
- Contact Mark Vallianatos at 202-783-7400 x. 231

#### **Statement of Grocery Manufacturers of America**

GMA welcomes this opportunity to present our views on the prospects for the mandated negotiations on agriculture in the World Trade Organization. GMA is the world's largest association of food, beverage and consumer product companies. With US sales of more than \$450 billion, GMA members employ more than 2.5 million workers in all 50 states. Led by a board of 42 Chief Executive Officers, GMA speaks for food and consumer product manufacturers at the state, federal and international levels on legislative and regulatory issues. GMA also leads efforts to increase productivity and efficiency in the food industry.

GMA regrets that the recent WTO Ministerial meeting failed to launch a comprehensive new round of trade negotiations. Agriculture negotiations, however, will proceed as mandated under Article 20 of the WTO Agreement on Agriculture. GMA believes it is crucial that governments worldwide enter immediately into good-faith negotiations to build on the achievements of the Uruguay Round and continue to expand market access, reduce tariffs and dismantle barriers to food and agriculture products. United States leadership will be key to ensuring that negotiations begin in a timely fashion and proceed expeditiously.

GMA respectfully offers its views on the structure and goals of the mandated negotiations on agriculture.

*Structure of the Negotiations*

As noted above, GMA believes it is imperative that negotiations on the so-called "built-in" agenda begin in the WTO at the earliest possible date, in conjunction with necessary institutional and decision-making reforms. We recommend that negotiations begin under the auspices of the Committee on Agriculture with the eventual goal of a separate negotiating group on agriculture. Negotiations should follow the overall framework of the Uruguay Round, focusing on market access, export competition and domestic support. The United States should also exercise the necessary leadership to launch a more comprehensive round of trade negotiations, in order to secure maximum leverage for liberalization for food and agriculture products. However, GMA does not wish the lack of a broader package of negotiations to be used as an excuse to delay negotiations on agriculture.

*GMA Goals for the Mandated Agenda*

GMA's goals for the agriculture negotiations remain consistent with our earlier testimony on the WTO Ministerial. First, we believe it is essential to improve market access for processed food products and primary agricultural commodities through reduced tariffs, elimination or further liberalization of TRQs and other mechanisms. Second, GMA believes that export subsidies on food and agricultural products must be eliminated. Finally, GMA recommends that discussions on non-trade concerns relating to agriculture be carefully circumscribed throughout the negotiations.

*Expanding Market Access for Processed Food and Primary Agricultural Products*

GMA recommends that the Administration place particular emphasis on liberalization in the processed food sector in the agriculture negotiations. U.S. trading patterns for food and agricultural products have undergone a profound change in recent years. Consumer products now account for 39% of U.S. exports in the agricultural sector, more than the percentage accounted for by raw agricultural products. Consumer and intermediate products, those that have undergone some processing, together comprise nearly two-thirds of total agricultural exports. Globally, trade in processed food is growing at more than twice the rate of trade in primary agricultural products. By 2000, trade in processed or value-added products is predicted to account for 75% of global agrifood trade as compared with about 50% in 1985.

Yet, despite this impressive growth, barriers to processed foods and beverages remain significantly higher than those for many other products. The Uruguay Round negotiations delivered some benefits by lowering barriers and reducing subsidies to producers and exporters. However, the reductions in tariffs for processed foods and beverages were mostly at the lower end of the allowable range. Because the rules allowed countries to average their tariff cuts, countries naturally chose to make high percentage reductions on already low tariffs and lower percentage reductions on higher tariffs. As a result, the average tariff on processed food products globally remains, on average, eight times the U.S. rate.

To address these barriers, GMA strongly advocates an approach to tariff reductions that will address the particular problems of the processed food sector and will place these products on par with their industrial counterparts. We support an approach that will eliminate tariff peaks (asymmetrically high tariffs that far exceed a country's average tariff rate) and address the problem of tariff escalation, where tariffs increase with the level of processing. This approach should, in essence, reduce the higher tariffs faster than the lower ones to create meaningful market access for exports. We also recommend that governments worldwide work toward zero-for-zero tariff agreements on a number of products including, but not limited to, pet foods, dry cereals, soft drinks, soups, biscuits and cocoa and cocoa containing products.

GMA also recommends that the U.S. seek a significant expansion of the minimum market access commitment for processed food and primary agricultural products achieved during the Uruguay Round. Quotas also represent a major barrier and, as a result, the U.S. should pursue substantial increases in applicable quotas, significant decreases in out of quota tariff rates and elimination of in-quota duties.

Lastly, if our commitment to expanding market access abroad for U.S. products is to be taken seriously by our trading partners, domestically favored industries and products must not be excluded from the upcoming negotiations. Tariffs and quotas on sugar, peanuts and dairy products must be liberalized. The U.S. must not shy away from helping lead the way in that liberalization. Simply put, our negotiators will have a much stronger position in world trade talks once they are able to demonstrate serious resolve to open markets by further opening of the American market

for sugar, peanuts and dairy products. We strongly recommend that sugar, peanuts and dairy products be kept on the table in the negotiations.

*Elimination of Export Subsidies*

If we are to ensure a level playing field for agricultural commodities and processed food products, the massive export subsidies provided by many of the U.S.' most important trading partners must be eliminated. Our goal is to see export products compete on their quality, merit and consumer interest, not the degree to which they have been subsidized. Therefore, GMA recommends that export subsidies on all primary agricultural commodities and processed food products be eliminated within five years of the conclusion of the negotiations.

While we are also concerned about achieving a reduction in domestic support for agricultural commodities and processed food products, we believe the most effective means to ensure a lessening of this support is to focus on increasing market access and eliminating export subsidies. Working together, these two tools provide the needed discipline in the marketplace and will inevitably result in the desired reduction of domestic support.

*Non-Trade Concerns*

GMA recognizes that Article 20 (c) of the Agreement on Agriculture directs countries to consider "non-trade" concerns in future agricultural negotiations. We are concerned, however, at the expansive approach that some countries took to this concept in the lead up to, and during the WTO Ministerial meeting. In particular, GMA was troubled that language pertaining to food safety was included in the last draft "Text on Agriculture." Issues pertaining to food safety are already clearly covered by the existing Uruguay Round Agreement of the Application of Sanitary and Phytosanitary Measures (SPS), which should not be renegotiated or re-opened in any manner. GMA firmly believes that any reopening of the SPS Agreement could lead to a weakening of its provisions, a result which GMA strongly opposes and which would represent a significant step backwards in eliminating unwarranted restrictions on trade.

*Conclusion*

Thank you for this opportunity to share our views on the mandated negotiations on agriculture. GMA firmly believes that it is of critical importance to farmers and producers alike to continue to expand market access, reduce tariffs and dismantle barriers to food and agricultural products. Achieving the objectives discussed above will benefit consumers around the world with a more reliable, diverse, safe and affordable food supply. We look forward to working with you and the Administration to achieve these goals.

STANFORD UNIVERSITY, CLASS OF 2002  
INTERNATIONAL RELATIONS AND ECONOMICS  
*February 12, 2000*

A.L. Singleton  
Chief of Staff  
Committee on Ways and Means  
U.S. House of Representatives  
*1102 Longworth House Office Building  
Washington D.C. 20515*

Dear Mr. Singleton;

The following outlines my testimony for the House hearing on the World Trade Organization.

I think that this is an issue of tremendous importance. Today, 60 of the world's largest economies are corporations, rather than nations. Corporate citizenship will have to expand beyond donating a couple thousand to art museums and global trade will have to be balanced by concern for human rights and the environment. Realistically, I feel the only way to enforce laws protecting such fundamental human rights is through multilateral government agreements on trade with the same enforcement as other WTO agreements. Trade will dominate the future, and if we want the new millennium to bring true global prosperity, the WTO must be willing to listen to the protesters and make some fundamental changes as an institution to fulfill its responsibilities to the world's people.

I appreciate your consideration.

Sincerely,

LAUREN INOUYE  
Edina, MN

*\*\* The WTO prioritizes trade and commercial considerations over other values.* WTO rules generally require domestic laws, rules and regulations designed to further worker, consumer, environmental, health, safety, human rights, animal protection or other non-commercial interests to be undertaken in the "least trade restrictive" fashion possible—almost never is trade subordinated to these noncommercial concerns. I agree that regulations should be taken in a manner that is the least-restrictive to trade-but only if the regulations remain effective.

*\*\* If the promotion of free trade is being "justified" on the basis that it improves everyone's lives, I think we should focus more on improving people's lives, and free trade only as a means to that end.* The WTO is argues that development will lead to a better standard of living for all-that the rising tide will lift all boats. But the Wall Street Journal recently reported (10/29/99) that the per capita income gap between the wealthiest and poorest nation has grown from 3 to 1 in 1820 to 35 to 1 in 1950 to 72 to 1 in 1992. Even if the increase in the gap was due entirely to the US getting richer (which it is not) I'm concerned. Basically, I don't think all growth helps people. Growth and GDP do not always accurately represent quality of life. GDP was never meant to be an indicator of people's wellbeing. It is a measurement of the size of the economy, simply that. I think any growth initiative should be carefully evaluated not simply on whether it will make \$\$\$, but on how it will effect people's lives. The WTO (and, many would argue, the other Bretton Woods institutions, like the IMF and World Bank) promote growth without these considerations. *Basically, people before profits.*

*\*\* The WTO is not democratic.* We did not elect our representative, Charlene Barshefsky, and have little opportunity to influence her policy. She has advisory panels to represent different segments of American industry, and the panels, except in one or two cases, are entirely composed of businessmen. NGO's and public citizens do not have an opportunity to share their concerns about labor, the environment, and human rights.

*\*\* The WTO operates in secrecy.* Its tribunals rule on the "legality" of nations' laws, but carry out their work behind closed doors. Neither the press or the public is allowed in their meetings.

*\*\* The Dispute Resolution Panels, which arbitrate trade arguments, often have a bias in favor of corporate interests, and their rulings cannot be overturned unless there is a unanimous decision to overturn them.* "Under WTO rules, once a commitment has been made to liberalize a sector of trade, it is difficult to reverse," the WTO says in a paper on the benefits of the organization which is published on its web site. "Quite often, governments use the WTO as a welcome external constraint on their policies: 'we can't do this because it would violate the WTO agreements.'"

*\*\* The WTO does not just regulate, it actively promotes, global trade.* Its rules facilitate global commerce and multinational development and do not equally promote local economic development and policies that move developing countries towards greater self-reliance. Although the leaders of many developing nations have clearly stated their desire to join the WTO, there is reason to believe that while the political elite want more international development, the people of the nation prefer smaller "microenterprise" and more control over their economy. Also, I feel the focus on international development agencies should be sustainable development, and that it is far wiser to aid developing countries with technology and other environmental aid now then to deal with the consequences 40 years from now.

*\*\* The WTO does not abide by the Precautionary Principle.* The Precautionary Principle is an accepted norm in international law, and basically states that if there is reason to believe that a product poses a risk to human health or the environment, that it needs to be proven safe before being produced. (this is the principle that the FDA works on) WTO rules (the Sanitary and Phytosanitary Standards) generally block countries from banning exports of products which they cannot conclusively prove to be harmful-which is basically everything. (Think about how long tobacco companies denied that Cigarettes caused cancer). The most famous case here is that of the European Union and bovine growth hormone-treated beef.

*\*\* The WTO establishes international ceilings, rather than floors on import environmental standards through a process of "harmonization."* It is argued that environmental standards which are too high make it difficult for LDCs to produce, and are therefore a barrier to trade. My feeling is that is that we should try as much as we can to keep standards high, and just put more money into tech. transfer programs to help them develop sustainably now. In the long-run, clean-up and repair

is often more expensive than investing in new technology-but business often looks at short-run profits rather than the long-term, and without an incentive to do so, are more likely to look for a way to make a quick buck. Programs to facilitate technology transfer through the Global Environmental Facility (managed through the UNDP and the World Bank) have already been established to help LDC's develop sustainably. Some say we should just have "eco-labelling," putting the choice directly in the hands of the consumer. I agree in some instances, (this is the solution with tuna-look at the dolphin-safe mark on the can) but we have national environmental standards and government enforcement of them, for a reason. The American people reached a general consensus that we wanted Clean Air and Water, and protection of Endangered Species. I don't think something as important as species survival should depend on consumer choice. By the time people realize that its really important to stop buying a certain product, the species may already be extinct or the land degraded.

*\*\* The WTO limits governments' ability to use their purchasing dollar for human rights, environmental, worker rights, and other non-commercial purposes.* In general, WTO rules state that governments can make purchases based only on quality and cost considerations. For example, Canada complained that US laws encouraging the federal government to buy recycled paper have hurt their logging industry by decreasing demand, and the US had to pay them reparations. Also the Massachusetts state government had selective purchasing laws preventing government purchase of items made in Burma/Myanmar, as Burma is currently run by a military dictatorship with documented instances of slave labor, and has their democratically-elected leader under house arrest. That law is currently under Supreme Court appeal-if they win, the WTO will overturn it, and the US will be forced to pay the determined fee. The WTO can't actually force national governments to change their laws-it just makes them pay fines for them. In these cases, I can understand why the laws are considered discriminatory-but I think that human rights are more important than free trade. Governments should have the right to say they don't want to purchase certain kinds of goods for certain reasons.

*\*\* The WTO does not allow bans or restrictions based on production.* According to the WTO, Tuna is Tuna is Tuna. A nation cannot discriminate on how an item was made-for example, whether or not turtle excluder devices were used on shrimp nets, or whether precautions were taken to prevent dolphins from being killed catching tuna, or whether or not shoes were made with child labor. The developing country reps have expressed concern over labor standards that this would only end up hurting them, because. US industry wouldn't use their labor anymore at all, but I feel that many US companies could up labor standards without upsetting their bottom line.

*\*\* Issues in bioethics.* The WTO promotes intellectual property rights for DNA sequences and other "life patents," and many feel that its wrong. Other intellectual property rights issues include controversy over whether Africa should get to produce generic versions of AIDS drugs without paying intellectual property rights because the drugs could potentially improve/save many lives. Also, many biotech companies have been accused of "biopiracy" for patenting indigenous people's traditional remedies, developing drugs, and then not compensating the people who developed the medicine as a public good.

### **Statement of Sophia Murphy, Institute for Agriculture and Trade Policy**

AGRICULTURE, TRADE AND DEVELOPING COUNTRIES:

WHERE TO AFTER SEATTLE?

The collapse of talks in Seattle last November, at the third Ministerial Conference of the World Trade Organization (WTO) has left a lot of confusion about what direction multilateral trade talks can take next. It is widely accepted that progress on new negotiations will be slow, and that the widely anticipated "Millennium Round" will not start this year. However, agriculture, together with services and the Trade-Related Intellectual Property Rights Agreement (TRIPs), have review clauses built into them. Negotiations are mandated to begin in 2000 in these areas regardless of whether or not other issues get taken up. In the Uruguay Round Agreement on Agriculture, Article 20 requires WTO member governments to undertake these new negotiations in the light of the experience of implementing the agreement.

This written submission analyzes the agriculture negotiations in Seattle where the governments seemed to come very close to agreement on a draft text on agri-

culture. Also included is a review of what this draft text included and suggestions for ways in which the next text for negotiation could be strengthened to better reflect U.S. goals of supporting developing countries.

There are different opinions on whether it was agriculture that broke the talks in Seattle. Even those closest to the negotiations, including government delegates, are not of one mind. Some say yes. The European Council of Agriculture Ministers did not accept the draft text on agriculture they were sent on the last day of the conference, saying they would need to see the whole deal before signing off on it. Coming as it did at the last stage of the meeting, with no time left to negotiate, this was the equivalent of refusing the deal. Others say that if Clinton had not insisted on linking trade sanctions to labor standards as part of the Seattle negotiations, then there would have been an agreed package that Europe would have found hard to reject over agriculture alone.

There is no question that the frustration of many developing country delegates, particularly from Africa and the Caribbean, contributed to the failure of the negotiations. Many delegates were poorly informed about when and where meetings were taking place and how the working groups were supposed to function. Developing countries worked hard to develop common positions before Seattle and yet felt that they were still not being taken seriously in the negotiating process. The traditional practice of closed sessions among a small number of delegates to broker deals was continued in Seattle, despite assurances from the WTO's Director-General that smaller countries would not be excluded from the process. The protests going on in the streets throughout the week contributed to the sense of disorganization inside. The press statements made by the Organization for African Unity and then CARICOM (the economic community of Caribbean states) on the lack of transparency in the process created a dynamic that will make lasting changes to the way in which the WTO does its work. As a leader in the WTO the U.S. should work to address these concerns to make the WTO process more successful in the future.

Despite all the problems in Seattle, the total collapse of the talks took many governments by surprise. For those observing the negotiations, it really did appear that governments were resolving their disagreements on agriculture. The European Union (EU), Japan and others stopped insisting that the review of the Agreement on Agriculture take into account "multifunctionality," for example. Multifunctional agriculture is a term used by several developed country governments, particularly the EU, Japan, Norway and Switzerland, as well as Mauritius. The term refers to a concept of agriculture that extends beyond its purely productive function, to include its role in protecting culturally, ecologically or economically fragile regions. Most governments, particularly the United States and the Cairns Group of large agricultural exporters, object to the term, arguing that it is simply a justification for continued use of export subsidies and high levels of domestic spending on agriculture. In Seattle, the advocates of multifunctional agriculture accepted the use of the term "non-trade concerns" in the draft text instead, which is a term used in the Uruguay Round Agreement on Agriculture. Similarly, the Cairns Group and U.S. dropped their insistence on a call for the total elimination of export subsidies to accept a more gradual approach.

One view maintains that it was the time it took to get these advances on agriculture that made progress in other areas of negotiation impossible. Certainly, for many governments, especially the Cairns Group members, but also many developing countries, a deal on agriculture was essential to reaching agreement on any other issue. For the EU, a reluctant negotiator on agriculture, agreeing a deal in Seattle was in turn dependent on the EU getting concessions in other areas, such as investment policy. Many agree that the Seattle agenda was too broad to hope that the wide differences among delegations that were evident in the preparatory negotiations could be bridged in the four days of the Ministerial Conference.

Whether or not it was agriculture that broke the talks in Seattle, it is important to understand and evaluate the proposals that were put forward there. The U.S. asserts that the agreements reached in Seattle still stand as the basis for further negotiations. But almost no one else involved in the negotiations agrees that this is possible. The EU has clearly said that the deal was all or nothing. The likelihood is that governments will go back to Article 20 and start again. Nonetheless, it is widely accepted that the text reflects what an agreement could look like and it is important to look hard at what nearly came to be the basis for new negotiations on agriculture.

The draft Seattle text on agriculture did not do justice to the agenda put forward by developing countries, although it had their widespread support. Paragraph 28 addressed many important developing country concerns, including the need for special and differential treatment to be reflected in the specific commitments on tariff reduction, domestic support levels and export subsidies. Yet it was paragraph 29 that

dealt explicitly with operational commitments, and there special and differential treatment hardly made an appearance.

On market access, some developing countries and many NGOs argue that developing countries should not have to increase access to their domestic markets until there is much more substantial access for agricultural products in developed countries. Yet the Seattle draft text speaks only of ensuring the "broadest possible liberalization." Nor did the draft text mention the widely acknowledged problem of tariff peaks and tariff escalation on processed commodities. In other areas of the negotiations, for instance on market access on non-agricultural products, this issue of tariff discrimination was specifically addressed. The Special Safeguard—a measure specific to the agriculture agreement that allows governments that requested the right to use it to impose temporary, very high tariffs to protect their domestic producers from import surges—was also not mentioned. This is a tool primarily available to developed countries although it is developing countries that are more vulnerable to economic shocks.

On export subsidies, the Seattle draft text called for reductions that are "in the direction of progressive elimination of all forms of export subsidization." This carefully crafted language avoids holding developed countries (by far the most significant users of export subsidies) to a hard commitment to end subsidies, despite their evidently trade-distorting impact. It was nonetheless a sign that the EU will continue to reduce, if not yet eliminate, its use of export subsidies (and therefore to reform its dependence on support prices for domestic producers, as these generate surpluses that the EU can only dispose of through subsidized export). Some developing countries, particularly in Africa, have legitimate concerns about ending export subsidies, as they are dependent on cheap imported food. Yet the dumping that results from subsidies has been shown to damage domestic production in food importing countries, as well as to distort trade. An end to export subsidies should be supported, as well as to the other forms of support given to developed country traders, such as export credits and tax relief.

Although Egypt and others developed specific proposals to ensure the Marrakech Ministerial Decision (formally called the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net-Food Importing Developing Countries) could be made operational, the Seattle draft texts made little mention of it. The decision provides measures to help developing countries that face problems paying for food imports when prices surge. Yet WTO members were unwilling to meet their obligations and the decision proved too weak to be useful. In future negotiations, it will be important for net food importing countries to get clearer commitments of assistance from the international system.

Finally, the Seattle draft text on domestic support programs was also disappointing. The simple proposal was for "progressive reductions" in levels of domestic support. No mention was made of the gross inequalities that persist in levels of domestic support among countries. As the African Group's position reflects, many African countries need to increase their spending on agriculture, in some cases significantly. In some cases, this may require lifting the ceiling they face on domestic expenditures on agriculture. The current agreement reflects special and differential treatment for rich countries by allowing enormous expenditures on agriculture to be exempt from reduction commitments. The review of the Agreement on Agriculture needs to eliminate these anomalies, while ensuring that the commitment to food security and rural development made in the language of the text can be translated into concrete measures.

The question of state-trading enterprises (STEs) was raised by some countries in the preparations for Seattle (notably the U.S.) but was not reflected in the draft text negotiated there. Many developing countries abolished their marketing boards (a typical form of STE) under structural adjustment programs. There were widely acknowledged problems with the way many of these boards work. Nonetheless, UNCTAD and others have shown that the privatization of the boards has often resulted, in the medium-term, in diminished competition and the dominance of a given export sector by one or two foreign companies. As a result, less of the economic benefit from the trade stays in the producer country. It is likely that properly managed STEs offer a useful second-best solution to the many imperfections in agricultural commodity markets. At a minimum, developing countries could request a review of the possible role of STEs. The proposal to make STEs illegal under WTO rules should be rejected. Linked to this question of market distortions, better documentation of the activities of the transnational companies that dominate many commodity markets is needed. This is also some thing that could be requested of WTO members, just as they are required to document the activities of their STEs.

The failure to launch a new round of negotiations in Seattle is a welcome respite for many. There is no question that some U.S. interests were also served, as there is little domestic support for the legislation that the government needs to negotiate something as complex as a multilateral trade round. All along, the U.S. pushed for a limited agenda of talks. Yet it is certainly not fair to claim, as the WTO Director General Mike Moore has done, that developing countries lost in Seattle. While the multilateral system is preferable for small countries to bilateral negotiations with power blocs such as the U.S. and EU, the system needs to take far more account of developing country interests to be truly helpful.

Now there is time for the U.S. to elaborate more clearly what kinds of special and differential treatment will promote equity in the multilateral trade system. However new approaches are necessary. Many NGOs have been advocating for some time the need for assessment reviews of the impact of the Uruguay Round Agreements. UN agencies such as the Food and Agriculture Organization and the UN Conference on Trade and Development have been doing some of this work. The results of these studies should inform future negotiations on agriculture. Both the U.S. and EU insist that we should look forward rather than at implementation experience for these impact studies but this ignores their obligations under Article 20 of the Agreement on Agriculture. They should not be allowed to persist in this policy.

The U.S. must push for developing countries to be active participants in the negotiations on agriculture. The sector remains of primary importance for them and many of their people. While the developed countries may spend a lot more, and derive a lot more wealth from their production, the sector is marginal in the numbers of people it affects. Agriculture truly is multifunctional, and its cultural, environmental, social and economic importance is much greater in most of the developing world than in those countries advocating the term at the WTO. Trade rules should reflect this and ensure that developed countries do not promote practices that damage the development potential of developing countries. The failure of Seattle created breathing room for those who argue the Uruguay Round Agreement on Agriculture needs serious reform.

JBC INTERNATIONAL  
WASHINGTON, DC 20006

Mr. A.L. Singleton  
Chief of Staff  
Committee on Ways & Means  
U.S. House of Representatives  
*1102 Longworth House Office Building  
Washington, DC 20515*

Dear Mr. Singleton:

JBC International is pleased to submit comments on the outcome of the World Trade Organization (WTO) Ministerial held in Seattle. JBC International is an international trade and government affairs consulting firm based in Washington D.C. JBC International serves as Secretariat to the Joint Industry Group, a customs and trade coalition, and its CEO, James B. Clawson, serves as Chairman to the Industry Functional Advisory Committee on Customs matters (IFAC1).

While overall we are disappointed that a new round of multilateral trade negotiations was not launched in Seattle, we would like to highlight the progress made in the area of trade facilitation and urge the Committee to ensure that trade facilitation continues to be a high priority for the U.S.

Seattle represented the first time in the history of the multilateral trading system, that customs and trade facilitation issues were on the agenda to be considered as rules-based, enforceable measures. In anticipation of the Seattle Ministerial, several governments, including the U.S., submitted detailed work plans for an agreement on trade facilitation measures to be launched within the WTO. At the same time however, several other WTO members submitted positions aimed at delaying the implementation of key customs-related commitments made during their accession negotiations. As negotiations were breaking down on all other fronts, the WTO's Trade Facilitation Committee -bolstered by strong U.S. leadership -was successful in moving the trade facilitation efforts forward while addressing the concerns of certain members. Most importantly, the requests to delay implementation of the WTO Valuation Agreement and other commitments, were met with concrete work plans to manage the adoption process while ensuring timely implementation.

Although trade in goods serves as the foundation for international commerce and the primary focus of the WTO, customs procedures and trade facilitation measures need to be elevated to an equal footing in order for U.S. companies to take full advantage of the gains from trade. The successive multilateral trade negotiations, culminating in the Uruguay Round that gave birth to the World Trade Organization (WTO), have brought tariffs down to their lowest levels this century, but this unprecedented liberalization has drawn attention to other obstacles to the free flow of goods across borders. Indeed, many of the hard-fought gains from the Uruguay Round go unrealized in the face of the customs barriers to trade. What many traders have resigned themselves to accept as “necessary costs” of doing business are actually gross distortions of price and delivery, which ultimately serve as barriers for U.S. producers. These “costs” take many shapes: goods waiting to be unloaded, containers stuck at customs, mountains of paperwork, non-transparent rules, unpredictable tariff rates, uplifted values, etc.

The WTO, for the first time, provides us the opportunity to address these issues. In Seattle, the U.S. articulated its very ambitious proposal for the establishment of a WTO undertaking to create a rules-based system. A rules-based system adopted by the WTO would set a minimum standard in all these areas and provide the political commitment needed to ensure that the proper measures are introduced where they are needed most.

Although Seattle was a disappointment on many fronts, the work of the WTO on trade facilitation measures must continue. U.S. companies can ill afford to allow this monumental opportunity to pass. The U.S. must stand firm and insist on the establishment of rules that overhaul the international trade machinery so that the very agreements we negotiate can be supported. We therefore urge the Committee to see that the U.S. remains committed to a WTO Agreement on trade facilitation and that Congress and the Administration work together to ensure that this important work receives the high priority it deserves.

### **Statement of Labor/Industry Coalition for International Trade**

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.; Daimler Chrysler; International Brotherhood of Electrical Workers; Milacron Inc.; Paper, Allied-Industrial, Chemical & Energy Workers International Union (PACE); Union of Needletrades, Industrial and Textile Employees (UNITE); and United Steelworkers of America/United Rubber Workers Conference.<sup>1</sup>

#### **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 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

<sup>1</sup>Members do not necessarily associate themselves with every LICIT report or recommendation.

not agree to compromise fundamental elements of the WTO rulebook such as the rules on injurious dumping and subsidies. For this, it deserves to be commended.

## II. THE ANTIDUMPING ISSUE IN SEATTLE

The WTO 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 WTO 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' open-market 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, sec-

tion 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 WTO’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.

NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION  
ROSSLYN, VA 22209  
*February 10, 2000*

The Honorable Philip M. Crane, Chairman  
Trade Subcommittee  
House Committee on Ways and Means  
*1104 Longworth House Office Building  
Washington, DC 20215-6354*

Dear Mr. Chairman:

The National Electrical Manufacturers Association (NEMA) seeks 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 8 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.

Sincerely,

MALCOLM O'HAGAN

**Statement of Jim DiPeso, Forests Chair, Rainier Audubon Society, Auburn, Washington**

This statement is written testimony submitted by the Rainier Audubon Society for the Ways and Means Committee's hearing on the Seattle WTO Ministerial. The Rainier Audubon Society has approximately 1,000 members in south King County, Washington.

Forest conservation is one of many environmental and social issues that concerned the thousands of peaceful activists who were in Seattle for the Ministerial. The Accelerated Tariff Liberalization agreement, or "global free logging agreement" as it was dubbed informally, raises serious issues concerning forest conservation. The immediate issue is that accelerated tariff phaseout would lead to increased consumption of wood products and increased depletion of forests that already are under stress worldwide.

There is another cluster of concerns that relate to the WTO's disturbing policies regarding public health and environmental protection standards judged to be "non-tariff barriers to trade." We are extremely concerned that the authority of national, state and even local governments to set standards and adopt policies to protect our forest resources could be undermined by the WTO's uninformed determination to remove "non-tariff barriers to trade." We are concerned that in time a number of important forest conservation standards could be challenged and overturned, unless the WTO's rules are reformed. Examples of standards vulnerable to a challenge include:

- Safeguards against importation of invasive species, which wreak havoc on native plants and ecosystems.

- Restrictions on raw log exports, designed to protect old-growth forests.

- Government procurement standards that give purchasing preference to products from sustainably managed forests, products made with recycled content, or products manufactured in environmentally preferred processes, such as chlorine-free pulp production.

- Labeling and certification programs which give consumers meaningful choices by providing the information they need to identify sustainably produced forest products. In this vein, it is absolutely unacceptable for the rules of an unelected, supranational institution to pre-empt the free speech guarantees in the Bill of Rights.

Before further trade agreements are negotiated, WTO rules must be reformed to ensure that health and environmental standards will not be undermined in settlement of trade-related disputes. Examples of needed reforms include the following:

- Explicitly state that national and sub-national levels of government have the authority to develop and enforce public health and environmental standards.

- Shift the burden of proof in trade-related disputes to parties challenging health and environmental standards as "non-tariff barriers to trade."

- Explicitly state that health and conservation standards based on production methods are legitimate measures governments may take to protect their citizens and natural resources.

- Explicitly recognize the authority of national and sub-national governments to use social and conservation criteria in making purchasing decisions.

- Give a substantive role to international institutions with environmental expertise in settlement of trade disputes, including explicit recognition that governments may employ the precautionary principle in developing and enforcing health and environmental standards.

- Explicitly recognize the prerogative of governments and private organizations to provide accurate, objective consumer information through labeling and certification programs. Explicitly state that private U.S. labeling programs are protected by the free speech guarantees in the Bill of Rights.

Thank you for your attention to our concerns.

REDWOOD COAST WATERSHEDS ALLIANCE AND  
SAVE THE REDWOODS/BOYCOTT THE GAP CAMPAIGN  
*February 20, 2000*

Honorable Phillip M. Crane and Members  
Subcommittee on Trade  
Committee on Ways and Means  
U.S. House of Representatives  
*Washington, DC 20515*

Dear Congressman Crane and Members of the Subcommittee on Trade:

Many people have testified and written to you about the World Trade Organization (WTO) protests in Seattle in November 1999. I want to contribute to that record by telling you why I was in Seattle protesting the WTO, and what I personally witnessed in the streets of Seattle that week.

There are two points that I want to stress:

1. I witnessed unprovoked and brutal attacks by the police against peaceful protestors starting at 10:30 am Tuesday morning, November 30, and continuing through the morning, long before any vandalism occurred in downtown Seattle. This fact has been mostly lost or suppressed in mainstream news media reports, and it is vital to a proper evaluation of these events. I and the 50,000 other people who protested the WTO, including the 10,000 people who peacefully shut down the WTO meeting, conducted ourselves entirely peacefully and we are tired of the slander that we did not. We kept the peace even while we were beaten, hosed with pepper spray and shot with tear gas canisters and plastic bullets.

2. We were demonstrating against an illegal meeting. The WTO is a group of unelected trade ministers who have the illegitimate power to eliminate our environmental, labor, health and human rights laws, without our consent and without our participation. The citizens of the United States have a right—and indeed a duty—to protest this violation of the United States Constitution.

#### WHY I WAS IN SEATTLE

First of all, I went to Seattle to protest the illegal meeting of the WTO. The WTO has no legitimacy in my eyes to make decisions that overrule our national and local laws that protect workers, consumers, farmers, the environment and human rights. Yet the WTO is so powerful that I could think of no way to influence its exclusive and secret proceedings except by massive peaceful protest.

If you had held a session of the U.S. Congress in secret to decide the future of United States, what would you expect to happen? Wouldn't you deserve massive protests? Wouldn't the citizens of this country have a right and a duty to stop that meeting? And if you made such a mistake of democratic procedure, wouldn't the right thing, the lawful thing, be to reverse that mistake, and open up your proceedings? That is all we asked of the WTO—lawful, democratic process.

The Founders of this Republic believed that violent protest was legitimate to overthrow oppressive government—and they engaged in violent protest and in war, to secure me the rights that are established in the United States Constitution. We have had examples of peaceful resistance since that time—Mahatma Ghandi and Martin Luther King chief among them—who have shown that respect for human life is the highest value that we can hold, that such respect must be maintained even under extreme provocation, and that it produces a better form of change, a change in the human heart.

That is the spirit in which I and 50,000 other people went to Seattle. Our purpose was to make clear to the WTO that it cannot continue to meet in secret, to overrule our laws and to remake our world on a global scale without our consent.

The issues that brought us to Seattle are critically important to the future of our society and our world. These issues include the right to live, the right to work, the right to a healthy, productive environment, and the right to help determine political and economic policy in a democratic system.

My group has a particular concern about the WTO "Free Logging Agreement," which would eliminate tariffs on imported wood, no matter how that wood is logged. While our California Forest Practice Act has failed in its stated purpose of sustainability, the citizens of California have the right to reform that Act, and to institute new and better policies for the protection of our forests. As citizens of the United States, we also have the right to exclude from this market any wood product that results from the destruction of forests elsewhere in the world, or that threatens the health of our forests in any way, including by pestilence and unfair and unsustainable competition.

Our planet's biosphere is being destroyed by thoughtlessness and greed. Our national and local environmental laws, and trade restrictions, are the only potential protection we have against destruction of the planet that we all depend upon for life. As with other WTO issues, this is a life and death issue, and a justifiable cause for civil disobedience.

#### WHAT I PERSONALLY WITNESSED DURING THE SEATTLE PROTESTS

I was part of the group that was peacefully protesting the WTO meeting at the Sheraton Hotel intersection at 10:30 am, on Tuesday morning, November 30. I was a support person and an observer-there to help insure everyone's peacefulness and safety. As a support person, the first thing that I tried to do was to clarify the situation with the police. There were several dozen Seattle police in riot squad gear, several mounted police and a gray armored tank that we soon found out contained pepper spray and tear gas equipment. The police were lined up across the intersection and up on the sidewalk, with billy clubs drawn. There were about 200 people in the intersection blocking traffic to the Convention Center. My group, the Save the Redwoods/Boycott the Gap affinity group, was standing face to face with the police line, in the intersection, in close proximity to the billy clubs. We had agreed to represent the environment at the WTO meeting. We carried the sign, "Delegation for the Environment."

I spoke to one person whom the other police identified to me as the "commander" of the police line that was immediately in front of me on the sidewalk. I asked this commander three questions: Had an order to disperse been given in the intersection? Had an order to disperse been given where I was standing on the sidewalk? And was tear gas going to be used?

To the first two questions, he answered no-no orders to disperse had been given. To the tear gas question, he answered that no order had come down to use tear gas and that three commanders in the hierarchy had to agree to such use.

Shortly after my conversation with this commander, the police attacked the people in the intersection using pepper spray guns, tear gas guns and plastic bullets. This attack occurred without warning and without provocation. In fact, the Delegation for the Environment, which had been standing in a line directly in front of the police, had deliberately removed itself from that position in order not to be provocative to the police.

Just before the attack, the police had been getting nervous and more aggressive. Several of our group were poked and hit with billy clubs before they withdrew. The Delegation for the Environment stepped aside, and gave up our intention of entering the Convention Center, in the interests of civility and peace-and by mutual agreement with the other protestors. The people in the intersection nearest to the police then sat down on the ground. In other words, we, and everyone there, went out of our way not to be provocative.

Many of the intersection protestors were sitting on the ground, huddled together for protection. The police hosed them with pepper spray directly on their heads and faces, and then began shooting at their backs and heads with tear gas canisters and plastic bullets. They continued the attack even against people who were lying on the ground, totally disabled and extremely sick. This was the most violent and uncalled for attack against human beings that I have ever personally witnessed, and I shall never forget it. It was as if the police were exterminating insects.

I also saw the police club several people during this police attack. These people had no weapons and were merely reacting emotionally to the chemical attack, and were yelling at the police to stop.

A young man who was standing near me began to yell at the police during the attack. I put my hand on his shoulder and told him to remember Ghandi. He calmed down. I was also involved in helping an elderly Asian couple who said they were WTO delegates escape this scene. They, like I and everyone else who was near that intersection, got tear gassed. As the clouds of tear gas filled the streets, we helped these delegates over a wall to another street.

I feared for my life that day in Seattle, though I was breaking no law myself, and though the people who were attacked in the intersection were breaking only a minor law, blocking an intersection. I witnessed similar attacks by the police against peaceful protestors at other locations in downtown Seattle on Tuesday morning and into the early afternoon. Downtown became so filled with tear gas that there was nowhere to go-nowhere to escape to. People who were attempting to leave downtown could not do so.

Once again, I want to stress that these events occurred long before any windows were broken or other vandalism was committed downtown.

#### THE SEQUENCE OF EVENTS—THE IRRESPONSIBLE TV COVERAGE

That night the TV news showed these events in reverse order. They showed footage of windows being broken first, then the police “getting tough” and using tear gas—exactly the opposite of what happened. This very irresponsible journalism led many people to believe that the police violence was justified, and prevented an immediate stoppage of the police violence by public outcry. The police then went on a rampage, invaded the Capitol Hill neighborhood, and tear gassed and brutalized people sitting in cafes, in their homes, or out on their sidewalks.

In the next couple of days, the police arrested hundreds of people for protesting the police state in downtown Seattle in which a person could be stopped on the sidewalk, ordered from the area, or arrested, merely for wearing an anti-WTO button. I saw that on television—a lone woman being ordered off the streets merely for wearing a button. She asked the police: “What if this had been a pro-WTO button?” The police did not reply to that.

It seems to me that the police actions of the morning of November 30 were intended to provoke a violent reaction. I’m thinking of the young man whom I calmed down during the first attack. How much of this sort of horror could he take without reacting and fighting back and trying to protect people? It is also evident to me that this police provocation largely failed. The 50,000 protestors in Seattle that day did not retaliate in kind. Almost all violence against people was perpetrated by the police themselves, starting at 10:30 in the morning on Tuesday.

I’ve since learned that a few picket sticks and tear gas canisters were thrown at police in the midst of the police attacks. I find that reaction understandable, in view of what I saw the police doing—although it does not follow the non-violence code. The police were well armored and wore gas masks. The workers in downtown stores where windows were broken likely felt fear and even terror, and I consider that to be violence against people. That violence, and the property damage, was the work of a small group of people who were acting in violation of the non-violence code, and also in direct conflict with the wishes of the 50,000 other protestors in Seattle, many of whom suffered serious police brutality without provocation and without retaliating in any way. I also think it’s fair to say that the police themselves may have indirectly caused the later vandalism by creating tension and anger with their early and brutal attacks against people.

This police brutality, and the subsequent mistreatment of peaceful protestors who were imprisoned, raise serious questions that need to be answered by the city of Seattle, by the state of Washington and by the federal government:

1. Why did the police use massive brutal force against peaceful protestors on Tuesday morning, November 30, long before any vandalism occurred? Who gave those orders?

2. Why didn’t the police—who were everywhere downtown on late Tuesday afternoon—stop the vandalism? Why, instead of stopping the vandalism, did the police create a no-civil-rights zone, consisting of the entire downtown area, and start arresting and brutalizing everyone in their path? Once this police violence began, why wasn’t it stopped? Who is responsible for failure to stop the police from rampaging through neighborhoods and escalating their violence and their massive violations of civil rights?

3. Who is responsible for the false TV news stories on Tuesday evening, November 30? The TV reports were clearly wrong about the sequence of events—the police were not responding to any violence or vandalism on Tuesday morning, but rather were engaged in a deliberate and brutal attempt to curtail free speech. Did public officials have anything to do with these false TV stories?

4. What role did federal officials play in these decisions?

5. What role did federal officials play in the cruel and illegal treatment of peaceful protestors who were imprisoned?

It seems that the police reserved their brutality and their arrest procedures for peaceful protestors who were breaking minor laws as an act of conscience and courage—or who were breaking no law at all—while they allowed the few people who

were doing property damage to go free. It also appears that the police brutality was a deliberate attempt to curtail the WTO protests, which in themselves were entirely peaceful. This was a political decision. Who made this decision?

#### AN EXAMPLE OF DEMOCRACY

On Friday night, I supported the young people who did a “sleep in” on the Westin Hotel steps. The purpose of this spontaneous protest was to gain the release of the 600 peaceful protestors who had been kept in jail for several days without arraignment and without counsel. Many people in Seattle brought us blankets and food, and members of the Teamsters Union brought us coffee and cookies at 3:00 in the morning. I am very proud of these young people who showed such courage and persistence. They taught us all a lesson in democracy.

Around 4:00 in the morning, the riot squad, which had been surrounding us at the Westin Hotel, was withdrawn—which I very much appreciated—and was replaced by the Seattle police in normal uniform who stated that these young people must move away from the Westin Hotel steps or be arrested.

The patience of the Seattle police in this instance allowed for a lengthy, democratic discussion among us protestors about moving to another location, and resulted in a decision to move from the Westin Hotel and join the protestors in front of the Seattle jail.

I think that, instead of threatening these young people with arrest and forcing them to move, the Seattle police should have immediately released the people in jail, and begun a dialogue and listened to our concerns. These young people, in my opinion, represent the best that democracy has to offer. In the middle of the night—amidst fear, tension and extreme fatigue—these young people conducted a lengthy and orderly discussion, in which all points of view were heard, and came to a decision about what to do. That is devotion to democracy! The WTO could have learned something from these young people, if only they had been willing to listen to them.

We kept the peace at the Westin Hotel. We had a good time. We had good music—some heroic drummers who played for many hours, keeping peoples’ spirits up. We meticulously cleaned up after ourselves, removing all garbage and sweeping the steps of the Hotel.

#### WHAT COULD HAVE HAPPENED IN SEATTLE

Now I want to turn to what could have happened in Seattle. On November 30, about 10,000 people placed themselves in intersections in the downtown streets of Seattle, in a peaceful effort to prevent the WTO meeting from occurring without our participation. We did not want this extremely powerful group of trade ministers to meet in secret and decide our future.

Because they were in fact deciding our future, we had a right to stop that meeting and insist that we be heard. We met for weeks in advance—and some protest leaders had been planning for months and years—to accomplish this purpose peacefully. What if Seattle had welcomed us? What if Seattle had said, “All right, 10,000 people is a whole lot of objection. Add in the 50,000 who marched and held rallies—and that’s an overwhelming amount of objection. Maybe this WTO meeting shouldn’t be taking place.”

What if that had happened in Seattle? What if the governor and the mayor and the city council and the President of the United States had told the WTO, “50,000 people is too many to ignore. You have to listen to them, you have to include them.” What if our political leaders had stood up for the U.S. Constitution and the labor unions and the environment? What if they had told the WTO, “This is what democracy looks like—get used to it?”

Circumstances changed in Seattle when 50,000 peaceful protestors showed up. Our political leaders should have been more flexible in reacting to these changed circumstances. On Tuesday, when the WTO meeting was shut down, our political leaders should have taken a breath and said, “Okay, this WTO meeting is no longer possible as planned. These protestors have a point.

How can we address the undemocratic and unconstitutional nature of the WTO?”

The United States and the city of Seattle could have been the arbiter of a profound change in global economic policy. Seattle would then have become synonymous with democracy, instead of with repression.

What we got instead were platitudes, from President Clinton on down—insincere statements about the importance of the environment and workers’ rights. Statements that no one believed. Statements that should have been made long ago accompanied by strong action. In fact, President Clinton, like his predecessor President Bush, and local officials—Washington Governor Gary Locke and Seattle Mayor

Paul Schell—all approved of, and welcomed the WTO—having long ago sold this democracy down the river.

#### CONCLUSION

November 30, 1999, is an historic date that will influence events for centuries to come. On that date, U.S. Citizens, in massive numbers, rebelled against corporate rule right here in the home of “free trade”—sparking a widespread awakening of the American public. This was the beginning of a New American Revolution. What unfolded that day and in the subsequent days was the courage, intelligence and great good will of the revolutionaries. We accomplished this rebellion peacefully - despite the false news reports. In Seattle, it was the police who were violent and we, the people, who peacefully shut down the WTO.

On the morning of November 30, as the riot squad was getting out the pepper spray hoses and the tear gas guns, at the Sheraton Hotel, I heard the following exchange between a protester and a riot squad policeman: Protestor: “This is just like Tianamen Square.” Riot squad police: “No, it’s not. We’re not going to kill you.”

We can laugh at this now—it has a sort of black humor to it. But it wasn’t very funny when we were getting tear gassed. We need to know who told the police that they could use anything short of lethal force to stop these peaceful protests. In any case, sub-lethal force can be-and was-life threatening. It can be-and was-utilized to suppress free speech and freedom of assembly, and our right to petition our government.

There is more at issue here than a mistaken and illegal use of force by the police, but there is a common theme—abuse of power. The police were given too much power and they created mayhem in downtown Seattle, brutalizing many people who were not even involved in the protests. Our federal government made the same mistake with the WTO—they gave it too much power. Indeed, they gave away whole sections of our Constitution. The abuses of “free trade”—loss of jobs here, workers living in slavery in other countries, the assault on our environmental laws—are the inevitable result of that giveaway. Instead of our labor laws, and our environmental laws and our democratic ideas spreading across the world, we have abuse and piracy spreading across the world. This has to stop. We, the people, will stop it. I think we made that clear in Seattle.

You, the members of the Congressional Subcommittee on Trade, and other members of Congress, should be asking yourselves the questions that we are asking: Do you want the WTO, an unelected group of trade ministers, to dictate the laws and the future of this country? Do you want a world in which there is no protection for the environment, for workers, and for your health and well-being? Do you believe in democracy?

We urge the following actions by the House Subcommittee on Trade, in response to the events in Seattle during the week of November 30, 1999:

1. An investigation of the role played by federal officials in massive violations of the civil rights of citizens of the United States during the Seattle protests. Investigation of all such illegal activity by the police. Determination of who made the decisions. Recommendations toward the prevention of civil rights abuses in such situations in the future.

2. A recommendation to Seattle officials of complete amnesty for all protestors who were arrested during the Seattle police riots. During the week of November 30, hundreds of people were unlawfully arrested by police forces who were themselves engaged in massive violations of the law. These protestors were held in prison for days without counsel or arraignment. They suffered fear and mistreatment in jail. They gave up their comfort and risked their lives for democracy. Although many charges against protestors have been dropped, Seattle prosecutors are continuing some legal actions. In all fairness, and to clear the air, all such prosecutions must cease.

3. Endorsement of the letter of Congressmen George Miller (D-CA) and Henry Waxman (D-CA), now in circulation in Congress, which asks for specific reforms to current U.S. trade policy such that forest and environmental issues will receive greater representation. Recently, a federal court ruled that environmental representatives must be included on U.S. trade advisory committees that deal with forest products. This ruling, in a case brought by U.S. environmental groups, was appealed by the U.S. Trade Representative just after the Seattle Ministerial meeting in December—an example of our government’s hypocrisy on these issues. The Miller/Waxman letter explicitly asks the Administration to withdraw that appeal.

Thank you for your consideration of these matters.

Yours sincerely,

MARY PJERROU

cc: Congressman Mike Thompson; Senator Diane Feinstein; Senator Barbara Boxer

**Statement of Hon. Jim Ramstad, a Representative in Congress from the State of Minnesota**

Mr. Chairman, thank you for calling this important hearing today to investigate the significant "lost opportunity" we witnessed at the 1999 Seattle Ministerial.

Last August, we held a hearing on our negotiating objectives at the upcoming Seattle Ministerial. Today, it is clear that "Team USA" did not lay out an aggressive, strategic plan for Seattle.

I am particularly interested in asking whether the coach of "Team USA," President Clinton, used a play that wasn't in our play-book. A December 13th article in Newsweek states:

"In Seattle, faced with a challenge to one of his major accomplishments, the WTO, President Clinton bizarrely sided with the demonstrators -and presumably against his own officials who were the targets of the protests. In statements reminiscent of his famous squiggle on the Gulf War -I guess I would have voted with the majority if it was a close vote. But I agree with the arguments the minority made' -the president explained that he supported the protesters but didn't want to hobble free trade."

I was greatly disappointed when I left Seattle last December and returned home empty-handed to Minnesota. Throughout this recent recess, Minnesota business leaders, entrepreneurs, farmers and workers asked me what went wrong. I hope to have answers for them soon.

We must regroup and make progress soon on the "built-in agenda," and jump-start further liberalization trade in agriculture and services, as well as examine government procurement practices and the enforcement of intellectual property rights.

Mr. Chairman, thanks again for calling this hearing. I look forward to hearing from our witnesses today about the causes of the impasse in Seattle and the impact of this failure on future WTO negotiations.

[By permission of the Chairman.]

**Statement of Hon. Tran Van Thinh, RONGEAD, Lyon Cedex, France; and former Ambassador of the European Union**

SEATTLE: MORE THAN A HIGH MASS FOR TRADE, IT MUST TAKE UP THE CHALLENGE OF ECONOMIC GLOBALIZATION

WHY SEATTLE?

The objective announced for the new round of multilateral trade negotiations at Seattle is to boost development of trade in goods and services in order to sustain economic growth.

As usual, the enthusiasm among members stirred by a new round remains somewhat damped due to differences of approach, loaded with ulterior motives. Arguments over taking into account the interactions between trade and other areas are on the increase.

Negotiating rules and specific concessions giving greater access to individual markets, in order to secure the global growth of trade, inevitably touch highly sensitive areas, such as the environment and investment, related to trade. Opposition to the negotiated and contractual inclusion of links between these areas and trade, and their effects on it, is pointless. On the other hand, using the pretext of these links and effects for the purposes of fighting skirmishes, and recourse to unilateral and protectionist actions, is derisory. Where trade is concerned, these two attitudes amount to perpetuating incoherencies at a time when a rational, global and integrated approach is needed to grasp the phenomenon of globalization, with all its implications. Henceforth, the globalization of economies is irreversible, affecting every

one of their characteristics and components. The real scope of globalization remains barely evident and poorly identified regarding its ramifications that concern every aspect of daily life, even that considered private. It not only involves the visible part of the iceberg, such as the circulation of goods, services, capital, technology and ideas, but also the submerged part, that of human beings, not forgetting diseases, vices, scourges, discontent, fraud, criminality and the forces of evil. The seeds of tension, violence, and conflicts, these incoherencies only fuel the chaos that reigns already over the interconnections generated by economic globalization. What is more, they magnify its negative effects and undermine its positive ones.

#### SUSTAINABLE DEVELOPMENT

Benefit can be gained from awareness of the interconnectedness of life's realities, whether they be palpable or virtual, and the ability to take them into account and go beyond traditional and sterile incoherencies. They were understandable at a time of economic fragmentation and conflict between different and antagonistic economic and social systems. However, that era ended with the fall of the Berlin Wall. Now, the whole world is under the reign of the market economy and conclusions need to be drawn that match the scale and scope of this phenomenon. Whatever the case, the aim of expanding trade cannot be limited to simple economic growth, it must also contribute toward sustainable development.

Sustainable development has been a byword since the Rio summit, which shed stark light on the harmful contradictions of the States that govern us and paralyze its effective implementation. Now, at Seattle, determination is required to get everyone, from governments to consumers, economic operators and civil societies, to accept sustainable development as the absolute priority. Its one and true objective must be punched home: it is to ensure balanced development between every country in the world and between every stratum of its populations. Indeed, equilibrium is the backbone of sustainable development. It erases the antiquated and artificial borders between the North and South, since almost every country now has its megarich and its cortege of very poor.

Although globalization should lead to growth capable of making the poor dream, it in fact makes the rich richer and impoverishes the poor still further. What is more, urban violence, conflicts between governments, and economic crises will result in the erosion of our economies, in search of a costly and probably illusory new distribution of cards and rules at the price of new suffering mainly for the poor. The fact is that the days of impregnable fortresses of abundance and well-being are over. The attraction and envy they instill, thanks to information and communication technologies, condemns their existence through time. The West can diffuse its dreams, but it must eventually pay the price for the attraction of these same dreams on the poor, in terms of crime, clandestine immigration, etc.

So, how should globalization be managed? How can six billion differences between the world's inhabitants be managed. It is difficult enough today managing six billion differences (no human being the same), but what of tomorrow when there will be eight billion. . . ?

#### COMMON SENSE: THE OBVIOUS REMEDY

##### *Thinking, conceiving and acting globally in a world-wide economic environment*

The challenge of globalization is above all a psychological one for our thinkers, politicians, citizens and economic players. True, businesses already operate profitably in almost fully integrated, dominant financial markets. However, other sectors of the economy, especially trade in the traditional sense, remain in tow and tag along as best they can. The lesson of recent crises has not sufficiently highlighted the interconnections of capital transactions, in particular short term ones, with domestic and foreign trade. Likewise for the structure and management of the financial banking and monetary economy regarding their inextricable interconnections with the commercial and social economies, not forgetting environmental protection, labor, etc. The only positive—and modest—conclusion that can be made is the need to build a new international financial architecture. However, will this goal take into account the interconnections and interactions of finance with other sectors of the economy and other aspects of life or only, as in the past, confirm its dominance over all the other sectors with, in addition, dangerous tendencies toward a unipolar world based on single track thinking?

The past habits of a fragmented and partitioned world are dying out slowly, since they are deeply anchored in government establishments and it will take a long time for the new customs of a border-less world with interdependent, interactive and united components to become accepted.

A great step forward could be made with the elimination, at international level, made necessary by globalization, of the incoherencies and incompatibilities stemming from the inadequacy or even complete lack of coordination between international institutions with that jealously guard their specific areas of responsibility. This global non-coherence at all levels can be estimated, year in year out, as amounting to one tenth of world GNP; this is the cost of non coherent economic management on an international scale. Decisive progress could be triggered by achieving convergence between the different policies, actions and practices implemented by the various international institutions. A very timid attempt has been made at the level of the WTO, the IMF and the World Bank, i.e. the Ministerial Declaration of Marrakech in April 1994 on the "Contribution of the World Trade Organization to Achieving Greater Coherence in Global Economic Policymaking" at international level. The practical effects of this Declaration are modest and the good will and actions of the heads of these institutions born from Bretton Woods remain tributary to the degree of cooperation which the respective member states for whom they act decide to give them. What political weight do trade or environment ministers have in comparison with finance ministers in economic development strategy? The influence of mandators on the actions carried out by international institutions, in particular financial ones, is decisive though little known. This sheds light on another element: although convergence at international level is necessary, it is even more vital upstream at national level.

If this step forward toward convergence could be achieved under the right conditions, it would lead to coherent economic and social policies. This coherence implies the globalization of economic and social policy tools. This logic is faultless, but account needs to be taken of those with power and competencies who hold back or prevent progress.

There are many pitfalls and the road is long but the convergence of economic and social policies is inevitable if economic globalization is to lead to sustainable development in our world, without disparities or distortions.

The convergence and coherence of economic policies constitutes the foundation of cohesion for each and every people of Planet Earth, so that they can control economic globalization instead of being controlled by it.

*Convergence is a minimum, coherence is a must, and cohesion is a hope.*

This is the revelation of common sense needed to deal with the implacable logic of economic globalization. Recently, no lesser person than Jim Wolfensohn proposed building a new international architecture for development in parallel with "a new international financial architecture" in order to give a voice to the poor. But how can cohesion be possible when a supposedly universal organization such as the WTO only represents three fifths of humanity, with thirty or so countries waiting on the sidelines for accession under discretionary conditions that appear arbitrary to say the least.

**In short, sustainable development is the objective and the basis of good governance.**

**My testimony is pertinent to this hearing, it is in complete support of that of Mr Jose Bove whose remarks correspond with my reflections and observations.**

I was among the active participants in the establishment of the World Trade Organization. I negotiated the Uruguay Round as Ambassador of the European Union and I have devoted half a century to the multilateral trading system, with participation ranging from the United Conference on Trade and Employment in Havana (1947–1948) until the Ministerial Conference of April 1994 in Marrakech.

*Two preliminary statements:*

Without a strong and fair multilateral trading system, trade may create tension and conflict that threaten state security. Even the strongest states, including the United States of America, are potentially vulnerable.

In the aftermath of the Second World War, the USA was governed by statesmen with vision. Today the United States has been rejuvenated and has achieved extraordinary economic and technological advances.

However, the leadership necessary to channel economic globalization of the economy towards a sustainable development of the planet is lacking. Indeed the failure of Seattle sounds a warning that a new leadership is needed to initiate and drive the global governance of the planet.

Below, I present what your Subcommittee may wish to consider as its broad goals starting with the Hearing of February 8, 2000.

*The Fundamental Realization:*

The failure of Seattle was foreseeable. In this day and age where everything is connected to the economy both inside and outside of national borders, a viable solution to the problems of international trade does not lie in trade policies alone. A viable solution to the challenge of trade will be linked to financial, monetary, social, environmental, sanitary and wildlife protection policies on the national and international levels. Clearly, the failure of Seattle is due to the absence of an agreed global development strategy that considers the necessary inter-relationships between trade policies and policies related to the environment, investment protection, labor etc. . . . The absence of arbitration and of a more all-encompassing trade policy freezes corporate competition and plants the "seed" of failure. In addition to the urgent and fundamental need to incorporate additional policies inter-relationships into negotiations on trade, another essential gap lies in the absence of transparency and of dialogue with civil society. Finally, the concept of disparity between the rich countries of the North and their poorer Southern neighbors must be considered and remedied. Poverty is still present in the North, just as wealth can also flourish in developing countries. These disparities must be addressed. These elements can be found in my first testimony.

Sincerely yours,

TRAN VAN THINH

#### **Statement of José Bove**

Mr. Chairman, Thank you for this opportunity to provide testimony for your hearing on the outcome of the WTO Ministerial Meeting held last December in Seattle. I was privileged to represent my farmer's organization there and to have participated in many of the important events organized by civil society during that week.

Of the many outcomes, I will focus on the way in which the Seattle meeting has awakened ordinary people all over the world to the need to become actively involved in global affairs. A new appreciation of the complexity of international issues exists among citizens, many of whom are offering positive solutions to some of the problems facing the World Trade Organization and world leaders. These creative ideas should be carefully considered.

I am involved with a broad coalition of organizations from civil society all over the world who are working together to turn this new commitment into specific positive actions. Together we have created the Global Citizen Initiative to bring concerned individuals and organizations into the international arena and to facilitate institutional changes that will maximize the positive impact of this growing citizen interest. While we will initially be focusing on issues concerning trade policy, we are well aware of the need to broaden our work on trade as part of a broader vision of global governance.

We have identified five critical themes and are developing these with our growing global network of concerned organizations (now consisting of over 2,000 civil society organizations and representing nearly every country in the world). We are targeting ideas that resonate on a global basis and that can form the basis of a consensus within civil society on key trade and global governance issues. This consensus will give us the basis to move forward.

Our five major themes include:

1) *Transparency and democratic procedures.*

We need to learn from events such as Seattle and to forge efficient and participatory approaches that involve civil society.

2) *Bridging the gap between the rich and the poor.*

We are working on new approaches to help ensure that trade rules do not make the gap between rich and poor countries and rich and poor people even worse. Our goal is to find ways to turn trade policy into a positive force that can help end poverty.

3) *Current and new issues in trade policy.*

This includes the specific topics currently under negotiation at the WTO, the so-called built-in agenda of agriculture, patenting of life, and services. There are also working groups on the more difficult trade issues such as environment, labor standards and human rights.

4) *Negative impacts on food security.*

This includes a number of specific topics such as agricultural dumping, tariff escalation and the ways in which current trade policies are fueling the conversion of land from human food production to non-food uses or to luxury cash-crops.

5) *E-commerce.*

The Internet is changing our entire business system, potentially rendering many of our current trade policies meaningless. At the same time, if it can remain free both politically and financially, the Internet appears to be one of the keys to making a truly democratic system of global citizen action. We have organized a working group to put forward proposals to maximize the positive political, social and commercial impacts of the Internet while avoiding the negative impacts that may come from a more restrictively controlled technology.

As mentioned above, the goal of the *Global Citizen Initiative* is to bring about changes in the international framework through global consensus. The WTO Ministerial Meeting created a new awareness around the world about the critical role played international institutions and the importance of creating a new vision of global governance. The new citizen awareness that is manifest in our work, and in the concerns voiced at Seattle, presents a unique opportunity to make long-term, positive changes for all.

Mr. Chairman, thank you again for the opportunity to present these ideas and for organizing this hearing aimed at drawing lessons from Seattle. We believe that this event is an important first step towards a fairer, open and democratic system of global governance.

Yours faithfully,

JOSE BOVE  
*Member of Confederation Paysanne  
France*

**Statement of David Head, on behalf of Save Endangered Wilderness,  
Hatboro, Pennsylvania**

Dear Members of Congress,

Congress has decided to take up the issue of "What Went Wrong in Seattle." The issue has nothing to do with when and where trade makes good economic sense. The issue is democracy.

Behind the benign sounding term "Free Trade," lurks a juggernaut unprecedented in the history of mankind.

Functionally, the World Trade Organization is an association of the world's most powerful transnational corporations. This association is, by their own boastful admission, "writing the constitution for a global economy." Their goal is clear—that the ultimate governance of any and all issues that involve international trade or finance be removed from the hands of democratically elected governments, and placed in the hands of the world's corporate elite. They would further eliminate all public input, as well as public scrutiny.

More than 500 corporate lobbyists sit on some 16 committees that advise the US Trade Representative. These committees aren't just closed to public interest groups, they are actually shielded from public scrutiny by national security secrecy laws. Citizen activists found it necessary to get a court order, in order to force US Trade Representative, Charline Barshefsky, to include any environmental advocates on the committees that advises her on forest products issues. The Clinton Administration is now appealing that court order.

The judicial system of the WTO consists of panels, each comprised of three trade bureaucrats whose meetings are closed to the public. It is so skewed in favor of corporate interests that since it was created in 1995 the WTO has ruled that every environmental, health, or safety policy that it has reviewed, is an illegal trade barrier, that must be eliminated or changed. The effect of this has been that many governments faced with even the threat of a WTO challenge have backed down, and governments are reluctant to enact legislation that might be challenged.

We have sacrificed millions of lives and spent trillions of dollars to defend our right to govern our own affairs. Our government is signing away that right in secret negotiations, behind closed doors.

Do not think that what went wrong in Seattle was a fluke. What happened in Seattle is simply that the Titanic has just brushed ever so gently against a very very large iceberg.

This is a far more powerful moment in history than most of us realize. Perhaps Congress should be asking what King George would say in retrospect, if he was asked "what went wrong in Boston." Lincoln had a simple suggestion—"you can't fool all the people all the time." That's what went wrong in Seattle.

Though the American people have grown complacent, even as they have grown cynically accustomed to political corruption, the spirit of democracy is not dead. The corporate conspirators who believe that their destined moment has arrived, are in reality awakening a giant that has lain dormant since the civil rights movement and Viet Nam.

The monster will be stopped. It may come through massive demonstrations, riots or armed revolution. That will largely depend on congress and the President. But the human spirit will not surrender to a corporate world government.

The fifty some thousand Union workers, environmentalists, human rights workers, and church representatives, who braved the police in Seattle and around the world, to stand up to the WTO and corporate tyranny, are in greater solidarity with the people, and stand for a far nobler cause than did our forefathers who dumped the King's tea in Boston Harbor. When the Ministerial ended, the demonstrators, except for the prisoners, went home, but do not think that it ended there. Religious and other human rights workers will not give up on human rights. Environmentalists will not relinquish to some autonomous corporate body, their right to defend the planet. And Union leaders know all too well that far from bringing prosperity, corporations brought slave labor conditions and sweat shops to America, wherein hundreds of thousands of workers died. It was not corporations that brought prosperity to America, it was strongly united workers.

The Clinton Administration has promised a few bandages to patch up some specific areas of complaint. That will not solve the problem, nor will it placate the American people.

Unless and until the WTO becomes a democratic institution, whose operations are open to full public participation and disclosure; until the WTO reverses past decisions and undoes the damages already done to public health, worker, environmental and human rights protection; until its judicial system puts people above corporations; and until elected governments are guaranteed the right to enact laws to protect people and all the other inhabitants of the earth, the WTO will remain an institution whose interests are opposed to the interests of the people of this nation and of the world, and the people will do whatever is necessary to stop it.

Instead of asking "What went wrong in Seattle?," everyone in Congress should be asking "Which side will I be on—The People's or the Corporation's?," for that is how history will judge you.

#### **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 Ways and Means approved without dissent a provision instructing U.S. negotiators to reject any agreement that would weaken existing disciplines against dumping and subsidies. Further, over 200 members of the House co-sponsored a resolution last year stating that the Congress would not consider legislation to implement a trade agreement that required changes to our trade laws. 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 recently 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.

**Statement of United States Association of Importers of Textiles and Apparel, New York, New York**

The U.S. Association of Importers of Textiles and Apparel, USA-ITA, is pleased to have this opportunity to provide its views on the outcome of the WTO Ministerial in Seattle and what steps are necessary to achieve a more positive result in the future. USA-ITA participated as a non-governmental organization at the Ministerial meeting in Seattle and strongly supports the launch of a new round of multilateral negotiations.

USA-ITA is an association founded in 1989 which now has more than 200 members involved in the textile and apparel business. USA-ITA members source textile and apparel products both domestically and overseas. Members include manufacturers, distributors, retailers, and related service providers, such as shipping lines and customs brokers. USA-ITA member companies account for over \$60 billion in U.S. sales annually and employ more than one million American workers.

It is the view of USA-ITA that multiple factors contributed to the inability of the ministers to reach agreement in Seattle on a declaration launching a new round. Textile issues were among those factors. Of course differences between the European Union and the United States, principally on agriculture, probably had the most to do with the breakdown of the Seattle Ministerial, but some of the “credit” also must go to:

- 1) the developing countries, who made it clear that an unwieldy and outdated WTO decision-making process was unacceptable (with a small number of countries secretly making the most important decisions in exclusive “Green Room” sessions and then forcing the excluded countries to concur);
- 2) the timing and location of the meeting: too close to the next American election cycle and in the United States (which therefore compelled the U.S. Government to serve as a host at the same time it sought to implement a significant agenda);
- 3) the failure of Geneva representatives to reduce the number of questions left to ministers before Seattle;
- 4) substantive differences between and among the developed and developing countries on a variety of issues, including textiles, where promised liberalization has yet to materialize; and
- 5) the comment by President Clinton indicating support for the ultimate use of sanctions to enforce labor standards.

USA-ITA rejects the attempts by labor and environment protestors to take credit for the failure of the ministers to reach agreement on launching a new round. While disruptive and inconvenient, their presence was not what determined the outcome of the meeting.

It is apparent to USA-ITA that textile issues played a key role in the difficulties faced by the trade ministers in Seattle. We spoke extensively with the trade ministers of many of the developing countries that supply the U.S. market. Through our discussions with these officials, we know that the insistence by U.S. negotiators not to move on textiles led to much frustration and consternation within the developing world. Clearly, these members had little interest in initiating a new round of trade talks unless it included concessions on textiles, where the promises of liberalization provided by the Uruguay Round Agreement have yet to yield tangible results.

The textile issues were framed well before the ministers arrived in Seattle and reflected the developing world's strong feeling of disappointment with the implementation of the Agreement on Textiles and Clothing (ATC) by the United States, in particular, and with the increased use of anti-dumping measures by the European Union. The developing country producers of textile and apparel products have plenty of reasons to be disgruntled:

- few textile and apparel products removed from the quota system (integrated into "normal GATT rules"),
- annual increases in trade constrained by small growth rates,
- the introduction of numerous safeguard actions (new quotas) creating new restrictions, and
- the disruptive change in the U.S. rules of origin for textile and apparel products after the ATC was implemented.

Several trade ministers specifically raised textiles during their statements at the opening Plenary Session of the Ministerial and, in the view of USA-ITA, their statements accurately summarized the frustrations of the developing world with respect to textiles trade. Thus, Hong Kong's Secretary for Trade and Industry noted that "The begrudging manner in which the [ATC] is being implemented—including backloading of integration, minimum growth rates, unjustified safeguard actions and harassment through anti-dumping—is probably more responsible, more than almost any other single factor, for the feeling that has emerged among developing countries that they have so far been denied the anticipated benefits of the Uruguay Round."

Similarly, Pakistan's Minister of Commerce, Industry and Promotion noted that "developing countries have not gained any meaningful increase in market access in the key areas where they have a clear comparative advantage, especially textiles and agriculture. For many developing countries, the [ATC] was the centerpiece of the Uruguay Round Agreements. They were persuaded to go along with the "single-undertaking" in the expectation that progressive liberalization of textiles by the developed countries within the ten-year phase-out period would enable them to generate significant gains in exports and incomes. . . Unfortunately, these hopes were dashed. The integration programmes for the first two stages have not led to any meaningful liberalization. . . ."

From the outset of the Ministerial meeting, however, U.S. negotiators made clear their determination to avoid making commitments on textiles, particularly if it involved quota liberalization, and therein lies a significant problem. This issue cannot be ignored if developing countries are to perceive a benefit from participating in a round that will require them to make further reforms in their trade policies.

USA-ITA is disappointed that U.S. officials repeatedly insisted that those concerned about textile trade and assisting the least developed countries should be satisfied with the Administration's support for the Africa Growth & Opportunity Act and the Caribbean Basin Enhancement Act, which are currently being considered in the U.S. Congress. USA-ITA strongly supports that legislation because it would provide duty-free and quota-free entry into the U.S. for certain products—mostly apparel—made in qualifying countries. Recent comments by U.S. Government officials, including chief textile negotiator C. Donald Johnson and Assistant U.S. Trade Representative Rosa Whitaker, confirm that the Administration endorses the House version of the Africa legislation. However, the final content of the legislation remains to be seen. The Senate version would not provide meaningful benefits to sub-Saharan Africa. The Senate bill, for example, would limit the benefits to apparel made from U.S. formed fabric from U.S. formed yarns, thereby greatly reducing the value of program for the participating countries. In any event, an LLDC initiative, while useful and a moderate step forward from the current situation, cannot replace the need for broader liberalization in the textile sector.

The failure of the Ministerial Conference to produce a Declaration to launch a new trade round does not immediately threaten the life or health of the WTO as an institution. Nor does it threaten the 2005 deadline for completion of the quota

phase-out process under the Agreement on Textiles and Clothing. USA-ITA continues to be confident that, at least with respect to WTO member countries, the termination of the ATC will be honored. However, the fact that most of the liberalization is delayed until January 1, 2005 creates the opportunity for new demands to be put forward before that date. Given the fact that most of the concessions made by developing countries during the Uruguay Round have implementation deadlines well ahead of 2005, the prospect that further concessions may be required before the benefits of the Uruguay Round have been obtained greatly limits the negotiating flexibility of these nations. Tangible benefits before 2005 would likely change this dynamic.

So long as a new round is not initiated, USA-ITA and its member companies will be unable to achieve their objectives as well. These include additional access to new markets, the implementation of trade facilitation measures that reduce variations in procedures among different border authorities, and access to improved distribution systems. Obviously, the global expansion of other sectors of the U.S. economy, including agriculture, manufacturing and services industries, also is being impeded by the delayed start of a new round. Unless the very real concerns of the developing world are addressed, including their concerns vis-a-vis the highly contentious issue of textiles, these countries have no reason to agree to a new round where further concessions on their part will be required. We all will pay the price for such shortsightedness.

We look forward to the Ways & Means Committee continuing to play a leadership role on this important issue.

Respectfully submitted by,

LAURA E. JONES  
*Executive Director*

**Statement of Hon. Clayton Yeutter,<sup>1</sup> Counsel, Hogan-Hartson L.L.P.; and former United States Trade Representative**

THE WTO: WHERE DO WE GO FROM HERE?

Mr. Chairman and members of the Subcommittee, it is a pleasure for me to submit this testimony to you. Doing so brings back fond memories of many appearances before this Subcommittee through the years.

It is easy to be a critic. It is especially easy to be one with the benefit of hindsight. Beyond that, focusing on the future is a much more fruitful exercise than bemoaning the past. Nevertheless, it might be useful to delineate some of the mistakes of the recent Seattle Ministerial, if only to build a better foundation for the future. What follows is my personal opinion only, and the criticisms are aimed primarily at the policy making process of the present White House, rather than at Amb. Barshefsky, who is a fine U.S. Trade Representative.

*In my view:*

1. The 1999 ministerial meeting should not have been held in the U.S., an attractive locale for disruptive actions, as we learned by sad experience.
2. The meeting should not have been chaired by the U.S. It is difficult to be an effective advocate when one also has chairmanship responsibilities.
3. The U.S. chief of state should not have been there, other than to provide a formal welcome to the attendees. His presence was a motivation for the demonstrators, and his substantive presentation alienated the representatives of lesser developed nations. Any chance of reaching agenda consensus at Seattle disappeared at the conclusion of his presentation.
4. The meeting should not have been held when policy positions of major trading nations were so divergent. One simply cannot bridge such huge differences at a three or four day ministerial meeting.
5. The meeting should not have been held so soon after the arrival of the WTO's new Director General, Mike Moore. The Director General is an outstanding individual, with exceptional knowledge and experience, but no one can be expected to get up to speed on new round preparations in just a few weeks. It is the DG who

<sup>1</sup>Clayton Yeutter served as U.S. Trade Representative from 1985-1989 and as U.S. Secretary of Agriculture from 1989-1991. He was heavily involved in the launch of the Uruguay Round in 1986. He is currently of Counsel to Hogan & Hartson, L.L.P., a Washington, D.C. law firm.

must personally work on narrowing major policy differences, and Mr. Moore did not have time to do that.

6. The meeting should not have been held so soon after the completion of U.S.-China negotiations on the latter's potential entry to the WTO. That was a major distraction for Amb. Barshefsky, and one that could have been avoided had the White House recognized what an excellent job she had done in the initial China negotiations several months earlier.

7. The U.S. should have spent less time worrying about what the round would be called, and more time preparing for it. In particular, our relentless argument in favor of a limited agenda was not only counterproductive, but counter to our own interest in expanding trade and opportunity.

8. The U.S. should not have taken antidumping off the table. That is a priority issue for many nations, both developed and developing, and our intransigence did not wear well. When we insist that issues sensitive to us will not be negotiated, it is not surprising that other nations respond in like manner. That almost guarantees that consensus on a negotiating agenda will not be reached.

Failure of the Seattle ministerial provided the groups who were demonstrating an opportunity to claim credit for the outcome, and they've done so with great relish. It has also provided them with the momentum to try to disrupt WTO and other international meetings in the future. So the Seattle proceedings were a huge embarrassment for the U.S.

The Seattle meeting was a debacle of major proportions, for it will delay WTO negotiations of consequence for at least a year and a half. There will be concomitant delayed benefits of more open trade, particularly for developing countries, but also for the most internationally competitive nations—and the U.S. is at the top of the latter list. It is ironic that we've shot ourselves in the foot at a time when we have more to gain from a new WTO round than any other nation in the world.

In tennis terms, we had way too many unforced errors in Seattle, and we'd better figure out a way to avoid or eliminate such errors in the future. U.S. leadership in international trade is at a mighty low ebb, and that needs to change soon.

#### *The Future*

So where does this now leave us? Let's concentrate first on the year 2000. In my opinion there is only a minimal chance of launching a new trade round prior to the U.S. presidential election.

Nevertheless, there is plenty to do this year. Director General Moore can work hard on the major stumbling blocks that emerged in Seattle, engaging in a bit of shuttle diplomacy where that will be helpful. He'll not be able to resolve those differences this year, but just narrowing them appreciably would be a significant accomplishment.

The Director General needs also to encourage countries who have not yet finalized their own negotiations with China on WTO admission to do so, promptly. Later in the year the WTO needs to bring this effort to its ultimate conclusion, with entry afforded both to China and Taiwan (almost simultaneously). The U.S. Congress needs to do its part, by approving the permanent grant of normal trade relations for China, on a timetable carefully coordinated with Director General Moore.

China's behavior, on human rights and other issues, is far from exemplary. Its trade regime has its own shortcomings. The real issue, however, is whether progress on all such issues is more likely to occur if China is in the WTO, or outside, as it is today. I'm persuaded that we'll have a much greater chance to affect and influence that behavior once China is a WTO member, and thereby subject to international rules, than if it continues as an outsider, following its own rules. Absent WTO disciplines our trade leverage in China is limited to potential economic sanctions, and they typically hurt us more than they do "the other guy." With China on the inside we'll have the much more comprehensive and powerful leverage of about 150 WTO member nations.

The WTO should also proceed with preliminary skirmishes on agriculture and services, the two major issues on which "second tranche" negotiations were agreed to in the Uruguay Round. There is a lot of hard work ahead in both those areas, for they are highly contentious and extremely sensitive politically. So the sooner that work gets underway the better. Otherwise they'll be a drag on the new round, just as they were on the last one.

Turning to the post-U.S. election period, one of the highest priorities for the incoming administration should be to get a strong USTR team in place as quickly as possible. The rest of the world will be waiting for this.

My own view is that the next administration should make fewer political appointments at USTR. That number has increased in recent years, and the result is an inevitable downgrading of USTR's top career negotiators. The latter typically have

far more negotiating knowledge, experience and skills than the incoming political appointees. We ought to let them do their jobs—with broad political guidance, but not day to day political handwringing—for they're the best in the world!

We also need to re-think our negotiating priorities for a new round, particularly the argument for a narrowly based agenda. We're certainly not going to accomplish anything multilaterally on issues that are *omitted* from a finally agreed agenda. Conceivably we could make progress bilaterally on such subjects, but that's hard sledding, and a terribly inefficient use of scarce negotiating talent. Therefore, let's be sure to get a comprehensive new round agenda that addresses all the trade issues that are likely to be globally important to the U.S. over the next decade.

That means we need to get beyond agriculture, services, and industrial tariffs, the key issues we've denominated so far. Those are indeed significant, but I'd add:

1. *Revisions of Existing WTO Agreements* -wherever that would be appropriate. That may open up issues in government procurement, standards, antidumping, and perhaps even some of the other agreements such as customs administration. But why not? We should feel free to raise issues in those areas that require additional negotiation, and so should any other WTO member country. After all, we spent hundreds of hours negotiating these Agreements in past rounds. We all should be willing to consider potential improvements in those Agreements where improvement is in order.

2. *Administration of Existing WTO Agreements and Other Provisions* -In many cases where dissatisfaction exists with the performance of the WTO, the proper response may well be to foster the execution and administration of what was agreed to earlier. If corrective action is taken in that arena, a re-negotiation of specific Agreements and other WTO provisions may not be necessary.

3. *Dispute Settlement* -WTO dispute settlement is working much better than in the past, and far better than its critics are willing to admit. But with several years of experience now behind us, it is time to evaluate the mechanisms that were put in place during the Uruguay Round. If we can improve them by tweaking them somewhat or making them more transparent, we clearly should do so. Though the process is much faster, more decisive and more definitive than it was for decades, it is still too slow for a rapidly changing world. In my view it has also become too legalistic.

With countries beginning to use dispute settlement much more than in the early years of the GATT, we also have a danger of disputes overwhelming the system. If the WTO cannot handle them in a satisfactory manner, the organization itself will suffer a severe loss in credibility. That suggests attempting to resolve more of these disputes through conciliation and arbitration, rather than with a full blown panel procedure.

The WTO also experiences a credibility problem when nations refuse to take corrective action after losing in a dispute settlement proceeding. The aggrieved nation will have the privilege of retaliating against the offender, but that does not remove the grievance. And the sanction incongruously reduces international commerce, an undesirable result indeed. In this next WTO round we need to find creative ways to encourage and stimulate compliance with WTO rulings, while still respecting each nation's sovereignty. And sanctions ought to be trade enhancing rather than trade reducing.

4. *Investment* -Over the past several years a major attempt has been made to draft a multilateral investment agreement under the aegis of the OECD. Regrettably, those efforts seem to have failed. We ought to bring them back to life in the WTO, where they should have been negotiated in the first place. A beginning was made in the Uruguay Round, and the venue was then shifted to the OECD. We ought to shift it back again.

We should not underestimate the importance of sound investment rules. At a time when technology is drawing the world economy ever closer together, investment and trade rules go hand in hand. If one lags behind the other, this will inevitably have an adverse effect on economic growth. That means job creation will also lag, in developed and developing countries alike. We all have a stake in undertaking this task (which is why negotiations cannot be limited to the OECD nations), and in getting it accomplished in a timely way. The OECD proposals generated lots of criticism, much of it based on fallacious reasoning. It is time for everyone to recognize that the technological revolution is not going away, and that the efficient movement of capital will be critical to narrowing differences in economic well-being throughout the world. Too many nations today deliberately distort investment patterns. Some that are most in need of investment discourage foreign investment rather than encourage it. It is high time for rational thinking to prevail in this area, and that demands negotiation of a sensible WTO investment agreement. The U.S. is now seek-

ing to meet this need via bilateral investment agreements, but that is far too slow a process.

5. *Open Markets for the LLDCs* -The developed country members of the WTO have flirted in recent years with the concept of opening their markets fully to products and services from the lesser of the less developed nations. Director General Moore has been and is a strong advocate for this worthy cause. There is still trepidation among some developed country industries with respect to this proposal, but that trepidation is unfounded. In a new round the WTO will, of course, have to delineate specific parameters for determining which low income nations qualify, and when such nations are to be graduated from the benefits of this proposal. That should not be a formidable task, and developed nations need have no fear that they'll be inundated with imports from the LLDCs. This would be a splendid gesture by the developed world, deeply appreciated by those very poor countries, all of whom would prefer trade to aid. In addition, placing this issue on the agenda of the new round will instantaneously generate political support for the round from a substantial number of countries.

6. *New Controversies?* -What is not on the negotiating agenda may be just as important as what is on it. Issues that are not ripe for *negotiations* should not be included. Forcing them on the agenda becomes an exercise in frustration and futility. The U.S. has been spinning its wheels on worker rights and environmental issues for the past several years, and neither of those issues is anywhere near ready for a new round agenda. The European Union has been doing the same with competition policy, and it is not yet ripe either.

All three of those issues do have some relevance to international trade. In many instances the impact is nebulous, and it is often indirect and peripheral. But in some situations the impact is direct and meaningful. With the high level of interest that prevails for each of these subjects, a multilateral forum (or fora) should be available for people and organizations to discuss them. The preferred forum may or may not be the WTO, but it should be some international organization. Otherwise those who have strongly held opinions on these subjects will conclude that they are being stonewalled by the international community. That in turn will lead to conduct of the kind that was on display in Seattle.

Competition policy issues obviously need to be vetted with Ministers of Justice from the WTO countries. Because of the interrelationship of these issues with those of antidumping, one could certainly justify a joint working group of justice and trade ministers to determine whether global standards are yet in order for competition policy—and, if so, where and how such standards should be negotiated. But we'll certainly not be ready for any such negotiations in the next WTO round.

The "worker rights" issue is a legitimate one, for the world ought to be able to agree that some such rights are fundamental -in any country, rich or poor. The International Labor Organization (ILO) is the appropriate standards-making body in this area, but the ILO does not now have a mandate for implementing and enforcing "fundamental" worker rights. Such a mandate will obviously be highly controversial, as to if, when, how, and where implementation and enforcement are to take place. All of this merits discussion, perhaps as a joint ILO-WTO effort, but it is not yet ripe for negotiations in any international fora.

Environmental issues have such great breadth that I see no feasible way ever to negotiate meaningful WTO rules in this area. International harmonization of environmental standards is a laudable objective, but one that should be pursued in appropriate standards-making bodies, not in the WTO. In many instances, it may be far more sensible and practical to sort out environmental differences issue by issue, and in defined geographic areas, rather than battle through their complexities on a worldwide basis. It seems to me that the WTO's proper role at present is to be sensitive to environmental considerations in its deliberations and decisions. That suggests prudence in action and a willingness to listen, but it does not support a negotiating agenda.

#### *WTO Governance*

The Uruguay Round dramatically broadened the spectrum of issues to be dealt with at the WTO, and significantly added to the complexity of its rules. Debate over the handling of matters such as worker rights, the environmental impact of WTO rules, and competition policy has the potential to broaden that spectrum still more. To me this suggests that the Director General needs to invite high level trade officials from the capitals to Geneva on a regular basis.

This need not be (and should not be) 150 trade ministers, for not much will be accomplished by a 150 member committee. It should be a manageable group, representative of the WTO membership. The risk in this is that those who are excluded

will be displeased, but that is a challenge that must be faced. (That risk can be mitigated by rotating at least some of the memberships on an agreed timetable.) Years ago this was done at the GATT through what was then called the Consultative Group of 18 (or the CG 18), and it worked quite well during its time. Something of this nature needs now to be resurrected by Director General Moore, to help him work through the delicate issues that are bound to confront the WTO in the coming years. The world just cannot wait for this to happen in a trade round conducted once a decade. Issues and potential consequences change much too quickly for that. The private sector is fast moving these days, and the public sector (including international organizations such as the WTO) must begin to match it in pace and agility. Slow moving, cumbersome, inflexible public entities will soon fade into oblivion.

#### *Fast Track*

What does all this mean for fast track here in the U.S.? It means we ought to grant fast track authority to USTR and have confidence in its ability to do this job and do it right. The Congress will have ample opportunity to influence negotiations as they unfold, and prior to finalization of any package that will be brought back for Congressional approval. We're the only nation in the world that has tied the hands of their negotiators. And we've done so at a time when it is clearly in our national self interest to be negotiating. The risk, to the Congress and to the American public, of granting fast track authority is minuscule, and we ought to provide it. That said, I see no merit in granting such authority for matters—such as those I've discussed above—which clearly are not now ripe for negotiations, and are not likely to become ripe during the tenure of a new WTO round. Should that situation change, additional fast track authority can always be granted in the future.

#### *Conduct of a New Round*

In light of what transpired in Seattle, how can the WTO launch a new round? By getting its homework done this year, and much of that burden will now fall on the shoulders of Director General Moore and his staff. If he can begin to generate consensus in support of an agenda such as the one I've outlined here, and if the accession of China and Taiwan can be completed later this year, I see no reason why a new round cannot be launched in 2001.

Is another ministerial meeting necessary? Perhaps, but not necessarily. All WTO member nations have delegations in Geneva, and they ought to go to work with renewed vigor in the aftermath of Seattle. They should be embarrassed too, by what did and did not occur in the Seattle fiasco. If these delegations do their jobs well, with the full support and involvement of their trade ministries back home, it is conceivable (perhaps even probable) that a new round could be launched without another meeting of ministers, or with a pro forma session that could be held in Geneva rather than off-site.

The Seattle meeting's proposed timetable for a new round was three years. Can a broad based agenda be packaged for final approval in such a short timeframe? Probably not, so I'd rather opt for a four year wrap-up, as was done in the Uruguay Round. The latter took nearly twice that long, but the GATT had never before dealt with such a comprehensive negotiating agenda. With the experience of the Uruguay Round, and an agenda not quite so broad, the WTO should have a reasonable chance of finishing in four years this time around. If so, that would be a superb achievement.

#### *Conclusion*

Neither the Congress, the Administration, or the American public should be misled or intimidated by what occurred in Seattle. The demonstrators had little or no impact on the final outcome of the meeting. Virtually every demonstrator in Seattle will benefit from a more open trading system. Those of us who understand the benefits of free trade obviously have not delivered the open trade message in a persuasive manner to those who were marching in Seattle's streets. That is a challenge in itself, but it is beyond the purview of this hearing. What we must not do is turn inward, altering U.S. trade policy in a way that will come back to haunt all of us (including the Seattle demonstrators) in the future. That's what leadership is about, and it is imperative that we exercise it, with courage and principle.

The success of the Uruguay Round, and its positive impact on millions of people in the U.S. and elsewhere around the world, provides a foundation on which to build. The trade policy path to a better world is generally quite clear, and a new trade round is on that path. We need now to help lead the world in that direction.

We should, therefore:

1. Recognize the mistakes of Seattle, and learn from them;

2. Focus this year on bringing China and Taiwan into the WTO, and in the process approve normal trade relations for China on a permanent basis;
3. In the coming months help WTO Director General Moore to narrow agenda differences for a new round, and move forward with preliminary negotiations in agriculture and services;
4. Early next year encourage the new Administration to get strong USTR leadership in place as quickly as possible;
5. Then reach an agreed agenda broader than the one we advocated in Seattle, but exclude issues that are not ripe for negotiation;
6. Determine appropriate international fora for deliberating issues such as worker rights, environmental protection, competition policy, and others that either are inappropriate for WTO negotiations or are not yet ready for such;
7. Grant fast track authority to the new Administration, under the conditions just described; and
8. Set a timetable for concluding the new round, and make it our highest negotiating priority in international trade.

Thank you, Mr. Chairman, for granting me the privilege of contributing these views for your consideration.

