

TRADE POLICY REVIEW

UNITED STATES

Report by the Government

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Government of the United States is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the meeting of the Trade Policy Review Body on the United States.

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I. THE UNITED STATES IN THE MULTILATERAL SYSTEM

1. Since the first Reciprocal Trade Agreements Act was enacted by the U.S. Congress in 1934, the United States has consistently maintained an international trade policy dedicated towards increasingly open markets and expanded trade. Today, the United States is committed to building a world characterized by genuinely open markets for trade in agriculture, goods and services. The World Trade Organization is at the heart of our efforts to achieve this goal, which will assure greater prosperity and economic freedom for all participants.

2. Fundamental features of this policy are the United States' commitment to maintaining an open, competitive market at home and full and faithful compliance with WTO obligations. The United States is among the economies most open to international trade in goods and services as well as investment. We have implemented our WTO commitments on schedule, and accepted the rulings of WTO dispute settlement panels in cases to which we are a party.

3. We have also worked with our trading partners to improve and develop the WTO. In the last few years we have concluded agreements that are important to the United States, our trading partners, and the multilateral trading system. These agreements are fundamentally transforming world trade as we enter the 21st century: the Uruguay Round, which created the World Trade Organization, and the three multilateral agreements of 1997 on trade in information technology products, financial services and basic telecommunications services.

4. America's success in world markets reflects these achievements. Last year, the United States exported \$933 billion in goods and services – a 51% increase from the 1992 level of \$617 billion, despite a slowing in U.S. export growth due to the financial crisis. More critical to the multilateral trading system is the fact that the United States was also the world's largest importer, taking over \$1 trillion in goods and services in 1998. Just as exports help create new opportunities and higher-paying jobs, fairly traded imports likewise benefit the United States by expanding choice in the U.S. market, helping businesses become more efficient through the use of high quality and cost effective inputs in U.S. domestic production, by fostering healthy competition in the U.S. economy, and by raising living standards for workers and citizens.

5. These benefits of trade, combined with domestic policies focused on fiscal discipline, improved education and investment in scientific research and technology have contributed to a significant and steady improvement in the American economy. Since the last Trade Policy Review of the United States in 1996, American growth rates have been high, average U.S. labor productivity has increased, unemployment has fallen to an historic low, and inflation has been almost absent. The multilateral trading system deserves credit for its role in our current prosperity.

6. But the world trading system is far from perfect. The financial crisis has pointed to the need for transparent, pro-competitive regulation in services. Agricultural trade barriers, which remain very high, reduce world food security; and agricultural export subsidies impose especially unfair burdens on farmers in the poorest countries. The advance of science and technology has created new products, new services and new methods of conducting trade, notably through the Internet. And we are aware of concerns about the trading system in areas from reducing persistent trade barriers to a need for increased openness and transparency.

7. Thus, the participants in the trading system must collectively take the necessary steps to retain and enhance the strength of the multilateral trading system and promote public support for this system. In our view, the necessary steps involve work in three separate dimensions: ongoing results in priority areas, an accelerated negotiating agenda, and institutional reforms and capacity-building at the WTO.

8. Ongoing results are important as a signal to the world that the WTO is keeping up with the rapid changes occurring in the world. For example, further positive signals could include efforts to reach consensus on an agreement on transparency in government procurement, which would provide value-added to taxpayers and businesses alike, and extension of the WTO's standstill on tariffs applied to electronic transmissions, so that development of trade over the Internet is not slowed by trade barriers. Efforts in this regard also include work toward consensus on an "Information Technology Agreement II" which will further ensure access for all countries to the most modern technologies; as well as progress toward the Accelerated Tariff Liberalization initiative begun in APEC and now under consideration in the WTO.

9. The ability to complete a negotiation and implement its results in a reasonable period of time is an equally important signal of progress. We thus look for a negotiating agenda that is manageable enough to be completed within three years and that can reflect the common interests of WTO Members.

10. We also see the need for institutional reform. Reform is vital for ensuring sustained public support for the WTO, strengthening its ability to support real-world commerce and improving the mechanisms to support capacity-building in developing countries. The WTO also must enhance its cooperation with the World Bank, the IMF and other international institutions to ensure that the WTO and trade policies are providing the greatest support possible to speed recovery from the financial crisis. Because the WTO must be transparent and responsive to win public support, institutional reform and ensuring greater openness, particularly in the dispute settlement system, should be a key element of the WTO agenda.

11. This work will begin at the Third Ministerial Conference of the WTO, in November, which the United States is very proud to host and to Chair. The Ministerial will be the largest trade event ever held in the United States, and will focus public attention in our country on the trading system as a contributor to American prosperity and world-wide economic growth. It is also an opportunity to agree on a negotiating agenda to ensure that the WTO can meet the challenges of the 21st century.

II. THE UNITED STATES ECONOMIC AND TRADE ENVIRONMENT

Trade Policy

12. In the period since the last U.S. review, the fundamentals of American trade policy have remained unchanged.

- The United States is committed to an open market policy at home: our applied tariffs are about 2.8%, by World Bank estimates; our services markets are open to foreign competition; and our regulatory processes are transparent and accessible to the public. Last year, 60% of all U.S. imports were duty-free.
- Likewise, we are committed to a strong trading system: we are implementing our Uruguay Round commitments in tariffs, textiles, agriculture and other areas on time and in full; and we use the WTO dispute settlement mechanism to address differences and respect the results of its panels.

Economic Environment

13. This policy has helped us achieve many broader economic goals. The Clinton Administration has coupled a liberal trade policy with initiatives predicated on strong fiscal discipline, support for

education and scientific investment to create a fundamentally more competitive and successful economy.

Growth

14. This year, in fact, the U.S. economy set a record for its longest peace time expansion – now in its 9th year, and with growth remaining strong in the first quarter. Real gross domestic product (GDP) expansion rose from an annual average of 2.9% in the period of the previous review, 1994-96, to 3.9% in the period of the current review, 1996-98. Despite this growth acceleration, inflation declined. For GDP, the average annual increase in the price deflator fell from 2.1% in the period of the earlier review to 1.4% in the period of the current review. At the same time, a strong economy, combined with sustained budgetary discipline, resulted in a \$69 billion budget surplus in fiscal year 1998 and a projected \$110 billion surplus for fiscal year 1999. This compares to an average deficit of \$135 billion during the period of the previous review.

Savings

15. Fiscal improvement helped raise the U.S. rate of gross saving, from an average of \$1.18 trillion per year, or 15.7% of GDP, in 1995-96 to \$1.44 trillion per year, or 17.3% of GDP, in 1996-97. The positive effects of fiscal improvement and rising rates of business reinvested earnings on the U.S. rate of gross saving were, however, partially limited by a sharp decrease in personal saving. Averaging \$179 billion, or 2.4% of GDP, in the previous review period, personal saving declined to \$121 billion in 1997 (1.5% of GDP) and \$27.7 billion in 1998 (0.3% of GDP), turning slightly negative in the fourth quarter of 1998 (\$-0.6 billion). This most recent severe decline in personal saving in the United States is widely perceived to be related to the sharp increase in the market value of financial assets in the United States over the last two years and, therefore, likely temporary in nature.

Labor Markets

16. Improvements in the labor market during the review period were also notable. Employment increased by 6.5 million jobs, or 5.5%, from December 1996 to December 1998, compared to a 4.7 million job, or 4.1%, increase in the comparable period of the previous U.S. trade policy review. The U.S. unemployment rate, which had averaged 5.5% in 1995-96, dropped to an average 4.7% in 1997-98. By April 1999, the rate of unemployment had fallen to 4.3%, among the lowest in the last three decades.

Productivity

17. Measured labor productivity growth continued to improve, causing some private analysts to speculate on the possible development of an increase in the secular growth trend for U.S. labor productivity. In 1994-96, real output per hour worked (business sector) rose at a 1.7% annual rate; in 1996-98, the rate of increase rose to 2.0%. (In manufacturing alone, where secular increase in the growth trend over the last two decades is clear, productivity increased at an annual rate of 4.8% in 1997-98.) The strengthening of productivity growth overall contributed to annual increases in measured real worker compensation of 2% per year in 1996-98, compared to increases that were only slightly positive in 1994-96.

Business Investment

18. The growth of business investment has played an important role in the current economic expansion, much of it fueled by business demand for computers, telecommunication equipment and

other productivity enhancing durable equipment. From the previous to the current review periods, the rate of growth of real non-residential fixed investment increased from 9.4% per year to 11.2% per year. As a share of chained (1992) dollar GDP, non-residential fixed investment reached 12.7% in 1998, its highest share since the inception of this data series in 1982.

Import and Export Growth

19. Strong growth in GDP and even stronger growth in domestic demand contributed to rapidly increasing imports. Real imports of goods and services increased at an average annual rate of 12.2% in 1997-98, compared to 9.0% in 1995-96 (as reported in the U.S. national income and product accounts). Imports reached 13.0% of nominal GDP in 1998. Export growth, however, slowed. Growth of real exports of goods and services dropped from an average of 9.9% per year in 1995-96 to 7.0% in 1997-98. The deceleration of export expansion was concentrated in 1998 (1998: 1.0% increase; 1997: 12.2% increase). Largely as a result of the export slowdown, the U.S. nominal deficit in goods and services trade rose in 1998 to \$151.2 billion, or 1.8% of GDP. In the four preceding years, the goods and services trade deficit had been relatively stable, ranging between \$84 billion and \$93 billion.

Trade Balance

20. The sharp increase in the U.S. trade deficit in 1998, which has continued into the first months of 1999 and is forecast to dramatically expand in the months to come, was closely associated with economic difficulties, severe balance-of-payments adjustments, and decelerating growth or outright recession in a number of U.S. trading partners. Capital flight from Asia and elsewhere to the United States helped push up the price of U.S. financial assets, contributing to an enhanced perception of wealth by U.S. households and a sharp, though likely temporary, shift toward lower personal saving and rapid increases in consumption. These global adjustment forces assured that the U.S. capital account surplus would expand and that the U.S. current account deficit would increase. In response, the United States remained essentially open to imports, and understanding the importance of economic stabilization and the paramount importance of restricting any tendency toward a downward global economic spiral, U.S. international economic policy, including U.S. trade policy, had as a principal priority the successful refunding of the IMF in 1998.

Effects of Financial Crisis

21. While the U.S. economy grew rapidly during the current review period, the impact of the Asian financial crisis and slowing global growth left its mark on economic performance in 1998. Production in many interest rate sensitive sectors – such as housing, furniture, and materials; technology-related sectors such as telecommunications equipment, computers and semiconductors; and many private service areas grew rapidly. But a number of traditional import-competing sectors in manufacturing saw production decline in 1998. Overall real output of manufacturing had grown at an average annual rate of 5.7% in the five years to 1997, but saw growth drop to 2.8% in 1998 (December to December). Among the sectors registering absolute declines in output in 1998 were textile mill products (down 4.4%); apparel (down 6.8%); leather and products (down 7.5%); and iron and steel (down 10.3%). The important issue of structural adjustment aside, the international factors underlying these shifts are likely temporary in nature and should be largely corrected as global balance-of-payments adjustment proceeds and the world economy moves to healthier growth. Nonetheless, the extraordinary dislocations that resulted from the financial crisis underscore the need for all WTO members to play by the rules and to have multilateral disciplines available to allow countries to address import surges.

Conclusion

22. In reviewing the U.S. experience over of the last two years, we find confirmation that open, competitive markets – both internally and at the border – have contributed to our economic efficiency and prosperity. Our open trade policies and adherence to WTO disciplines have contributed to new job opportunities and higher standards of living for Americans, as well as to the creation of an open and healthy economy which offers opportunity to our trading partners.

III. TRADE POLICY DEVELOPMENTS, 1996-99**(1) IMPLEMENTATION OF EXISTING WTO AGREEMENTS****Overview**

23. Since entry into force of the Uruguay Round Agreements in 1995, a central theme of U.S. policy has been to ensure the effective and timely implementation of both the multilateral agreements and the decisions of the Dispute Settlement Body. We have begun, of course, by rigorously implementing our own commitments, in full and on schedule, and by respecting the results of Dispute Settlement decisions including those which are adverse to the United States.

24. At the same time, we feel it is important not only for American trade interests but for the WTO system as a whole to ensure that all Members meet their commitments. The various manifestations of this policy range from constructive participation in the deliberations of WTO committees and councils to the active use of the WTO's dispute settlement mechanism. Where WTO Members have been slow to implement their Uruguay Round obligations, the United States has been quick to draw attention to such inaction. Where problems have arisen in the systemic implementation of the Uruguay Round's results, the United States has worked constructively with others to try to remedy the difficulties. And where obligations have been ignored or side-stepped, the United States has initiated action under the DSU.

25. The central role of the WTO in U.S. economic policy is also reflected in the resources which the United States devotes to the negotiations with the large number of countries seeking to accede to the WTO. In these negotiations, American insistence on accession only on viable commercial terms has set a standard which upholds the objectives and integrity of the WTO system.

26. Finally, in the period leading up to the Seattle Ministerial conference, the United States has put forward several initiatives for further liberalization within the multilateral trading system. We also seek to ensure that only initiatives that will not weaken the rules agreed in the Uruguay Round, or proposals which will distract from the effective implementation of the WTO Agreements, do not gain undeserved credibility. In the U.S. view, the WTO must remain a consensus-based organization and can only succeed as a credible institution over the long term if its work program is seen to be beneficial to all of its diverse membership and their constituencies.

Dispute Settlement

27. U.S. trade policy seeks to support and advance the rule of law, both by faithfully and promptly implementing obligations undertaken by the United States, and by ensuring the enforcement of trade agreements and U.S. rights in the trading system. The United States has been the most active user of dispute settlement in the WTO. We reached favorable results in 20 of the 22 cases acted upon so far, either by successful settlement or panel ruling. In almost all cases, the losing parties have demonstrated their respect for the rules by acting rapidly to address the problems and implement the decision of the panels or Appellate Body. At the same time, in the five dispute settlement proceedings

where U.S. measures were challenged, the United States has complied fully and promptly with the rulings that have been adopted by the Dispute Settlement Body or is on track to do so.

(2) REGIONAL INITIATIVES

28. Regional integration agreements that are fully consistent with WTO rules and compatible with its objectives can both support and complement the rules-based and trade-expanding orientation of the multilateral trading system. With this in mind, and in order to capture and multiply the benefits of an expanding global trading system, the United States is actively embarked on an agenda of greater commercial interaction in emerging markets.

29. U.S. efforts in this regard focus on the negotiation of new trade agreements, on compliance with current agreements (including WTO agreements) and regional trade expansion with Asia, the Western Hemisphere, Europe, the Middle East and Africa. Such regional initiatives include the NAFTA, the FTAA, and APEC. At the same time, we seek to cultivate our economic ties and cooperation with Europe through the Transatlantic Economic Partnership Initiative, and to expand our economic engagement with sub-Saharan Africa through the President's Partnership for Economic Growth and Opportunity in Africa and the associated African Growth and Opportunity Act now under consideration in Congress.

30. Without exception, the regional initiatives in which the United States is involved look to the WTO as a solid foundation upon which to build and further liberalize trade regionally. Indeed, the WTO recognizes the desirability of increasing freedom of trade by development, through voluntary agreements, of closer integration between the economies of the countries party to such agreements as long as the agreements do not result in increasing the external barriers of the parties. Such agreements challenge the multilateral system to keep pace with the interests and needs of Members, and to contribute to the WTO system by introducing innovation and strengthened disciplines. These agreements can become models for future multilateral liberalization in new areas, such as agriculture, services, investment, environmental and labor standards. The following regional initiatives are each examples of this potential.

North American Free Trade Agreement (NAFTA)

31. In January of 1994, the United States began to implement the NAFTA, the world's largest free trade area: 380 million people producing nearly \$8 trillion dollars worth of goods and services. NAFTA increases opportunity for all three partners – Mexico, Canada and the United States – to expand trade and enhance growth. Countries outside the free-trade area benefit as well from stronger growth in North America, as the Agreement acts to enhance the size of the NAFTA market and purchasing power of NAFTA countries. Since the Agreement's entry into force, the U.S. has worked to ensure that its provisions are implemented swiftly; indeed, the results of two rounds of negotiations to accelerate tariff reductions with NAFTA partners have already been implemented. The three governments also implemented agreements on labor and environmental cooperation along with the NAFTA.

32. The NAFTA has helped sustain North America on a course toward free trade during a period of economic difficulties. From 1993 to 1998, U.S. exports to its NAFTA partners increased by over 60%, despite the international liquidity crisis Mexico faced in December of 1994. U.S. exports to the world over the same period increased by nearly 50%, the disparity reflecting, in part, the effects of the Asian financial crisis on U.S. exports. NAFTA is also the first comprehensive trade agreement accompanied by agreements on labor and environmental issues related to trade. These provisions help

to ensure that expanded trade supports the improvement of labor and environmental conditions and the enforcement of national labor and environmental laws in North America.

Free Trade Area of the Americas (FTAA)

33. At the December 1994 Summit of the Americas in Miami, the leaders of the United States and the other 33 democratically elected governments in the Western Hemisphere committed to create the Free Trade Area of the Americas (FTAA) by no later than the year 2005. The Miami Summit "Plan of Action" for the FTAA led to four trade ministerial meetings at which ministers established twelve Working Groups and provided ongoing impetus to preparations for the negotiations.

34. At the fourth trade ministerial meeting held in San Jose, Costa Rica, the trade ministers of the participating governments recommended to their leaders the immediate initiation of the negotiations. When the leaders met again at the second Summit of the Americas in Santiago, Chile, in April 1998, they agreed to initiate these historic negotiations aimed at creating a free trade area throughout North America, South America, and the Caribbean Basin – encompassing nearly 800 million people. They reiterated the mandate to attain concrete progress in the negotiations by the end of the century, including by implementing business facilitation measures by the end of 1999.

35. The leaders agreed to conduct the FTAA negotiations in a manner that will build broad public understanding of and support for the FTAA. Recognizing the need for open communication with the public throughout the hemisphere, they endorsed the creation of a Committee of Government Representatives on the Participation of Civil Society. For the first time in the history of trade negotiations, a plurilateral committee has been created whose purpose is to provide an effective means for civil society (e.g., business, labor, consumers, academics, environmental organizations, etc.) to contribute to the negotiating process. As a first step, the Civil Society Committee, which is currently chaired by Canada, has invited the public throughout the hemisphere to provide views on the FTAA negotiations so that the Committee can present the full range of views to Ministers before the November 1999 Trade Ministerial Meeting. To improve transparency and facilitate business in the hemisphere, the participating governments also have agreed to continue to provide information to the private sector by publishing inventories and other information on the negotiations and placing them on the official FTAA Internet homepage.

36. The FTAA will support and enhance our commitment to the multilateral system. It is premised on the success of the Uruguay Round, and on further contributions toward and commitments to the multilateral system. In June of 1995, trade ministers from throughout the hemisphere pledged that trade liberalization through the FTAA should be consistent with WTO disciplines, improve upon the WTO and be comprehensive in scope. In March of 1996, trade ministers reaffirmed this pledge and agreed that the FTAA should be constructed in a manner that is consistent with GATT Article XXIV and the Uruguay Round Understanding on that Article and with GATS Article V. The increase in economic growth and improved access to new ideas that will result from liberalized trade brought about by the FTAA will also strengthen democracy in the region, and promote development, while maintaining high levels of health and environmental protection. The ministers will meet again in Toronto in November 1999 to assess the first year of negotiations and to provide direction for the next stage of the negotiations.

Asia Pacific Economic Cooperation (APEC)

37. The United States has continued its active involvement in the Asia Pacific Economic Cooperation (APEC) Forum. APEC is a unique combination of the world's biggest existing and emerging markets. The organization now counts 21 member economies on both sides of the Pacific, and accounts for over half of world trade and a growing proportion of world output.

38. The United States considers APEC an important vehicle for building a regional economic structure to ensure prosperity and stability over the long term. In the past few years, APEC has made concrete progress toward its objectives of advancing economic cooperation and trade and investment liberalization and facilitation, and toward the long term goal of “free and open trade and investment” in the region.

39. APEC leaders met in Bogor, Indonesia in 1994 and agreed to dismantle over the next 25 years barriers that impede trade and investment between their economies. In 1995, leaders of the then 18 APEC member economies approved the Osaka Action Agenda on trade and investment liberalization, facilitation and co-operation. In 1996, in Manila, members provided their first specific plans for implementing APEC objectives in the 14 substantive areas of the Osaka Action Agenda, and strongly endorsed the Information Technology Agreement, which has now been implemented by 44 WTO Members.

40. At their 1997 meeting, in Vancouver, APEC Leaders called for reduction of tariff and other trade barriers in 15 key sectors, accounting for \$1.5 trillion in global trade. This is the so-called Accelerated Tariff Liberalization (ATL) Initiative. During 1998, APEC worked intensively to fulfill the Leaders’ mandate to develop specific plans for liberalization in the fifteen selected sectors and, in particular, in the nine sectors identified for early completion.¹ APEC also moved forward on its broader agenda of advancing trade facilitation and liberalization in the region. APEC trade ministers endorsed completion of the APEC Telecommunications Mutual Recognition Arrangement, which will facilitate trade in this key sector across the region by streamlining conformity assessment procedures for a wide range of telecommunications and related equipment. Finally, at the Leaders meeting in Kuala Lumpur, Malaysia in November 1998, APEC welcomed three new members: Peru, Russia, and Vietnam.

41. The 1999 trade work program in APEC includes intensive efforts to meet the goal of a global tariff agreement in the WTO in ATL sectors, and to advance work on non-tariff issues identified in these sectors in APEC. Additionally, the APEC Automotive Dialogue will be established in 1999, the first regional government-private sector forum dedicated to discussing automotive trade and investment policy issues.

42. APEC Trade Ministers will next meet in late June in Auckland, New Zealand. APEC Leaders will convene in Auckland in mid-September.

Transatlantic Economic Partnership

43. The United States-European relationship, one of the most durable in the world, is further strengthened by the New Transatlantic Agenda (NTA), an initiative which seeks to deepen transatlantic relations by initiating specific, joint U.S.-EU actions to address global economic, political, humanitarian and environmental challenges more effectively. This is a key component of U.S. efforts to meet the challenges posed by the post-Cold War reality, including the need to build a strong transatlantic community of democratic, free market economies. The 1995 NTA Action Plan included a commitment on the part of the United States and the EU to expand bilateral trade through an initiative called the New Transatlantic Marketplace (which later evolved into the Transatlantic Economic Partnership).

¹ The nine sectors identified for early completion are: environmental goods & services, chemicals, energy sector, medical equipment, forest products, fish & fish products, toys, gems & jewelry, and the telecom MRA. The remaining six selected sectors are: oilseeds, food sector, automotive sector, civil aircraft, fertilizer, and natural & synthetic rubber.

44. At the May 18, 1998 U.S.-EU Summit in London, President Clinton and EU Leaders announced the Transatlantic Economic Partnership (TEP) initiative, which seeks to deepen and systematize the cooperation in trade launched under the New Transatlantic Agenda process in 1995. In the TEP, the two sides identified seven broad areas in which they committed to work together to increase trade, avoid disputes, address disagreements, remove barriers and achieve mutual interests. These areas are: technical standards, agriculture, intellectual property, government procurement, services, electronic commerce, environment and labor. In addition, the U.S. and EU agreed to put an emphasis throughout the initiative on shared values, i.e. they agreed to more fully involve citizens and civil society on both sides of the Atlantic in trade policy so as to strengthen the consensus for open trade. Cooperation under the TEP will occur on a strictly bilateral basis, as well as in the context of multilateral activities such as in the WTO. The TEP Action Plan, endorsed by Leaders at the December U.S.-EU Summit in Washington, envisions achieving many of the bilateral activities identified under the initiative by the end of 1999.

45. The United States and the EU have supplemented the TEP and NTA through the establishment of a series of private dialogues between European and American businesses, labor organizations and environmental and consumer groups. The first of these to be established, the Transatlantic Business Dialogue (TABD), is a forum in which top American and European business leaders can meet to discuss ways to reduce barriers to United States-European trade and investment. Additional dialogues – the Transatlantic Labor Dialogue (TALD), the Transatlantic Consumer Dialogue (TACD), the Transatlantic Environmental Dialogue (TAED) and the Transatlantic Legislative Dialogue (TLD) – start from a similar premise, i.e., that corresponding organizations on both sides of the Atlantic should share views and, where possible, present joint recommendations to the U.S. and the EU on how to improve transatlantic relations and elevate the debate among countries in multilateral fora. The United States is committed to full participation of civil society in the trade policy process and intends to cooperate closely with all the dialogue groups as it works to implement the TEP initiative.

Partnership for Economic Growth and Opportunity in Africa

46. President Clinton's Partnership for Economic Growth and Opportunity in Africa, announced and adopted in 1997, was established to promote economic development through strengthened U.S. economic engagement in the Sub-Saharan Africa region.

47. The Partnership Initiative seeks to offer support for economic reforms underway in the region and the full integration of Africa into the multilateral trading system, enhanced United States – sub-Saharan African trade and investment ties, and support for sustainable economic development.

48. Trade agreements are an important element of the Partnership Initiative. In the past year, the United States concluded three major agreements with countries in sub-Saharan Africa: a Trade and Investment Framework Agreement (TIFA) with South Africa; a TIFA with the Republic of Ghana; and a Bilateral Investment Treaty (BIT) with Mozambique. These strengthen the ability of the United States and its African partners to attract and expand bilateral trade and investment. TIFA negotiations with the West African Economic and Monetary Union should be concluded later this year. TIFAs institutionalize dialogue on trade and investment liberalization, regulatory and judicial reforms, intellectual property rights, and other measures to enhance bilateral trade and investment flows. The BIT should generate increased investment in Mozambique by offering firms in both countries important protections for their investments.

49. The Partnership Initiative also reflects a U.S. commitment to work towards greater African integration into the global economy by helping African nations and their regional organizations

strengthen their capacity to trade and attract investment. The inaugural United States – Africa Ministerial, held in March 1999 in Washington, included a pledge by the United States to continue its technical assistance workshops on WTO issues in Africa. Ministers also agreed on the need for multilateral institutions to coordinate and cooperate more effectively with the WTO on trade and investment issues affecting African countries. Existing U.S. technical assistance programs assist African nations in compliance with WTO requirements in agriculture and other areas, alert African governments to the opportunities created by the United States Generalized System of Preferences, help develop regulatory mechanisms in telecommunications, and assist African governments and businesses in entering electronic commerce.

(3) ENVIRONMENTAL ISSUES

50. The United States believes that international trade, complemented by appropriate national environmental policies, can make an important contribution to environmental protection by reducing market distortions that interfere with cost internalization, alleviating poverty, helping governments generate the resources that they need to address environmental challenges and creating markets for environmental goods, services and technologies.

51. We attach great importance to the work of the WTO in addressing the linkages between trade and environment in support of our shared commitment to sustainable development as reflected in the Preamble to the WTO Agreement. We see two particularly important elements to this work.

52. First, we must ensure that in all of our efforts to open markets and develop effective rules to guard against trade protectionist actions, we do not overshoot the mark and inappropriately constrain the ability of members to pursue other important and legitimate policy goals. As President Clinton said at last May's WTO Ministerial Conference,

“International trade rules must permit sovereign nations to exercise their right to set protective standards for health and safety, the environment and biodiversity. Nations have a right to pursue these protections, even when they are stronger than international standards.”

53. Second, we believe it is important to identify and pursue areas where trade liberalization holds particular promise for yielding both trade and environmental benefits. Three areas that hold such promise are the reduction or elimination of trade distorting measures in the agriculture sector, the eliminations of subsidies that contribute to over-fishing and opening markets for environmental goods and services.

54. More generally, we think that it is vitally important that trade and environmental officials work closely together with respect to the agendas of both the WTO and international environmental fora. We are committed to ensuring such coordination within the United States and believe it is important to the effective functioning of the WTO that all members ensure that such coordination takes place.

(4) LABOR ISSUES

55. International trade makes an important contribution to expanding earnings and employment opportunities for workers. The challenge for governments is to ensure that citizens benefit from globalization while minimizing the costs of adjustment. Effective policies in the areas of social protection systems, labor law and industrial relations, education and training, among others, combined with promotion of internationally agreed social norms and standards, can help. Respect for core labor standards is an important element in responding to this challenge.

56. In the 1996 WTO Singapore Declaration, Ministers renewed their commitment to the observance of internationally recognized core labor standards. Through this Declaration, Ministers recognized that there is a connection between labor standards and WTO issues. We believe, therefore, that the subject of implementation of core labor standards is relevant for TPRM reviews, and in reviews of other countries, the United States has raised questions about the application of core labor standards, particularly in export processing zones. In that spirit, we are including in this statement, relevant information on U.S. labor law and practice as it relates to fundamental labor standards.

57. The June 1998 ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up affirms that ILO membership entails an obligation to adhere to the principles concerning the following fundamental rights: (1) freedom of association and the effective recognition of the right to collective bargaining; (2) the elimination of all forms of forced or compulsory labor; (3) the effective abolition of child labor; and (d) the elimination of discrimination in respect of employment and occupation. This Declaration has been endorsed by virtually all WTO governments in their capacity as members of the ILO.

U.S. Labor Law and Practice

58. U.S. labor law and practice is consistent with the principles underlying fundamental labor norms. For example, the right of freedom of association is assured by the United States Constitution. Legislation, including the National Labor Relations Act (NLRA) of 1935 and the Railway Labor Act of 1926, provides the right to organize and bargain collectively. Section 7 of the National Labor Relations Act guarantees that “employees shall have the right of self organization to form, join or assist labor organizations, to bargain collectively through representatives of their own choosing...”

59. The guarantee of freedom of association and the right to organize applies to workers in all sections of the country. Domestic legislation covers most workers with a few exceptions, primarily agricultural, domestic and supervisory employees; however, these employees are protected by Constitutional guarantees regarding freedom of association.

60. The United States also applies and seeks to enforce prohibitions against harmful child labor. The Fair Labor Standards Act prohibits “oppressive child labor” and the interstate transportation of products made with child labor. Federal legislation prohibits forced or compulsory labor. Similarly, U.S. laws generally prohibit discrimination in respect of occupation and employment.

(5) ANTI-CORRUPTION INITIATIVES

61. Recognizing that bribery and corruption can subvert political processes, stifle efficient markets, and act as an invisible tariff on most imports and contracts, the United States has taken a number of steps to combat such practices.

62. In 1998, the United States ratified the OECD Convention on Bribery and Corruption. This Convention builds upon previous recommendations adopted by the OECD with respect to such practices, including a 1994 recommendation on fighting bribery and a 1996 recommendation to prohibit the tax deductibility of bribes in international business transactions. In 1997, the OECD and five non-member countries agreed on the Convention requiring governments to make this conduct a criminal offense.

63. The United States has actively supported the WTO’s opening efforts to establish and enforce basic rules that diminish opportunities for bribery and corruption in, for example, transparency in government procurement and customs valuation.

(6) LEGISLATIVE AGENDA

64. Working together with the U.S. Congress, the Clinton Administration sought and achieved a number of trade-related legislative initiatives over the past few years and will seek additional measures in the future.

65. The U.S. Generalized System of Preferences (GSP) program, which offers preferential market access on a wide variety of products for developing countries, was renewed several times over the past few years. In 1997, the USTR used her discretionary authority to expand coverage for least-developed beneficiary countries by adding an additional 1783 tariff lines that were previously excluded from the program. The Administration has requested renewal from Congress of the GSP program.

66. The Administration is also working with Congress to implement or expand several regional initiatives that would offer substantial additional market access and deeper relationships with developing country trading partners. These include, among others, the African Growth and Opportunity Act and the Caribbean Basin Initiative expansion recently introduced in Congress. Other legislative initiatives include passage of the OECD Agreement on Shipbuilding Subsidies, permanent normal trade relations (MFN status) with Mongolia, Kyrgyzstan, and Laos, and renewal of normal trade relations with China.

67. In his State of the Union address, the President called for a new consensus on trade, based on the shared interests of business, workers, farmers, environmentalists and others. As part of building this new consensus, the Administration is consulting with Congress on the renewal of traditional trade negotiating procedures, often referred to as 'fast-track'. These procedures were used in connection with five major trade agreements, including the NAFTA and the WTO Agreement, from 1974 through 1994. While fast track remains an important tool for ensuring effective Executive and Congressional collaboration on key trade initiatives, it is not a prerequisite for undertaking trade negotiations or concluding trade agreements. This means that the Administration can and will vigorously pursue its broad trade agenda over the months that lie ahead.

IV. OPENNESS AND ACCOUNTABILITY: BUILDING SUPPORT FOR TRADE

68. Building support for trade among our diverse domestic constituencies and the international community is one of the most important challenges the WTO and its members face. Improving the transparency and openness of the organization and our individual domestic processes, and ensuring that we hear the concerns of stakeholders are among the keys to meeting this challenge. These issues are of great importance in the United States and are fundamental to the way our government operates and interacts with the American citizenry. We think it important that other WTO Members know more about how our system works as they consider how best to build support for trade in their own countries, and as we collectively explore the address the same issue for the WTO.

The U.S. System

69. Consulting with those interested in and affected by issues is an important part of any government's responsibility, and is a hallmark of the U.S. system. Advice from stakeholders is both a critical and integral part of the trade policy process. The United States government consults with interested parties on a regular basis through a variety of mechanisms, both formal and informal.

Soliciting Public Comment

70. U.S. government agencies regularly solicit public comment on trade issues. Most recently, we have used this mechanism in our preparations for the new Round. In August 1998, the Trade Policy Staff Committee (TPSC), which includes representatives of all U.S. Government agencies interested in or responsible for trade matters, published a solicitation for public comment regarding the development of the agenda, scope, content and timetables for negotiations or further work in the WTO, including additional consultations with non-governmental stakeholders. The Administration sought views on the broadest possible range of issues for consideration, including possible subject matter and approaches to any new negotiations or future work in the WTO. In May and June of this year, the TPSC will hold public hearings in five U.S. cities on these same issues.

Advisory Committee Process

71. The U.S. Congress established the private sector advisory committee system in 1974 to ensure that U.S. trade policy and trade negotiation objectives adequately reflect U.S. commercial and economic interests. Congress expanded and enhanced the role and objectives of this system in three subsequent Trade Acts. This system is arranged in three tiers: the President's Advisory Committee for Trade Policy and Negotiations (ACTPN); seven policy advisory committees; and 25 technical, sectoral, and functional advisory committees. As trade has developed and broadened, the composition of these official bodies has grown to better reflect society's interests in the trading system.

72. The President appoints 45 ACTPN members for two-year terms; membership must broadly represent key economic sectors affected by trade. The committee considers trade policy issues in the context of the overall national interest. Representatives are drawn from the agriculture, business, labor, environmental and consumer communities.

73. The seven policy advisory committees are the Intergovernmental Policy Advisory Committee (IGPAC), the Trade Advisory Committee on Africa (TACA), the Industry Policy Advisory Committee (IPAC), Agricultural Policy Advisory Committee (APAC), Labor Advisory Committee (LAC), Defense Policy Advisory Committee on Trade (DPACT), and Trade and Environment Policy Advisory Committee (TEPAC). Each committee provides advice based upon the perspective of its specific sector or area.

74. Finally, the 25 sectoral, functional, and technical advisory committees are organized in two areas: industry and agriculture. Each sectoral or technical committee represents a specific sector or commodity group (such as textiles or dairy products) and provides specific technical advice concerning the effect that trade policy decisions may have on its sector. The three functional advisory committees provide cross-sectoral advice on customs, standards, and intellectual property issues.

V. LOOKING FORWARD

75. U.S. policy is based strongly on the premise that removing barriers and distortions to global trade enhances higher wage job creation, incomes, living standards and growth potential, for the United States and its trading partners alike.

76. Since 1948, the multilateral trading system has justified this belief. And in the past five years, the WTO has proven its value: it has created opportunities for growth, advanced the rule of law, and helped ensure that the financial crisis did not lead to a cycle of protection which would have worsened economic conditions in nations affected by the crisis and threatened world prosperity as a whole. And its balance of market access commitments and phase-ins give both developing and industrial countries confidence the system is generally fair.

77. Looking ahead, we face the challenge of keeping the multilateral trading system relevant and responsive to the needs of a fast-paced global economy, a feat which will be accomplished, in part in the new Round of international trade negotiations called for by President Clinton in his 1999 State of the Union address. As emphasized earlier in this statement, we see the need to a broad set of challenges to the trading system – from protectionist pressures spurred by the financial crisis, to persistent trade barriers and trade-distortive measures, access to industrial markets for developing countries, and concerns over sustainable development and working conditions, more effective social safety nets, and the need for greater transparency and inclusiveness in the operation of the trading system. Further, we believe it must be a manageable agenda which can be completed within three years.

78. The United States looks forward to its role as host of the Third Ministerial Conference of the WTO, and to a new era of achievement and prosperity through the trading system.
