

# WORLD TRADE

improvement, and any deviation from it as scandalous, aberrant and avoidable.”

The founders of the GATT had learned from bitter experience that such a deviation, while avoidable, was entirely possible. The entire world had felt the consequences of dismantling the open economy. And their task, in essence, was to reestablish it.

They created a contractual system, based on a broad vision of openness, the rule of law, mutual benefit and enlightened self-interest. Fifty years later, we see that their work was a resounding success.

The membership of the system has grown from 23 to 132, and 31 more economies have applied to join. Its coverage began with border measures such as tariffs and quotas. It moved on to non-tariff barriers in the Tokyo Round. In the Uruguay Round it began to address services, investment, intellectual property and agricultural trade. Most recently, it began to lay the foundation for an open 21st century economy through last year’s agreements on Information Technology, Basic Telecommunications and Financial Services.

As a result, international exports in goods have grown, in real terms, from \$346 billion in 1950 to \$5.3 trillion in 1997. Since 1960, growth in trade has helped to nearly triple world economic output and double world per capita income. And last year, measuring the ratio of trade to world economic production, the world recovered the degree of openness it last enjoyed in August 1914.

This means workers take advantage of higher skills and larger markets to raise their income; and as consumers, these workers' incomes have greater purchasing power as they can spend it on a

A. AGRICULTURE -- Most immediately, we look ahead to the opening of comprehensive negotiations on agricultural trade. These negotiations will continue the landmark reforms of world agricultural trade begun in the Uruguay Round. And we must do the preparatory work to allow them to begin on time.

If these negotiations reach their potential, they can create a world which fairly rewards farmers and ranchers for their work, offers consumers the broadest range of choices at prices that reflect production costs rather than trade barriers, makes food supplies more reliable, and reduces hunger worldwide. The talks will require consultations with a range of interests. But in addition to such issues as administration of tariff rate quotas and implementation of existing commitments, let me cite four areas we believe must be priorities:

Market access: Tariffs on agricultural products remain quite high. We envision negotiations for broad reductions in tariffs, combined with

Export subsidies: With the beginning made in the Uruguay Round, we must continue working to reduce and eventually eliminate export subsidies.

Transparency and improved disciplines on State Trading Enterprises: STEs can distort trade and frequently operate in secret. This can both restrict imports and distort trade more generally. We must build upon our ongoing efforts in the WTO's Working Group on STEs as negotiations begin.

Biotechnology: Biotechnology holds tremendous promise for improving the productivity of agricultural producers, enabling them to conserve habitat, and helping to guarantee the food supply. The principal threats to this are policies not based on science regarding importation, planting and labelling of biotechnology products. The world's producers must be able to use safe, beneficial scientific techniques that make farms and ranches more productive and friendly to the environment.

B. SERVICES -- The WTO recognizes that any discussion of the globalization of commerce must inevitably turn to the role of trade in services. Services -- like distribution, transportation, telecommunications, design, marketing, the professions and management -- are essential to the strategy of any business, agricultural or industrial company, and in a broader sense to the functioning of any modern, prosperous economy. An open, well-regulated services market provides the necessary foundation for a country's ability to compete.

In the Uruguay Round, our major accomplishment was to create trade disciplines for this sector in the General Agreement on Trade in Services. Since then, in the financial services and basic telecommunications negotiations, we have demonstrated our determination to apply those rules in a way that provides new commercial opportunities for our private sectors, promotes equitable economic growth, and builds the infrastructure for a more interconnected global economy of the 21st century.

Equally important, WTO rules on services apply to *all* service sectors, excepting only air landing rights, and including services in the cultural industries. In fact, trade rules have applied to the audiovisual sector since the founding of the GATT in 1947, and have always been sufficiently flexible to take account of each country's unique tradition. So while some countries may exempt themselves from WTO rules, for example, to provide support only to national artists, others have used WTO rules to seek redress for distribution or other clearly commercial aspects of these industries. More and more, as they join the WTO, countries are taking on commitments in the broadest possible range of sectors, recognizing the value to their consumers and their producers of comprehensive, predictable rules on trade in services.

We have now begun to prepare for the negotiations envisioned in the Uruguay Round. This month, the Council for Trade in Services agreed on a work program for the first stage in those preparations.



rules-based system that now includes most of world trade, the system will be incomplete and subject to distortion from outside. For their part, the applicants will benefit from the WTO's basic principles of market economics under the rule of law. And the broader vision of the trading system as a contributor not only to mutually beneficial trade but to world peace itself will remain only partially fulfilled.

Thus the United States views these accessions as an important opportunity, comparable to the integration of Japan and Germany into world trade soon after World War II. Their entry

B. GROUND RULES TO FACILITATE SCIENTIFIC ADVANCE -- Second, the WTO must, in all fields, ensure that the ground rules it sets facilitate the advance of science and the movement of beneficial innovations to the marketplace.

I have already cited the need for our agricultural negotiations to ensure that farmers and ranchers can improve productivity and protect the environment through use of the most advanced science. Let me cite one specific case: Global Electronic Commerce.

Global electronic commerce has the potential to bring consumers a vast range of benefits in everything from arts and entertainment to improved health care through telemedicine to easier and safer travel. It can also facilitate trade by allowing individuals to become entrepreneurs more easily, and by its potential applications to technical trade issues such as customs procedures.

Today, the world of electronic transmissions is, in trade terms, pristine. The GATT system, to oversimplify only slightly, represents fifty years of undoing the tariff and non-tariff barriers governments created after 1914. The right vision today will spare the next generation that work in electronic commerce. No member of the WTO now considers electronic transmissions imports subject to duties for customs purposes. There are no customs duties on cross-border telephone calls, fax messages or computer data links, and this practice must remain.

Thus, we believe that the Ministerial should agree to a standstill on customs duties on electronic transmissions, as a first step to make sure electronic commerce remains a catalyst for growth and expansion of trade, and consequently prosperity, choice and a higher quality of life. It should also adopt a work program on the trade-related aspects of electronic commerce.

#### **THE CONCERNS OF CITIZENS**

Fourth, the trade system must do more to build confidence with the public at large.

International trade is expanding and touching the lives of more people everywhere. The clothes we wear, the food we eat for breakfast, the cars we drive to work, the computers we turn on at the office, the microchips that make them run, and the banks in which we deposit our paychecks are all part of the trading system. And as trade's effect on people grows, so do the public's expectations

restrictions on prompt public access to panel reports are perceived as deliberate means to keep the process secret and inaccessible. This does nothing other than breed distrust. While provision has been made for ministerial meetings to include observers in some of the ministerial conference business sessions, the Councils and other subsidiary bodies have not yet provided such opportunities.

We thus hope to see early action to improve the 1996 WTO decision on derestriction of documents to make the WTO more transparent, including circulation of panel reports to all Members and derestriction as soon as the report is finalized in the original language of the panel. We were pleased to be joined in these sentiments by the Trade Ministers of Canada, the European Union and Japan last month. We also believe there is no reason the interested public should be excluded from observing dispute settlement proceedings or filing amicus briefs.

We also urge the WTO to adopt a formal consultative mechanism to allow regular and continuous contact with the private sector and NGOs. Others have adopted such mechanisms -- the Western Hemisphere nations, for example, agreed on a Civil Society Committee as part of the Free Trade Area of the Americas negotiations, and the OECD has for some time maintained standing advisory contacts with both business and labour representatives. The WTO would benefit from the same type of exchange.

B. TRADE AND THE ENVIRONMENT -- Beyond such institutional issues, we must also examine the interaction between expanded trade and other shared policy goals of central importance to societies.

For example, the creation of prosperity through open trade, and the protection of the environment and the public health, are two basic goals of all WTO



C. TRADE AND LABOUR STANDARDS -- A basic objective of the WTO, and the GATT before it, is to raise standards of living. There is no doubt that workers around the world have