



THE UNITED STATES AND THE W.T.O.

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I am pleased to have the opportunity to speak to you at the first event of the Global Business Dialogue. In choosing to discuss international trade and the World Trade Organization (WTO) in this colloquium, just ahead of the first G8 Summit in the new millennium, you touch upon an issue of vital interest for business, economic growth, and peace.

TAKING STOCK

International trade is extremely important to both the U.S. and world economy. From 1992 to 1999, the value of U.S. exports and imports doubled from \$1 trillion to over \$2 trillion, the largest increase in the volume of international trade in U.S. history. During this same period, U.S. citizens have enjoyed unprecedented prosperity; almost 30% real growth, the longest economic expansion in U.S. history, the lowest unemployment since 1970, a \$400 billion expansion in manufacturing, and a real increase in wages by 6.5%. And these benefits have been broadly shared through the economy as indicated by the lowest poverty rates in a generation.

The U.S. experience is mirrored in the rest of the world. Since the creation of the GATT and the first opening of world markets that it sparked after World War II, trade has expanded 15-fold, world economic production has grown 6-fold, and per capita income has nearly tripled. Recent studies by the International Monetary Fund and the WTO indicate that more open economies grow faster, with more widely shared prosperity, than those that close themselves off.

World economic security has improved because of an expanding global trading system. During the Asian financial crisis from 1997 to 1999, for example, 40% of the world fell into recession; and five major Asian economies contracted by more than 5%. But in this crisis, the WTO rules-based trading system helped ensure that the U.S. and others kept their markets open, permitting the affected countries to continue to export and achieve a faster recovery. This was crucial to Asia's recovery. Broad membership in the WTO and observation of its rules helped prevent a retreat into the type of self-defeating protectionism that had occurred during the Depression of the 1930s. As President

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Clinton said last January, "Open markets and rules-based trade are the best engine we know of to lift living standards, reduce environmental destruction, and build shared prosperity." And the best way to ensure that this continues is by working through the WTO.

SEATTLE AND BEYOND

The global trading system, under the WTO, is sound and U.S. participation in that system is profoundly in its interest. Although the Ministerial conference in Seattle was unable to agree on an agenda for a new negotiating WTO Round, and the WTO has received some criticism from its members and from outside as well, the WTO is fulfilling its mission of raising living standards through increased trade.

The large membership of the WTO means that reaching a consensus is a very slow process; we saw that in Seattle last November. The 135 members of the WTO could not agree on a common agenda to launch a new WTO Round of trade talks. Inflexibility, especially on the part of the largest economies, caused the process to stall. The European Union (EU) was not ready to compromise on its position on agriculture, which was opposed by agricultural-exporting countries. Japan insisted on including competition and anti-dumping in the discussion, which the U.S. could not accept. The U.S. proposal to establish a working group on trade and labor in the WTO was very unpopular with developing countries.

The WTO has faced criticism on many fronts, much of it valid. We hope to address those concerns as effectively as possible. Organized labor worries about the impact of trade liberalization on labor standards and wages. For the trade liberalization process to move forward, we must ensure that all people and workers can, and recognize that they do, share in the benefits of market-opening reforms. The U.S. hopes that the WTO will facilitate dialogue on the effects of trade on working conditions. We also believe that the WTO can cooperate more actively with the International Labor Organization on a number of issues.

Reform of the WTO is necessary to ensure broad support throughout the world for continued trade liberalization. The U.S. is pushing for reform in a number of areas, such as transparency, the internal processes of the WTO, and dispute settlement. Until the public understands the mission and processes of the WTO, there will continue to be apprehension and distrust. For example, legal arguments under the WTO's dispute settlement process are currently closed to the public. As a means for achieving forward movement in this area before we can reach a general consensus to open up dispute settlement, the U.S. has proposed to the EU that we immediately open arguments in our transatlantic disputes. To date, the EU has not agreed with this proposal. The internal processes of the WTO also need to be revised. Seattle demonstrated that the WTO must develop a more effective means of ensuring both participation and efficient consensus building among the organization's diverse ; we must make sure that all WTO members can fully participate in the process. We believe that the reform process should not be allowed to delay the start of a new WTO Round. These objectives can be accomplished concurrently.

STRENGTHENING THE WTO

WTO reform is an important way to make the organization stronger and more effective, but other steps are necessary as well. We need to broaden the trading system to include all countries willing and able to uphold its rules. Including large countries, such as China and Russia, in the WTO is crucial for ensuring that it is a truly global trading organization. An important step in this process occurred last month, when the U.S. House of Representatives voted to extend Permanent Normal Trading Relations to China (PNTR). Expanding WTO membership means strengthening the rule of law and integration into the world economy of the new members, which ultimately promotes peace and democracy.

The United States, the EU, and Japan have been working hard to ensure that developing countries benefit more fully from participation in the global trading system. Recently, we concluded a proposal offering duty-free market access to virtually all exports from the least developed countries. The U.S., the EU, and Japan are working to provide technical assistance to help the least developed countries participate more fully in the world trading system and meet their WTO obligations.

Last month, the U.S. Congress passed the Trade and Development Act of 2000, (combining the Administration's Africa Growth and Opportunity Act and Caribbean Basin Enhancement Initiative trade bills) to promote prosperity and stability in those regions. This Act offers preferential market duty and quota free access to the U.S. market for eligible countries, which will help them to compete globally. But the initiative goes beyond market access, also offering broad economic and technical assistance to promote development in these regions. Initiatives such as this demonstrate U.S. resolve to grant enhanced market access to facilitate developing countries' integration into the global economy.

U.S. ACTIVITIES IN THE WTO: MOVING FORWARD

The U.S. and our trading partners are already making progress on the "built-in agenda" WTO negotiations on services and agriculture. At the end of last month, the General Agreement on Trade in Services meeting in Geneva (Switzerland) finalized its roadmap and timetable for the services negotiations. They will complete the technical negotiations by March, 2001, and the U.S. has submitted proposals on several services areas not covered before, such as energy and express delivery.

The WTO negotiations on agriculture are moving forward as well. Last week, the U.S. tabled a proposal for eliminating tariffs and reforming subsidies in the agricultural sector. Members have until the end of the year to submit negotiating proposals.

Anti-dumping and countervailing duty policy has been the subject of much criticism by WTO members recently. The U.S. understands the concerns, but when used correctly, in a legal and transparent manner, anti-dumping can be an important policy tool that makes the trading system more fair and free. Anti-dumping is used by many countries, among both developed and developing economies, as a policy tool. In the U.S., anti-dumping actions only cover four-tenths

of 1% of total imports, a percentage similar to other countries. As you can see, it affects only a small percent of total trade, but still has an important role to play. By reassuring the fairness of the trading system, countries can maintain support for increased trade liberalization, which benefits us all.

LOOKING FORWARD

Since December, we have been consulting with our trading partners and with Director General Moore on ways to move ahead on a new Round. The reaffirmation on May 31, 2000, by the U.S. and EU of a commitment to launch a new Round within the year is one result of those efforts. The OECD confirmed this commitment 2 weeks ago at its ministerial meeting, where the countries pledged to "work towards the launch as soon as possible of an ambitious, balanced, and broad-based WTO Round." To build further consensus for a Round is not simple, but there is already agreement among most WTO members on a number of issues that should be included within the scope of new negotiations.

CONCLUSION

The U.S. remains committed to the expansion of a free, fair, and rules-based trading system under the WTO. As trade liberalization and the WTO have expanded, prosperity and peace has spread. Looking ahead to next week's G-8 Summit in Okinawa (Japan), I anticipate that our leaders will endorse an approach to the international trade agenda that recognizes the vital importance of embarking on a new Round of multilateral trade negotiations. We want to do everything we can to help ensure that all countries and people benefit from participation in the global trading system. Reforming the WTO, expanding its membership, encouraging dialogue on trade and labor, and reaching out to developing countries are a few ways that we can make the organization stronger, more effective, and help ensure that we are able to launch a new WTO Round as soon as possible. I look forward to hearing your questions and comments on this important issue. Thank you.

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